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**MEETING NOTICE AND AGENDA**

**Name of Organization:** Economic Forum  
(NRS 353.226 – NRS 353.229)

**Date and Time of Meeting:** June 3, 2014 - 9:00 a.m.

**Place of Meeting:** Grant Sawyer State Office Building  
Room 4401  
555 East Washington Avenue  
Las Vegas, Nevada

Note: Some members of the Economic Forum may be attending the meeting and other persons may observe the meeting and provide testimony through a simultaneous video conference conducted at the following location:

Legislative Building  
Room 4100  
401 South Carson Street  
Carson City, Nevada

*If you cannot attend the meeting, you can listen to it live over the Internet. The address for the Nevada Legislature website is <http://www.leg.state.nv.us>. Click on the link "Calendar of Meetings – View."*

**Note: Please provide the secretary with electronic or written copies of testimony and visual presentations if you wish to have complete versions included as exhibits with the minutes.**

**AGENDA**

**Note:** Items on this agenda may be taken in a different order than listed. Two or more agenda items may be combined for consideration. An item may be removed from this agenda or discussion relating to an item on this agenda may be delayed at any time.

- I. ROLL CALL.
- II. OPENING REMARKS.

III. PUBLIC COMMENT.

(Because of time considerations, speakers are urged to avoid repetition of comments made by previous speakers. A person may also have comments added to the minutes of the meeting by submitting them in writing either in addition to testifying or in lieu of testifying. Written comments may be submitted in person or by email, facsimile, or mail before, during, or after the meeting.)

*For  
Possible  
Action*

IV. ELECTION OF CHAIRPERSON AND VICE CHAIRPERSON.

*For  
Possible  
Action*

V. APPROVAL OF THE MINUTES OF THE MAY 1, 2013, MEETING.

*For  
Possible  
Action*

VI. APPROVAL OF THE MINUTES OF THE DECEMBER 6, 2013, MEETING.

*For  
Possible  
Action*

VII. PRESENTATION ON THE STATE EMPLOYMENT AND UNEMPLOYMENT OUTLOOK.

Susanna Powers, Economist, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation

*For  
Possible  
Action*

VIII. PRESENTATION ON STATE MEDICAID ENROLLMENT, STATE HEALTH INSURANCE PLAN ENROLLMENT THROUGH THE SILVER STATE HEALTH INSURANCE EXCHANGE RELATED TO THE FEDERAL AFFORDABLE CARE ACT, AND THE STATE HEALTH INSURANCE MARKET.

Mike Willden, Director, Department of Health and Human Services

Christopher (CJ) Bawden, Communications Officer, Silver State Health Insurance Exchange

Adam Plain, Insurance Regulation Liaison, Division of Insurance, Department of Business and Industry

*For  
Possible  
Action*

IX. PRESENTATION ON THE TAX CHANGES APPROVED BY THE LEGISLATURE DURING THE 2013 SESSION AND THE ECONOMIC FORUM MAY 1, 2013, FORECAST FOR FY 2014 AND FY 2015, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2013 SESSION.

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

*For  
Possible  
Action*

X. REPORT AND DISCUSSION OF FY 2014 YEAR-TO-DATE ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM MAY 1, 2013, FORECAST, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2013 SESSION.

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

*For  
Possible  
Action*

XI. PRESENTATION ON THE TAXATION OF NET PROCEEDS OF MINERALS IN NEVADA.

Terry Rubald, Deputy Executive Director, Department of Taxation

*For  
Possible  
Action*

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

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

*For  
Possible  
Action*

XIII. PRESENTATION ON HISTORICAL TAXABLE SALES AND GAMING MARKET STATISTICS.

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

*For  
Possible  
Action*

XIV. DISCUSSION OF THE REPORT BY THE ECONOMIC FORUM TO THE INTERIM FINANCE COMMITTEE REQUIRED PURSUANT TO NRS 353.228.

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

XV. PUBLIC COMMENT.

(Because of time considerations, speakers are urged to avoid repetition of comments made by previous speakers. A person may also have comments added to the minutes of the meeting by submitting them in writing either in addition to testifying or in lieu of testifying. Written comments may be submitted in person or by email, facsimile, or mail before, during, or after the meeting.)

XVI. ADJOURNMENT.

Note: We are pleased to make reasonable accommodations for persons with disabilities who wish to attend the meeting. If special arrangements for the meeting are necessary, please notify the Fiscal Analysis Division of the Legislative Counsel Bureau, in writing, at the Legislative Building, 401 South Carson Street, Carson City, Nevada 89701-4747, or call the Fiscal Analysis Division at (775) 684-6821 as soon as possible.

Notice of this meeting was posted in the following Carson City, Nevada, locations: Blasdel Building, 209 East Musser Street; Capitol Press Corps, Basement, Capitol Building; City Hall, 201 North Carson Street; Legislative Building, 401 South Carson Street; and Nevada State Library, 100 Stewart Street. Notice of this meeting was faxed for posting to the following Las Vegas, Nevada, locations: Clark County Government Center, 500 South Grand Central Parkway; and Grant Sawyer State Office Building, 555 East Washington Avenue. Notice of this meeting was posted on the Internet through the Nevada Legislature's website at [www.leg.state.nv.us](http://www.leg.state.nv.us).

Supporting public material provided to Subcommittee members for this meeting may be requested from Judy Lyons, Committee Secretary, at 775-684-6874 or Tracie Battisti, Fiscal Analysis Division of the Legislative Counsel Bureau at 775-684-6821, and is/will be available at the following locations: Meeting locations and the Nevada Legislature's website at [www.leg.state.nv.us](http://www.leg.state.nv.us).



**MINUTES OF THE MEETING OF THE  
STATE OF NEVADA ECONOMIC FORUM  
(NRS 353.226 – NRS 353.229)**

**May 1, 2013**

The meeting of the State of Nevada Economic Forum (created by Senate Bill 23, 1993) was held at 9:30 a.m. on Wednesday, May 1, 2013, in room 2144 of the Legislative Building, 401 South Carson Street, Carson City, Nevada, with videoconference to room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada.

**ECONOMIC FORUM MEMBERS PRESENT IN CARSON CITY:**

Ken Wiles, Chairman  
Marvin Leavitt  
Matthew Maddox  
Chris Nielsen

**ECONOMIC FORUM MEMBERS PRESENT IN LAS VEGAS:**

None

**ECONOMIC FORUM MEMBERS ABSENT:**

Linda Rosenthal

**STAFF:**

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division  
Janet Rogers, Chief Economist, Executive Budget Office  
Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division  
Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division  
Patti Sullivan, Secretary, Fiscal Analysis Division

**EXHIBITS:**

<u>Exhibit A</u>	Meeting Packet and Agenda
<u>Exhibit B</u>	Table 8, Major General Fund Revenue Forecasts for FY 2013, FY 2014 and FY 2015
<u>Exhibit C</u>	Economic Forecast – Executive Budget Office
<u>Exhibit D</u>	Forecast Information Packet – Fiscal Analysis Division
<u>Exhibit E</u>	Letters to the 77 <sup>th</sup> Legislature and Governor Brian Sandoval
<u>Exhibit F</u>	Summary of the Economic Forum General Fund Revenue Forecast
<u>Exhibit G</u>	General Fund Revenues – Actual: FY 2010 through FY 2012 and Forecast: FY 2013 through FY 2015

## **I. ROLL CALL**

Chairman Ken Wiles called the meeting of the State of Nevada Economic Forum to order at 9:35 a.m. and the secretary called roll. The members were present at the meeting in Carson City, with member Ms. Linda Rosenthal absent excused.

## **II. PUBLIC COMMENT.**

Chairman Wiles asked for public comment from attendees in Carson City and Las Vegas.

There was no public comment and the Chairman proceeded with the meeting agenda.

## **III. APPROVAL OF MINUTES OF THE NOVEMBER 30, 2012, MEETING.**

Chairman Wiles asked for approval of the minutes.

MR. LEAVITT MOVED FOR APPROVAL OF MINUTES OF THE NOVEMBER 30, 2012, MEETING. MR. NIELSEN SECONDED THE MOTION.

THE MOTION WAS UNANIMOUSLY APPROVED.

## **IV. PRESENTATION ON THE ECONOMIC OUTLOOK AND SALES TAX AND GAMING PERCENTAGE FEE TAX FORECASTS.**

**Daniel White, Economist, Moody's Analytics (by telephone)**

Chairman Wiles introduced Mr. Daniel White, Economist, Moody's Analytics, who joined the meeting by telephone. Mr. White provided the following overview and summary of Nevada's economic outlook and forecasts on the State 2% Sales and Use Tax and Gaming Percentage Fee Tax.

Mr. White started his presentation on page 53 of the Economic Forum meeting packet (Exhibit A), which was Moody's Analytics latest forecast published on April 15, 2013. He noted that Moody's U.S. Macro Outlook had changed since his previous presentation before the Economic Forum on November 30, 2012. Mr. White explained that some of the downside risk Moody's identified in November came to fruition, principally the federal fiscal outlook. He said the policymakers were able to avert a near-term fiscal meltdown by extending the tax cuts for most Americans and avoiding an American shutdown by the continuing resolution in April 2013. Unfortunately, the policymakers had to do it by implementing the full sequester, which Moody's had not assumed in its November outlook. That meant the full 1.5% impact on gross domestic product (GDP), which was discussed at length at the November 30, 2012, meeting,

would be felt in calendar year 2013. Mr. White stated of that 1.5%, approximately 60 basis points came from the expiration of the payroll tax cut; nearly 40 basis points came from tax increases on the wealthiest Americans, along with other miscellaneous tax increases and cuts in spending; and 50 basis points came from the full sequestration. As a result, the U.S. economy was slated to grow in the 2% to 2.5% range in 2013, rather than a normal growth of 3.5% to 4%. Mr. White thought the first quarter GDP number was a good indication of where the U.S. was going to be for most of fiscal year 2013. He said if the sequestration was continued into fiscal year 2014 the 60 basis point cuts from the payroll tax and the 40 basis points of the miscellaneous tax increase would cease in fiscal year 2014; therefore, the U.S. would have a healthier economy because of lessened fiscal drag. Mr. White indicated that Moody's saw GDP growing around 3.5% to 4% in 2014 and in 2015 he hoped it would reach above 4%, which would get the U.S. back on track. He said Moody's forecast for 2013 was slightly weaker than in November 2012, the forecast for 2014 was much weaker because of the full sequestration, and the forecast for 2015 was expected to be strong, but not as strong as it was previously. Mr. White noted that since the forecast was prepared the week of April 15, 2013, the sales tax number in Moody's forecast did not reflect the sales tax data that had been released by the Department of Taxation in the days prior to the meeting. However, his team had enough time to incorporate the new data into Moody's models, but determined the forecast was unchanged. Mr. White said Moody's was comfortable with its April 15, 2013 forecast, even with the new sales tax numbers. He indicated that some of the upside and downside risks could be seen in the sales and use tax numbers so Moody's brought its estimate down a bit in the near-term, although Moody's forecast was robust in the out years especially in early 2015 due to the housing recovery. Mr. White said housing was starting to recover in the U.S., but Moody's did not see Nevada making great gains in that area until at least the end of calendar year 2014 or the beginning of 2015, which was roughly two years after the U.S. recovery. Mr. White pointed out that Moody's sales and use tax forecast for Nevada for fiscal year 2015 at 7.3% (page 55, Exhibit A) was strong; however, it was significantly weaker than the norm following past recessions. He said given the impact that housing recovery had on durable goods purchases, which factored into sales taxes, Mr. White remarked it was inevitable that one or two years of strong sales tax receipts would be apparent during the housing recovery.

Moving to Gaming Percentage Fee Tax, Mr. White said Moody's forecast was unchanged from the November 30, 2012, meeting, with significant downside risk from increasing competition, both domestically and overseas. Moody's built that downside risk into its forecast, but Mr. White said anything to a greater extent than what was already built in would be significant downside risk to collections over time, particularly interstate online gaming. Although that type of gaming was a few years away it would be a potential major competitor to brick and mortar type gaming in Nevada. He acknowledged there was some upside risk to the gaming percentage fee forecast, but Moody's had heard there were a number of possible projects under discussion in Southern Nevada and Las Vegas. Although those potential projects were not built into Moody's forecast, if any of the projects came to fruition, Mr. White thought it would be noteworthy.

Chairman Wiles said Mr. White mentioned the full impact of the sequester in his presentation, which had not been incorporated into Moody's November 2012 forecast. However, interestingly there had been a robust market rally in terms of the equity markets and to some extent with the bond market with rates continuing to fall. Chairman Wiles thought there was somewhat of a wealth effect potentially affecting local gaming activity as people's stock portfolios went up in value. He asked Mr. White if Moody's forecast accounted for that, or how it might have impacted Moody's estimates.

Mr. White said Moody's did not necessarily take into account the wealth effect, but the gains in income from dividends, interest and rent were built into the income numbers incorporated into Moody's gaming forecast. He indicated that Moody's did not see robust growth in incomes over the course of 2013 mostly because of the cuts that would come through the federal government and higher tax rates at the higher income levels. He indicated that Moody's foresaw improvement in the income numbers and they were incorporated into the personal income component of Moody's forecast.

Chairman Wiles appreciated Mr. White's time and thanked him for the presentation.

Before moving to the next agenda item, Mr. Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, identified the various meeting materials available for the members, including the State of Nevada Economic Forum meeting packet (Exhibit A), the Executive Budget Office Forecast packet (Exhibit C), the Fiscal Analysis Division Forecast Information packet (Exhibit D) and Table 8 (Exhibit B, printed on green paper). Before proceeding with the agenda, he wanted to ensure all the members had the appropriate materials that were prepared and provided for the meeting.

## **V. PRESENTATION ON THE STATE EMPLOYMENT OUTLOOK.**

**Bill Anderson, Chief Economist, Research and Analysis Bureau,  
Department of Employment, Training, and Rehabilitation**

Mr. Bill Anderson, Chief Economist, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation started his presentation with a summary of the state employment outlook. He reported that the state's labor markets were improving in employment growth and characterized that growth as steady, but moderate. Noting that Nevada was the state "hit the hardest" during the recession in terms of job growth, Mr. Anderson pointed out Nevada was moving upward in the state rankings and narrowing the gap in the unemployment rate. Mr. Anderson said the outlook was marginally more positive than it was at the November 30, 2012, Economic Forum meeting. Therefore, the Department of Employment, Training and Rehabilitation had increased its job forecast by approximately one percentage point for growth in the 2.5% to 3.0% range, whereas in early in calendar year 2013 the department's forecast was approximately one percentage point lower. Putting those numbers into a historical



perspective, Mr. Anderson indicated before the recession Nevada grew about 6%, which equated to nearly double the anticipated growth in the near term.

Referring the members to the Economic Forum meeting packet (Exhibit A), Mr. Anderson thought page 60 captured the nationwide picture for U.S. job growth. The graph shown on page 60 depicted the national labor markets as very volatile with good and bad months. He noted that during the recession, Nevada had depended upon what transpired nationally and even worldwide in the national labor markets, but some continuous U.S. job growth could be seen stretching out over the prior two to three years. Mr. Anderson explained the U.S. needed approximately 150,000 jobs per month in order to drive the unemployment rate down on a consistent basis.

Chairman Wiles asked if 150,000 jobs would maintain or reduce national unemployment.

Mr. Anderson answered that 150,000 jobs would keep the unemployment rate trending down and was the job growth rate to date. He recalled how the national unemployment rate had been about 8.5% in early 2012; over the course of the year preceding the May 1, 2013, Economic Forum meeting the national unemployment rate was down to 7.6%, which showed downward pressure on the jobless rate.

Chairman Wiles commented that part of the reduction in the national unemployment rate had been driven by people leaving the workforce, which added a different denominator into the equation.

Mr. Anderson said the national unemployment rate was a combination of both job growth and sluggish labor force growth. He noted that for Nevada's numbers his office included all the people who dropped out of the labor force, which resulted in an unemployment rate that was approximately one percentage point higher than the official reported rates. Moving to page 61 (Exhibit A), Mr. Anderson remarked that the recession had peaked in 2009-2010 and Nevada had been growing ever since in terms of personal income growth with a 2.5% gain in 2012. Although it was positive growth, the numbers came up short of where Nevada was prior to the recession. Mr. Anderson said page 62 showed the average weekly wage growth data through the end of 2012. The graph indicated that the recession impacted the state in 2009-2010, but a growth pattern had started to emerge with the average weekly wage at a record high of approximately \$839 a week for all of 2012. However, the state was struggling to keep pace with the rate of inflation. Referring to page 63, Mr. Anderson said the Nevada unemployment rate had trended about two percentage points below where the state was in mid-2012. As of March 2013, the unemployment rate was 9.7% after peaking at approximately 14% in late 2010. Mr. Anderson stated that most importantly, Nevada had started to narrow the gap in unemployment with the rest of the states throughout the nation. However, as shown on page 64, Nevada still had the highest unemployment rate in the nation. He said there were a number of other states that were just slightly better than Nevada and the possibility existed Nevada could move ahead of other states in the rankings by the end of 2013. Moving to page 65, Mr. Anderson said one good

indicator that showed the relative nature of Nevada's growth was the decline in the unemployment rate. It was the strongest in the nation down 1.9 percentage points relative to the year prior in March 2012. He pointed out the majority of states saw declines, but none of them had declined at the same rate as Nevada. Mr. Anderson said long-term unemployment (page 66), defined as people without a job for more than six months, had been a problem in the state and throughout the nation. He indicated the number of long-term unemployed Nevadans peaked in excess of 90,000 at the height of the recession. Fortunately, that number had declined to approximately 67,000 in the 12 months ending in March 2013 and continued to trend downward. Addressing Chairman Wiles' comment that part of the reduction in the national unemployment rate had been driven by people leaving the workforce, Mr. Anderson explained if all the people who became discouraged in obtaining employment and left the labor force were counted in the unemployment rate it would be in excess of 20%. He said this measure was often misreported. As shown on page 67, there were different measures to determine the varying unemployment rates starting with the Official Rate and then measurements denoted as U-1 through U-6. Each measure included the addition of a different group of unemployed workers, or part-time employed workers who would rather be full-time workers. Mr. Anderson pointed out that the discouraged worker component Chairman Wiles described added about one percentage point to Nevada's unemployment rate.

Mr. Maddox asked what the spread was between U-3 and U-6 over the last two decades.

Mr. Anderson estimated it was two-thirds, within a couple of percentage points.

Mr. Anderson thought it was important to look at the unemployment rates for each individual county in relationship to Nevada as a whole. Turning to page 68 of Exhibit A, he indicated the bulk of the states' low unemployment rates were in the rural counties, especially in Northeastern Nevada where mining played a large role in the economy. The highest unemployment rates were in Lyon and Mineral Counties and the lowest in Esmeralda, Lander and Humboldt Counties. Switching from unemployment information to employment information (page 69), Mr. Anderson said job levels were up by approximately 19,000 in March 2013 compared to the year prior. He also indicated job levels had held steady for the first few months of 2013; Nevada was up about 23,000 jobs in comparison with the first quarter of 2012. In fact, Nevada had experienced nonstop positive job growth (page 70) every month since the beginning of 2011, and was just below 2% in terms of job growth in the first part of 2013, compared to the same time in 2012. Mr. Anderson liked to generalize that the economy "bottomed out" in 2010 and thought it was a good idea to compare how the state had fared since that timeframe. Focusing on employment growth since 2010, he said page 71 showed information on total private and public sector job growth and private sector job growth. Mr. Anderson remarked that close to 11,000 private sector jobs were added in 2011, with approximately 19,400 added in 2012 for a total growth of private sector jobs at 30,100 from 2010 to 2012. Since the state was trending up more than 23,000 jobs in the private sector in the first part of 2013, he thought if those gains held, by the end of

2013 there was potential to have added 50,000 to 55,000 new private sector jobs since 2010. Referring to page 72, Mr. Anderson pointed out that for the first time in several years Nevada's job growth in 2013 had surpassed the national average. In the first quarter of 2013, job growth in Nevada was up approximately 2.3% compared to a 1.6% growth rate nationwide. Mr. Anderson thought the most significant chart in his presentation was on page 73, which showed how Nevada was performing relative to other states, where complete counts of employment from unemployment insurance records from 2003 to 2012 were used to compile the data. As indicated on the chart on page 73, prior to the recession Nevada had grown faster in terms of job growth than any other state in the nation. However, during the recession all other states in the nation were growing faster, or declining less than Nevada. Mr. Anderson said beginning in 2011, Nevada started to improve, and through the first nine months of 2012, the state's growth was higher than 21 other states. Additionally, if only data from September 2012 were considered it would show that Nevada grew faster than 35 or 36 other states. Therefore, Mr. Anderson said Nevada had started to gather some momentum in terms of job growth. In the interest of time, Mr. Anderson skipped page 74. Moving to page 75, Job Growth by Industry, he said Nevada was starting to see more establishments add jobs relative to those that were eliminating jobs. Mr. Anderson indicated nearly all industries were growing, with the exception of professional and business services, which had previously been the fastest growing in 2012. The leisure and hospitality industry had led the way in growth in 2013 with about 9,000 new jobs, and trade, transportation and utilities also fared well in that timeframe. He added that construction actually had positive growth results from mid-2012 to late 2012; however, the state was growing off a historically low base so it still had a long distance to reach a full recovery. Page 76 showed that the number of employers participating in the state's unemployment insurance program improved in 2012 after declining for the previous three years. Mr. Anderson pointed out that initial claims for unemployment (page 77) had declined for 37 of the previous 40 months with initial claims totaling 15,400 in March 2013, compared to 16,400 in March 2012 following a peak of 36,000 claims during the recession. Page 78 showed the distribution of the state's unemployed. The dark blue area of the chart represented the number of unemployed who claimed regular state unemployment benefits, the light blue area denoted the number of unemployed who claimed unemployment benefits that were part of the federal funded extension program, and the yellow area showed total unemployment. Referring to page 79, Mr. Anderson said all of the current barometers for unemployment insurance activity including initial claims and unemployment insurance exhaustion were trending below their respective historical ten-year averages. He stated that in terms of the outlook for the state's unemployment rate (page 80) Nevada averaged a 10% rate in the first part of 2013. His department estimated that by the end of 2013 the average unemployment rate would be 9.4%, with a decline of another 1% in 2014 and 0.5% in 2015. Mr. Anderson indicated that by 2015 Nevada would have an unemployment rate that approached 8% for the state as a whole. He said more importantly, on page 81, was the employment forecast, which showed an increase of 23,000 additional jobs in 2013, 30,000 jobs in 2014 and 33,000 jobs in 2015. Mr. Anderson said that was good news even though that was about half the rate of growth Nevada had seen prior to the recession, especially in 2009 and 2010.

Mr. Maddox asked if the 23,000 expected jobs in 2013 was for the calendar year or the fiscal year. Mr. Anderson replied it was for the calendar year. Mr. Maddox pointed out that on page 71 year-to-date growth for the first three months of 2013, 23,000 jobs were added. He asked if that meant zero growth was expected for the remainder of 2013.

Mr. Anderson explained that the 23,000 jobs figure shown on page 71 was a comparison of the first quarter of 2013, versus the first quarter of 2012. He said it was assumed that in the last nine months of 2013 job levels would come in at about 23,000 and higher than the previous year; therefore, by the time the figures were averaged from 2012 to 2013 the 23,000 jobs would be reached. Mr. Anderson added that the state was trending in line with his departments forecast for job growth.

Referring again to page 71 as well as to page 82, Mr. Maddox indicated he needed more clarification on his previous inquiry regarding the 23,000 jobs. Mr. Anderson replied that on a calendar year basis, the state averaged 23,000 jobs higher in the first few months of 2013 than the same timeframe in 2012. He said the Department of Employment, Training and Rehabilitation (DETR) expected the kind of job growth the state saw the first three months of 2013 to continue into the final three quarters of the year. Mr. Anderson reported when the numbers were finalized for 2013 the average employment level would be compared with the average employment level for 2012. He projected that comparison would show to be 23,000 jobs higher than where the state had been in 2012 because Nevada was trending at that growth level through the first three months of the year.

Mr. Leavitt asked if the 23,000 jobs were full-time equivalents, or if that figure equated to the total number of people who got a job that did not have one prior.

Mr. Anderson replied it was a head count of people who had filled new jobs, which included part-time jobs.

Mr. Leavitt recalled that Nevada had a huge construction industry prior to the recession, which provided a large number of jobs. Although the industry had rebounded slightly, he said there was a large group of people no longer employed in construction jobs, or jobs associated with that industry. He wondered what happened to all the people who worked in those fairly high paying jobs, and if there was a method in place for tracking the movement of that group. Of that group of people, he also wondered if they had accepted jobs outside of the construction industry, had moved out-of-state, or were unemployed. Mr. Leavitt thought the loss of high paying construction jobs had an effect on not only employment, but also on taxable sales and other factors.

Mr. Anderson agreed with Mr. Leavitt that the state's construction jobs were very high paying and acknowledged the loss of jobs in the construction industry accounted for the decline of the average wage levels that started in 2009 and 2010. At that time, he said Nevada experienced a disproportionate share (approximately 20%) of unemployment insurance claims activity that came from the construction sector. When construction

was at its peak, it accounted for about 10% of employment in the state as a whole. Addressing Mr. Leavitt's question about what happened to the construction workers, Mr. Anderson understood that many construction workers had left Nevada, although the information he had was mostly anecdotal. Others he said commuted outside the state for extended periods of time for work, returning home periodically, while their families remained in Nevada. Mr. Anderson also mentioned that DETR had been involved in workforce retraining efforts for many unemployed workers, including those formerly in construction. DETR offered a number of programs that were designed to help construction workers retool and take advantage of new opportunities. Mr. Anderson noted that construction workers had skills that were transferrable to the mining and manufacturing sectors, industries that started to improve after the recession.

Continuing with his presentation, Mr. Anderson said the chart on page 82 (Exhibit A) showed the current employment forecast for Nevada, versus the forecast presented at the November 2012, Economic Forum meeting. The forecast projected approximately 87,000 jobs over the 2012 to 2015 period, noting that the previous projection was for 50,000 new jobs, which was off an employment base of roughly 1.2 million. He expected that Nevada's year-over-year employment growth forecast (page 83) through 2015 would show about 2.8% growth, which was approximately half the rate of growth of 6% seen during the boom period. Lastly, on page 84, Mr. Anderson pointed out a comparison of the current projection of Nevada's employment growth forecast with the November 2012 forecast. The chart displayed the projected growth to be approximately one percentage point higher than the forecast presented to the Economic Forum in November 2012.

Mr. Leavitt wondered if Nevada's employment growth forecast increased by 1% what that was anticipated to mean in relation to personal income growth.

Mr. Anderson thought the gains of approximately 2.5% were likely to increase marginally in terms of income growth to 3%, including wages and salaries. He said wage growth was up about 1.3% in 2011 to 2012. As construction continued to pick up as projects came to fruition on the Las Vegas Strip, wage growth would be reflected in the states average wage data, with a projected gain in the 2% to 2.5% range in average weekly wages. In summary, Mr. Anderson said the increases were good news relative to where Nevada was two years prior, but compared to the prerecession period, the state had room for improvement.

Chairman Wiles thought it was challenging to make a comparison of Nevada's economy at present date compared to where Nevada was before the recession. He would argue that prerecession time was an artificially inflated economic environment for Nevada. To hear Mr. Anderson say that the state was not quite to the growth rates seen during the prerecession was pleasing to Chairman Wiles in a way because otherwise it would indicate a "bubble economy." He noted that clearly, Nevada wanted more people employed, but a robust economic environment was also desired. Chairman Wiles said making comparisons to that previous level might be an early indicator there was rational exuberance spreading throughout the national economy. He suggested looking at the

10-year average to see a longer-term trend line. Referring to Nevada's home price levels and using the Case Shiller Index, Chairman Wiles pointed out that the state had a smooth growth rate until about 2004, and then had abnormal growth with the subsequent housing market crash. When looking at current year-over-year home prices, he thought Las Vegas was up 17.8% year-over-year.

Mr. Anderson thought the Las Vegas housing market was up 17.6%, which he believed was the third fastest rate of growth among the 20 metro areas.

Referring to employment levels, Chairman Wiles was concerned about personal income and the distribution of employment among the various U-3, U-4, and U-5 estimates as shown on page 67 (Exhibit A), which would be impacted by the Affordable Care Act. He said some employers had indicated they would start moving people from full-time to part-time employment to avoid some of the law mandates. That scenario would potentially show an increase in employment levels as companies added more people to cover staffing levels; however, those people would be at part-time employment levels. Chairman Wiles was concerned about U-3 versus U-5 because the state could see a total unemployment rate decline, yet it was possible it would be in part-time or less than full-time equivalent positions. He asked if DETR had estimated any impact that would have on personal income in the state.

Mr. Anderson replied that DETR determined its estimates from unemployment insurance wage records, which provided information on employment and wages. Unfortunately, DETR did not receive information on how many hours an employee actually worked because in Nevada, as well as the majority of states, employers were not required to report the number of hours worked. Mr. Anderson pointed out that the best anecdotal barometer was the average wage data in which the total wages were divided by 52 weeks to gauge the measure of job quality. He said the average wage data grew at approximately 1.3% last year in nominal terms, but was a bit short in real or inflation adjusted terms.

Chairman Wiles understood there were limitations on the type of data available for collection. However, he was concerned about the initial indicators, although anecdotal, that some employers would move their employees from full-time to part-time. That shift could cause a slowdown in hiring of full-time employees; therefore, having an ongoing impact on personal income. Chairman Wiles expressed the effect on personal income was something for the Economic Forum members to consider, particularly when the traditional unemployment rate forecast, the U-3 versus U-5 measure, was shown as going down to 8%. His concern was Nevada might have an 8% unemployment rate, but it might be based on fewer hours and less personal income. Lastly, Chairman Wiles asked for clarification on the state unemployment rankings located on page 64. He noticed that Nevada was number 51 in the ranking and wanted to know if the District of Columbia was included in that ranking. Mr. Anderson indicated the District of Columbia was incorporated into the rates.

Returning to Chairman Wiles' first comment regarding comparing Nevada's economy at present with the prerecession economy, Mr. Anderson said the prerecession 6% rate of job growth, which was four times the rate of growth nationwide, was not sustainable. Therefore, going forward and looking at job growth on a long-term basis with approximately 2.5% to 3% growth projected in his department's forecast is arguably more sustainable, and left Nevada less subject to the booms and busts. Mr. Anderson said construction provided the best example of this scenario with 150,000 jobs at peak, then bottoming out at 50,000 jobs and slowly climbing back at present to about 55,000 construction jobs. He felt that was a large hole to fill and did not foresee construction jobs getting back to that high level during his lifetime.

Chairman Wiles thought that he and Mr. Anderson agreed; although, the Chairman did not think the hole was as large as previously discussed. He relayed the importance of getting to a level that was sustainable and viable, in which the state was not subjected to an overheated economy where prices increased more rapidly than their historical averages and the ultimate crash that followed. Chairman Wiles noted it was challenging to estimate or forecast what was going to happen economically when comparing to a period of time that was not sustainable or viable. He suggested choosing a point in time for the basis of the comparison, possibly ten years prior to the boom, in order to provide for a better comparative estimate.

Discussion concluded on Nevada's state employment outlook.

Before proceeding with the agenda, Mr. Guindon provided administrative information about the duties of the Economic Forum and information regarding the materials and tables prepared by staff relevant to Agenda Item VI, review and consideration of forecasts for the Major General Fund Revenues. He explained the responsibilities and the duties of the Economic Forum were to produce a forecast under the current statute. Even though there were some revenues that would have a statutory change in their law or scheduled to "sunset" on July 1, 2013, the Economic Forum was required to produce a forecast under the current law. Whether those sunsets were going to be extended by the Legislature was not germane to the Economic Forum at its May 1, 2013, meeting. Mr. Guindon pointed out Table 1 on page 85 (Exhibit A) provided five years of fiscal history for each of the General Fund revenue sources and included 2013 year-to-date information through the month of March. Table 3 (page 91) showed the forecast for every General Fund revenue source from the Executive Branch agency responsible for administering and collecting that tax as well forecasts from the Fiscal Analysis Division and the Budget Division. Mr. Guindon noted the minor General Fund revenues presented to the Technical Advisory Committee would be taken into account under Agenda Item VII. Table 4 on page 97 summarized the major General Fund revenues by each of the forecasters by fiscal year and included forecasts by Moody's Analytics for the 2% Sales and Use Tax and Gaming Percentage Fee Tax. He said Table 8 on page 99, which was also presented as a separate handout printed on green paper (Exhibit B), showed a comparison of the May 1, 2013, major revenue sources forecasts by forecaster with the November 30, 2012, and November 9, 2012, forecasts by forecaster. Table 8 also included the consensus forecast approved by the Economic Forum on

November 30, 2012. Lastly, Table 9 on page 103 illustrated the General Fund revenue sources in a year-to-date format for the previous three fiscal years along with the actual revenues in the prior two fiscal years. The table also included each entities FY 2013 forecast compared with the prior fiscal year, and how much growth would be needed for the remainder of the fiscal year to hit that entities forecast. Mr. Guindon thought the use of Tables 8 and 9 side-by-side while the forecasters made their presentations would help the members to keep track of the information presented.

**VI. REVIEW AND APPROVAL OF MAY 1, 2013, FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FY 2013, FY 2014, AND FY 2015.**

- A. Gaming Percentage Fee Tax**
- B. Live Entertainment Tax – Gaming**
- C. State 2% Sales Tax**
- D. Insurance Premium Tax**
- E. Modified Business Tax**
  - **Nonfinancial Institutions**
  - **Financial Institutions**
- F. Real Property Transfer Tax**

Items A through F were taken out of order.

**INSURANCE PREMIUM TAX**

Mr. Guindon recalled at the November 30, 2012, Economic Forum meeting, there was a discussion of the Affordable Care Act (ACA) and its potential impact on insurance premiums and the Insurance Premium Tax. He said Todd Rich, Deputy Division Administrator and Adam Plain, Insurance Regulation Liaison, both from the Division of Insurance were nice enough to meet with the Fiscal Analysis Division after the November meeting to discuss the potential impact of the ACA. At the culmination of that discussion, it was thought to be of benefit for Mr. Plain to make a presentation to the Economic Forum on the ACA and the Insurance Division's forecast for Insurance Premium Tax. Mr. Guindon noted that Mr. Plain's presentation started on page 127 of the meeting packet (Exhibit A).

Mr. Plain said his presentation intended to offer opinions and insights on Insurance Premium Tax projections for the upcoming biennium focusing primarily on the effects of the ACA on the tax revenue. Regarding the material to be presented, he provided the following disclaimers:

1. Mr. Plain worked with unrounded numbers that implied a degree of precision that did not exist.
2. The Division of Insurance had a great deal of expertise in insurance, Insurance Premium Tax and the ACA, but the division lacked historical data. Mr. Plain used publically available data sources whenever possible, but the underlying calculations



were only as sound as the data that was used; therefore, his presentation was not actuarially sound.

3. The primary purpose of the presentation was to give insight on the methods by which the ACA might impact the Insurance Premium Tax. Projections were mainly for illustrative purposes and the numbers used in the presentation reflected possibilities for Nevada's insurance market. Discussion of items such as enrollment, numbers of premium increases or related topics were not official positions of Mr. Plain, the Division of Insurance or the state of Nevada.

Mr. Plain said page 128 showed a general recap of the Insurance Premium Tax projections prepared by the Division of Insurance and the other agencies, which were presented at the November 9, 2012, meeting and updated to reflect changes from the November 30, 2012, meeting. Page 128 reflected baseline projections for the Insurance Premium Tax from the November 9, 2012, meeting, which did not include any adjustments for health care reform or ACA activities. Mr. Plain included the information for illustrative purposes to show where the division's baseline projections were relative to the other agencies. He explained that in order to reach those baseline projections, considering the division's lack of historical data, a rating factor based on premium tax revenue was used along with the population of the state. Utilizing that data resulted in a premium tax per person calculation and then analysis of the change in the tax per person. Mr. Plain noted that through the recession there was a severe decline in the tax per person and further declines as the economy started to improve; however, the decline was pennies per person, per year. He said that given the economic recovery in Nevada, he used a very small projection increase in premium tax collections per person, per year for the baseline, which provided a number in line with the other agencies' projections. Mr. Plain stated there was extraordinary uncertainty surrounding the ACA, and federal rules governing the ACA were being released on a daily or weekly basis. He said there were times when some of the rules contradicted other rules previously in place; therefore, causing a disparity in opinions received from various sources of information. In starting his analysis, Mr. Plain used a report that the state of Nevada commissioned from Gorman Actuarial, which showed to date there were approximately 557,000 uninsured Nevadans (page 131). Of those 557,000 people, 496,000 were eligible for some type of health insurance coverage. Mr. Plain explained the difference in the two figures encompassed immigrants who were not lawfully present and who would be barred from purchasing insurance on a health insurance exchange under federal law. He said of the 496,000 people eligible for insurance, Gorman estimated there were 178,560 who would be eligible for Medicaid under the Medicaid expansion announced by Governor Sandoval; 17,000 would be eligible for the Children's Health Insurance Program (CHIP); and 300,440 eligible for private insurance programs. Unfortunately, the demographics of the uninsured (page 132) were unknown; therefore, determining an estimate of those who would become insured under the ACA was problematic. Mr. Plain noted there was discussion at the November 30, 2012, Economic Forum meeting about what would be an appropriate pick-up rate. He said for the purposes of the presentation a pick-up rate of 50% in 2014 and a pick-up rate of 75% in 2015 was assumed. As a point of reference, the Silver State Health Insurance Exchange (SSHIX) commissioned a report from Thomson-Reuters Corporation to

estimate enrollment. That report estimated 118,000 enrollees in 2014 and 151,000 enrollees in 2015. However, Mr. Plain's estimate was slightly higher to account for the fact that not all enrollees would get insurance through the SSHIX. Some people would purchase private insurance or receive insurance through their employment, which he pointed out would be a pick-up above the exchanges enrollment figure. Turning to page 133, he said one of the additional components to potential premium tax revenue changes was not knowing what would actually happen to premium amounts. Since there was no solid data on average premiums in Nevada, an average national premium rate of \$278.22 per person, per month obtained from the Kaiser Family Foundation was utilized. Mr. Plain indicated that rate was probably somewhat low for Nevada, but it served as a conservative estimate for the purposes of a projection. He said it was important to keep in mind the rate was an average premium blended across people who received coverage for individuals, a small group and a large group of 50 or more people. In order to project an increase of what Nevada's average premium rate might be he used the Gorman report, which included charts on potential premium impacts on various demographics. The result of that analysis was blended into the information shown in the table on the bottom of page 133. The table was color-coded in green, yellow and red to denote the approximate percentage of impact of premiums on both genders in various age categories. He explained the categories were blended, averaged, and weighted, which resulted in the green category (females age 19-34 and 35-49) showing a decrease of approximately 5% in premiums, the yellow category (males and females ages 0-18 and 50 plus) showing no change in premiums and the red category (males age 19-34 and 35-49) showing a 20% increase in premiums. Mr. Plain said Nevada had not yet received any rate filings under the ACA; however, some national rates had started to appear. Maryland received a rate filing and its average price increase was 25%, with the low end showing a small decrease, and the high end having a 150% increase. The rate depended on the states demographic, but the division had to determine a blended rate for the purposes of such a large aggregation.

Chairman Wiles asked for more information about the 150% increase in the state of Maryland. Mr. Plain said it was for young, healthy males in the individual market.

Continuing on page 133, Mr. Plain used the blended data from Gorman and arrived at a weighted average of a 4.65% increase across all premiums. When applied to Nevada's average monthly premium it would increase it to a total of \$291.16 per month. Based on the projected new insureds for Nevada and the average new premium rate under the ACA reforms, he estimated approximately \$17 million of increased Insurance Premium Tax revenue in 2014 and \$25.5 million in 2015 (page 134), which was derived using an effective premium tax rate of approximately 3.25%. Mr. Plain noted that Nevada statutory premium tax rate was 3.5%. He said there were minor deductions allowed in the Insurance Premium Tax calculation. Therefore, he lowered the effective rate slightly, but it was a gross receipts tax and not a net tax so there were very few deductions allowed against the premium tax calculation.

Mr. Leavitt asked for a comparison of the amount of the penalty an individual or a business would have to pay if they did not get insurance versus the amount of the premium paid if insurance was obtained. He wanted to find out if an individual or a business would be willing to pay the penalty and not acquire insurance.

Mr. Plain responded that calculations for an individual's responsibility and an employer's shared responsibility mandated the penalty. He said the calculations were unnecessarily complicated and explained in 2014 the penalty for an individual was \$95 per person. For example, a married individual with dependents would pay \$95 for himself, \$95 for his spouse and \$47.50 for any uninsured children. The penalty amount was capped at three times the rate, or \$95 times three, or \$285. Once that individual person's amount was established it would be compared to 1% of his income, and whichever number was greater, whether it was the flat dollar amount or the percentage of income, became the penalty amount. It was then compared to the least expensive bronze level premium in the individual's state for 12 months and was considered the "capture penalty." Mr. Plain thought it was a needlessly complex calculation. He explained an employer was also subject to mandates if there were 50 or more employees. If the employer did not choose to offer coverage and someone in that organization was eligible for a tax credit on the exchange, there was a \$2,000 penalty for every employed worker. If an employer chose to offer coverage, but the coverage did not meet the minimum actuarial value of 60%, Mr. Plain indicated the penalty was \$2,000 for every employee who had been offered coverage after the first 30 employees. Another scenario was if the employer chose to offer coverage and it was considered sufficient, but not affordable, the penalty was \$3,000 for every employee to whom it was not affordable after the first 30 employees. He reiterated that the calculations were extraordinarily complicated. In terms of the behavioral analysis, the Congressional Budget Office performed an economic behavior study and estimated approximately six million people nationwide would choose to pay the penalty. Mr. Plain reported Nevada had a population of approximately eight-tenths of 1% of the entire country's population. If the behavior of choosing to pay the penalty held true consistently across the country, based on population, 48,000 Nevadans would refuse to purchase insurance and accept the penalty. He said some citizens would pay the penalty out of principle and other citizens might refuse to purchase insurance and pay the penalty for economic reasons because they simply could not afford the premium. He said there was a test in the ACA, which indicated if the cost of insurance was more than 9.5% of a person's modified adjusted gross income then that person would not be subject to the individual responsibility mandate. Essentially that meant someone could be uninsured and also not have to pay the penalty. Mr. Plain thought the examples he provided gave the members an indication of the complexities of everything involved with the ACA.

Mr. Leavitt asked how much insurance for a year utilizing the ACA 2014 projected average premium of \$291.16 per month would cost for a husband, wife and two children earning around \$50,000 per year.

Mr. Plain responded the cost of that scenario would be \$14,000 for the family for one year.

Mr. Leavitt wondered how much the penalty would cost if that family did not get insurance.

Mr. Plain indicated the penalty would default to 1% of the family's income of \$50,000 for a total of \$500. Even though the family could pay a \$500 penalty versus paying \$14,000 for insurance, he said there were two other factors to consider in that decision making. The first factor was that the family could pay the penalty, but the family still did not have any health insurance; therefore, if a health issue was experienced there was no coverage. Secondly, with that specific example, Mr. Plain pointed out a family of four making \$50,000 fell below the 400% federal poverty level, which would provide eligibility for premium assistance through the federal government. The \$14,000 per year premium for the family might cost considerably less with federal assistance. The actual out-of-pocket cost for the premiums would determine the family's purchasing decisions. Mr. Leavitt commented that was true only if the family understood the process.

Chairman Wiles wanted to clarify when Mr. Plain used the term employees he was referring to full-time employees.

Mr. Plain replied there were two different thresholds to determine whether an employer was a small or large employer. The threshold was 50 full-time employees or full-time equivalents. He explained a full-time employee was defined as someone who worked more than 30 hours per week or 120 hours per month, and a full-time equivalent was the total of someone's part-time hours divided by 120. Determining those numbers governed which employers were subject to the mandate. Once subjected to the mandate an employer only had to provide insurance to those employees who met the full-time definition (30 hours/week or 130 hours/month). Mr. Plain noted at that point the full-time equivalents were no longer part of the equation.

Referring to the example of the family of four who could either pay \$14,000 for a yearly insurance premium or a \$500 penalty, Chairman Wiles commented the family was essentially self-insuring if it were to pay the penalty because it was taking a risk that the family medical bills would be less than \$13,500 for the year. Mr. Plain agreed that was correct.

Mr. Nielsen commented it was evident there were many complicated mechanics and decisions that individuals and businesses could make associated with the ACA. He asked if Mr. Plain had captured an estimate of those dynamics in his pick-up rates and his view of the number of people who would actually make a choice.

Addressing Mr. Nielsen's questions, Mr. Plain answered yes and no. He explained that his pick-up rate in the projection was more of a "gut check" number than a mathematically sound assessment. Mr. Plain based the 2014 number off the Thomson-Reuters report the SSHIX procured; however, if that report were inaccurate then Mr. Plain's number would also be inaccurate. He indicated it also did not account for those people that might forego the mandate. Mr. Plain noted performing other

analyses, which blended estimates to account for his pick-up rate possibly being too high and his approximation of premium increases being too low. He said depending on which estimate was used similar ranges were realized. For example, after adjusting the pick-up rate down 25% in 2014 and 2015, with no adjustment to premiums, the estimate showed \$252 million in 2014 and \$264.5 million in 2015, which was lower than his baseline projection by approximately \$5 million in the first year and \$8 million in the second year. He acknowledged the numbers would be impacted by those alternative assumptions, but the change was not that great. Mr. Plain said when he blended in the fact that the premium increase he used may have been too low it signified that the premium increase counteracted the pick-up rate difference. This result occurred because the premium increase was attributed not only to the new insureds, but also to the existing insureds in Nevada as well. He noted there was another important factor not accounted for in his rates, which could cause Nevada to experience a large uptick in employers who tried to enact some type of self-insurance. That factor Mr. Plain cited was the result of the way the mandates were written and that the ACA did not essentially apply to the Taft Hartly Trust, which were union health plans or Employee Retirement Income Security Act (ERISA) self-insured health plans. He said typically an employer in the small to mid-size range did not self-insure because the risk was too great. One employee or a dependent who reached \$1 million or more in claims could bankrupt a self-insured employer. Mr. Plain said the Division of Insurance heard there were commercial insurers who planned to target those employers who wanted to self-insure, but could not, by offering policies of stop loss insurance that would limit the employers risk or liability to a certain amount of money. An example would be to provide a limit of \$10,000 per individual and \$30,000 for the employer's entire staff at which point the fully insured policy would take effect and pay the remainder of the claims. Mr. Plain indicated in those instances, the premium for the fully insured policy was subject to premium tax; however, the employer was self-insuring their risk, which meant that a potentially large portion of the premium tax base would be eliminated because the employer was exempt for the remaining portion that equated to the premiums.

Mr. Leavitt noted the state would receive the benefit of Insurance Premium Tax from someone who paid \$14,000 for an insurance plan, but that \$14,000 would then not be available for them to make purchases in which the state would receive sales tax. He said the sales tax component the Economic Forum was concerned about was the state 2% rate, but the total tax rates were larger and amounted to approximately 8% to 10% in Clark County. Mr. Leavitt thought it equated to about three to four times the amount of potential loss as opposed to the gain the state received.

Mr. Maddox wanted to clarify in the \$14,000 insurance premium example that the vast majority of the people used in the pick-up rate fell below the 400% federal poverty level threshold so the premium amount became a percentage of the family's income; therefore, the premium amount would be significantly less, possibly 10%.

Mr. Plain said those below 400% of the federal poverty level received a premium tax credit and were guaranteed an out-of-pocket set dollar amount. The remainder of the

premium was paid by the tax credit afforded to them by the federal government. Noting that one of the interesting mechanics of the way the law was written, he said because the premium assistance was a tax credit, rather than a subsidy or discount, it was considered the individuals money and therefore subject to taxation. In contrast, if it were a true federal subsidy, considered as federal dollars by the federal government, it would most likely be exempt from state taxation because the federal government did not like states taxing its money. The law worked for the states benefit because Nevada citizens were able to receive federal assistance and the state received some of that federal money in tax revenues.

Continuing his presentation, Mr. Plain said page 135 (Exhibit A) showed an adjustment to the current premium tax base for the projected increase in premiums. Historically, approximately 25% of Nevada's premium tax base was attributable to health insurance premiums. Using that projection, plus the 4.65% increase in premiums, he reported that the state's existing insureds would have a premium increase to their policies. Furthermore, he indicated the premium increase would result in an increase of the Insurance Premium Tax revenue as well and the two numbers shown on page 135 reflected those projections. Mr. Plain noted for his projections (page 136) that Insurance Premium Tax was collected on a calendar year basis, not a fiscal year basis; therefore, fiscal year 2014 encompassed six months of reforms, which started on January 1, 2013. Finally, on page 137, he said the total projected revenue was the base projection, including population and Insurance Premium Tax revenue, plus the effect of market reforms on the base, plus the effect of increased enrollment adjusted to a fiscal year basis. Mr. Plain concluded his presentation.

Returning overall projections on page 128, and baseline projections on page 129, Mr. Nielsen said he understood the difference was the effect of the ACA, but inquired if it was correct between the two charts.

Mr. Plain replied yes, the primary difference in the overall projections was the ACA.

Mr. Nielsen pointed out that the Fiscal Analysis Division numbers were the same on both the overall projections and the baseline projections. He asked what the Economic Forum members should understand from that information.

Mr. Plain said the numbers were what was reported at the November 30, 2012, Economic Forum meeting. Mr. Nielsen thanked him for the clarification.

Chairman Wiles said he appreciated Mr. Plain's presentation at the meeting. It was very helpful information because at the November 30, 2012, meeting the members were unsure how the projections were developed. He elaborated on his appreciation for the immense amount of time Mr. Plain spent on the information, not only to keep up with the existing provision, but also all of the changes that were occurring and to be able to answer all the members' questions quickly and accurately. Meaning it as a great compliment to the challenge that Mr. Plain had trying to estimate the impact of the ACA on the state of Nevada, Chairman Wiles wanted to point out a few things from an

economic forecasting perspective that he thought were unknown about the ACA. He said the following points about the ACA were unknown:

- the rules
- the timeframe for implementation
- the tax per person
- the distribution of the people who would be eligible
- the type of insurance to be required
- the premium increase
- the pick-up rate
- the impact on the level of employment
- the impact on the distribution of employment
- the impact on personal income

Mr. Plain commented the points the Chairman addressed about the unknown facts about the ACA was also the reason he provided the four disclaimers at the beginning of his presentation.

Chairman Wiles reiterated that he appreciated the immense challenge that Mr. Plain and the Division of Insurance faced. He emphasized that the unknown factors were a very challenging component of a major impact on the national and state economy. Chairman Wiles was confident that Mr. Plain and the division would keep up with all the changes of the ACA as they transpired and inform the Economic Forum members of the impact on the state.

Mr. Guindon said the other forecasters were prepared to make presentations on the Insurance Premium Tax and their analysis considered the potential impact of the ACA on the tax. He thought the ACA would have some positive impact on Insurance Premium Tax collections. However, Mr. Guindon said as Mr. Leavitt had previously pointed out, the effect the ACA would have on disposable income in terms of some of the other revenues was unknown. Mr. Guindon noted that the forecasters had to make a projection to the best of their ability on what would happen with the Insurance Premium Tax and equally the Economic Forum members had to make a decision utilizing that forecast information. At a later time, the forecasters and the members could see how close the actual economy came to those projections.

Chairman Wiles agreed. He said there were two parts of statistical estimating, the estimate and the standard deviation. He thought that in this case the standard deviation was much broader than would be anticipated under normal circumstances.

Mr. Guindon concurred and noted there was always a certain amount of uncertainty that went into forecasting. Generally, he said, the process for the forecasters was about uncertainty related to economic conditions driven by market forces and usually less about federal programs or federal laws that affected the market. The ACA was a federal program in which little information was known except that enrollment would start

on October 1, 2013, and on January 1, 2014, people would start to buy insurance or pay penalties. It would just be a matter of time to see what might happen with the ACA. Mr. Guindon wanted to point out for the members that Mr. Plain was able to formulate his information utilizing the Economic Forum's November 30, 2012, forecasts by the Budget Division, the Fiscal Analysis Division and the Department of Taxation. He also noted for the members under the Insurance Premium Tax heading on Table 8 (page 100, Exhibit A) showed the Agency, Fiscal Division and Budget Division forecasts for November 9, 2012, November 30, 2012, and May 1, 2013. Mr. Guindon wanted to make clear that the Agency forecast was from the Department of Taxation, rather than from the Division of Insurance.

The other forecasters started their presentations on the Insurance Premium Tax.

*Sumiko Maser, Deputy Director, Department of Taxation*

Ms. Sumiko Maser referred the members to page 123 of Exhibit A for the Department of Taxation's Insurance Premium Tax forecast. She said the department utilized historical General Fund revenues and performed a linear regression analysis on the revenues since calendar year 2009. Ms. Maser indicated the forecast did not take the Affordable Care Act into account, because the department thought there was not enough available information to consider it in the forecasting process. She stated the projection provided a baseline forecast and included approximately \$241.55 million in General Fund revenues for FY 2013, which was a 2% increase from FY 2012. The forecast also provided for \$243.26 million in revenues for FY 2014, a 0.7% increase compared to FY 2013 and approximately \$244.96 million in revenues for FY 2015, a 0.7% increase compared to FY 2014. Ms. Maser concluded her presentation.

*Janet Rogers, Chief Economist, Executive Budget Office*

Ms. Janet Rogers started her presentation of the Budget Division forecast for Insurance Premium Tax on page 14 of Exhibit C, Executive Budget Office Economic Forum Forecast packet. She said the forecast largely was based on the information received from the Division of Insurance and consisted of two parts. The first part at the top of page 14 showed the base forecast adjusted for inflation and population, and the second part shown on the bottom of page 14 included the Affordable Care Act (ACA). Ms. Rogers said inflation and population were very reasonable factors to use to approximate what was going to happen with the Insurance Premium Tax. For clarification, she used the Consumer Price Index for inflation, not medical inflation. Ms. Rogers assumed that revenues were falling very slightly when the population was taken into account and adjusted for inflation. She said revenues were flat in FY 2013, were falling slightly in FY 2014 and picking up in FY 2015, which reflected a potential stronger economy. Ms. Rogers noted when inflation was added along with population growth the premiums went up as shown on the bottom of page 14. She pointed out her baseline prediction was \$243.5 million for FY 2013, \$254.5 million for FY 2014 and \$264.1 million for FY 2015. Factoring the ACA into the forecast added \$8.1 million in calendar year 2014 and \$19.1 million in calendar year 2015. Ms. Rogers clarified for



the members that she misunderstood the information she was given prior to the November 30, 2012, meeting; therefore, her November forecast was not adjusted for fiscal years. She assumed that calendar years were actually fiscal years so the amounts were slightly different from what she had previously presented. She explained the numbers she used for the ACA were a blended number in terms of the number of employees that would be picked up. Her forecast assumed 131,000 uninsureds picked up in the first year and a total of 181,000 in the second year out of the 300,000 Mr. Plain referenced earlier in his presentation. Ms. Rogers concluded her presentation.

Prior to the Fiscal Analysis Division presentation on Insurance Premium Tax, Mr. Guindon wanted to answer some employment questions that arose earlier in the meeting, as the information would also act as a precursor to the Fiscal's employment outlook, which was the driver of all the division's forecasts. He referred the members to page 2 of Exhibit D, the Fiscal Analysis Division Forecast Information Packet. Mr. Guindon explained page 2 was the division's employment outlook consisting of a red line denoting the division's forecast for total employment at the November 2012 meeting, and an orange line, which was the April 2013 forecast. He said the blue line showed actual employment was trending above the red line, which was Fiscal's November 2012 forecast. This was consistent with Mr. Anderson's point that actual employment ended stronger than discussed at the November meeting. Even though there was uncertainty about upcoming projects such as the mega-resort Echelon in Las Vegas, the outlook appeared hopeful, but without any announcements on future projects there was still some uncertainty in the employment outlook. Mr. Guindon pointed out the growth rates on page 3, which showed the employment growth at 2% near the time of the last meeting in November 2012, and closer to 3% to date, a 1% increase in the projected growth. Turning to page 4, the average wage per employee, he noted the division over-projected the average wage per employee based on the latest actual data procured from the Bureau of Economic Analysis in relation to the employment data received from the Bureau of Labor Statistics and the QCEW program. As seen on the graph, Mr. Guindon said the division had the average wage per employee growing much the same, but just starting off from a lower point. The projected growth rates for the division shown on page 5 in red and orange were averaging around 2%; Moody's Analytics lowered their Consumer Price Index forecast from the mid-2% to high-2% range to closer to the 2% to 2.5% range currently. Mr. Guindon said the average wage per employee was hovering around the inflation rates, which indicated it was holding constant against inflation and consistent with some of the information Mr. Anderson presented at the meeting.

Referring to the average wage per employee, Chairman Wiles asked if that could be driven by lower wage per hour, or was that reduced number of hours at a given wage.

Mr. Guindon responded both, because it was total wages reported by the Bureau of Economic Analysis divided by the total number of employees. He said as Mr. Anderson pointed out, it was the number of actual people, not the number of full-time equivalents. He added it was wages paid to employees, which included part-time workers. Mr. Guindon noted there were concerns with the numerator and the denominator in

regard to the wages for full-time employees versus part-time employees, and number of hours worked for a full-time employee versus a part-time employee.

Chairman Wiles inquired if people were shifting from full-time equivalent to fewer number of hours per work, which could potentially be an estimator for some of the effects discussed earlier in the meeting.

Mr. Guindon thought the answer to Chairman Wiles' question was yes, but said that issue would have been caught up statistically in those numbers. Moving to page 6 of Exhibit D, he pointed out the division's total wage forecast, which was nearly the same as reported in November 2012, because the employment gain was being offset by the average wage per employee decline. Additionally, page 7 showed the employment growth rates, with slightly more growth in the April 2013 forecast than the November 2012 forecast. Nevada's nonwage component of total personal income was located on page 8. Mr. Guindon explained nonwage could include other labor income, dividends, interest, rental income, transfer payments from unemployment insurance and other federal programs. The nonwage component was important because it was a consideration in forecasting the Insurance Premium Tax. He noted there was a large uptick in that component shown on page 9 from November 2012 to April 2013. However, he did not understand what was driving the uptick so the division treated it as an anomalous event, and the current forecast pulled the rate back down to show a similar projection to the November 2012 forecast. Turning to page 12, Mr. Guindon pointed out the total personal income outlook, which was driven by wages. He said although the forecast was slightly below the November forecast, the chart displayed on page 13 showed by the ending quarter the forecast finished higher due to the growth rates. Last, he directed the members to page 26, room occupancy rate, which factored into the outlook for Live Entertainment Tax and Gaming Percentage Fee Tax. Mr. Guindon indicated the division had pulled the occupancy rates down compared to the November forecast, which in turn pulled the visitor path down as well. Concluding his remarks, Mr. Guindon said there were other charts in the packet, but he would forego discussing them. He wanted to point out the major economic metrics the Fiscal Analysis Division used to produce its forecasts. He turned the Fiscal Analysis Division presentation on Insurance Premium Tax over to Mr. Michael Nakamoto.

*Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division*

Mr. Michael Nakamoto said the Fiscal Analysis Division forecast for the Insurance Premium Tax began on page 75 of the Fiscal Analysis Division Forecast Information Packet (Exhibit D); however, his presentation started on page 77. Mr. Nakamoto stated the table on page 77 was the Fiscal Analysis Division's baseline forecast for the Insurance Premium Tax. As in previous Economic Forum meetings, the division prepared a forecast for each of the categories listed in the table based on information provided by the Department of Taxation as well as the surplus lines category, which was collected from the Division of Insurance. He said based on that information, the division's forecast was approximately \$2.5 million higher in FY 2013, approximately \$3.0 million higher in FY 2014, and approximately \$3.5 million higher in FY 2015.

Mr. Nakamoto explained since the division's economic outlook was somewhat stronger, especially in regard to employment and personal income, there was an increase in the Insurance Premium Tax forecast at the baseline. Moving to page 78, he said the tables showed the analysis in the division's add-in based on the provisions of the Affordable Care Act (ACA). The estimates were derived largely from information garnered through meetings and discussions with Mr. Plain and the Division of Insurance, and from the report commissioned by the State of Nevada by Gorman Actuarial. The Fiscal Analysis Division also studied a report by the Society of Actuaries made available in the two weeks prior to the Economic Forum meeting. Mr. Nakamoto said Table 1 was an estimate of the non-elderly population, by coverage type, by fiscal year, which utilized the Gorman Actuarial report projection of 557,000 uninsured Nevadans for calendar year 2010. To explain how the estimate information was derived, he took the state demographer's estimates for non-elderly population along with the Gorman report percentages to develop a pre-ACA estimate, and then applied it to the state demographer's estimates for population in calendar years 2013, 2014 and 2015. Further, for assumptions on how the uninsured were going to become insured, the Gorman report assumed 11% of those uninsured people would stay uninsured because they were ineligible under the provisions of the ACA, 32.1% would be eligible for Medicaid, 3.1% would be eligible for Nevada Check Up or Children's Health Insurance Program (CHIP), leaving the remaining 53.8% of the uninsured eligible for insurance.

Continuing with Table 2 (page 78, Exhibit D), Mr. Nakamoto said the estimate added 127,017 uninsured people for calendar year 2014 and 192,528 for calendar year 2015, which assumed a pick-up rate of 40% in calendar year 2014 and 60% in calendar year 2015. He indicated that based on discussions with Mr. Plain as well as observation of the public perception of ACA, the Fiscal Analysis Division was not confident moving to a pick-up rate of 50% or 75%. Regarding the public perception, he read the Kaiser Family Foundation had released a study that approximately 42% of Americans had not even realized the ACA had become law. Some people thought it had been overturned by the Supreme Court, some thought Congress had repealed it and others did not know about it at all. Therefore, using a lower pick-up rate was one of the things heavily considered for the projections. Mr. Nakamoto said for the people that the state actually picked up, the division used the 2014-projected average premium of \$291.16 per month that Mr. Plain addressed in his presentation. When \$291.16 was multiplied by 12 it equaled \$3,494 per year and that number was rounded up to \$3,500 per year, which denoted the average premium for the year for the purposes of Table 2. Mr. Nakamoto utilized the average premium amount \$3,500 per year, multiplied it by the number of additional insureds and then multiplied that number by the 3.5% tax rate. That calculation arrived at approximately \$15.6 million in increased collections in calendar year 2014 and \$11.8 million for half of calendar year 2015, which would be the last two quarters of fiscal year 2015. Moving to Table 3, he pointed out the table showed the division's estimate of existing premiums that were already subject to the Insurance Premium Tax and the net increase of the cost of those premiums. Mr. Nakamoto said Mr. Plain's estimate of a 4.65% increase of the 2014-projected average premium was used along with an estimate that approximately 25% Insurance Premium Tax collections came from health care, which utilized the division's forecast collections shown on page 77.

He explained a quarter of those requisite periods were used and then increased by the 4.65%, which then derived a net increase in premiums of approximately \$2.9 million in calendar year 2014 and approximately \$1.5 million in calendar year 2015, as listed in Table 4. The total net increase in Insurance Premium Tax collections forecast for calendar year 2014 was approximately \$18.4 million and \$13.3 million for half of calendar year 2015. The last step in the analysis in developing Table 5 was to take the calendar quarters and convert them to fiscal years in order to be properly reflected in the forecast. Mr. Nakamoto explained that for fiscal year 2014, which consisted of the first two quarters of calendar year 2014, there was a net increase of approximately \$9.2 million and approximately \$22.5 million for fiscal year 2015. He directed the members to page 80 where the Fiscal Analysis Division Insurance Premium Tax forecast, which was adjusted for the ACA, was located. The table illustrated an approximate 4% growth in FY 2013, 6.5% growth in FY 2014 and 8.4% growth in FY 2015. Mr. Nakamoto reminded the members in Table 8 (outside the packet on green paper) the forecast listed as Agency was not from the Division of Insurance, but rather from the Department of Taxation. By comparison, he pointed out the Division of Insurance forecast was \$241,173,000 for FY 2013, \$256,236,000 for FY 2014 and \$273,003,000 for FY 2015, which Mr. Nakamoto indicated was in line with the forecast presented by the Budget Division and the Fiscal Analysis Division with the ACA.

Inquiring about the numbers Mr. Nakamoto had just quoted for the Division of Insurance, Mr. Maddox asked if the Fiscal Analysis Division forecast was \$17 million to \$20 million higher between 2014 and 2015 than the Division of Insurance forecast.

Mr. Nakamoto replied the difference he had between the Fiscal Analysis Division and the Division of Insurance was approximately \$5.5 million in FY 2014 and \$10 million in FY 2015.

Mr. Maddox asked what attributed to the difference because the numbers were very close to the add-back from the ACA. He wondered if the Fiscal Analysis Division was getting more money out of the \$3,500 premium estimate per person, or was it based on actual receipts.

Saying he was hesitant to speak for Mr. Plain's analysis, Mr. Nakamoto thought it appeared the basis for the information Mr. Plain presented was mostly driven on population. He said the Fiscal Analysis Division had more growth in its forecast.

Mr. Nielsen believed there was approximately a \$5 million difference in the first year, which would be consistent.

Chairman Wiles wanted to clarify that Mr. Nakamoto said in 2014, even after the implementation of the ACA law, there would still be an assumption that 11% of Nevada's population would be uninsured.

Mr. Nakamoto replied in calendar year 2014 the division estimated that approximately 10.4% of Nevadans would still be uninsured. However, the reason why those citizens would remain uninsured was unclear.

Chairman Wiles asked if the Economic Forum members had any comments, suggestions or recommendations regarding the Insurance Premium Tax.

Mr. Nielsen commented that the members had much more information on the tax than at the November 2012, meeting. He appreciated all the efforts of the presenters in providing the information with a common and consistent methodology for the members to consider in the forecasting process. However, he noted the level of uncertainty had not changed since the November 2012, meeting in regard to the impact of the ACA on the tax. Mr. Nielsen suggested that the Fiscal Analysis Division forecast was a good place to start for the members to decide on a forecast. He thought the division had taken into account the various factors that drove the final impact and he was willing to make a motion as such.

Mr. Leavitt said it seemed the level of uncertainty was greater than the difference between any of the forecasts. He thought the accuracy of recommending a forecast for Insurance Premium Tax equated to throwing darts at a dartboard. He was willing to go along with Mr. Nielsen's recommendation of the Fiscal Analysis Division forecast, although he did not feel good about it given the level of uncertainty associated with the decision.

MR. NIELSEN MOVED TO ACCEPT THE FISCAL ANALYSIS DIVISION MAY 1, 2013, FORECAST FOR INSURANCE PREMIUM TAX OF \$241.556 MILLION FOR FY 2013, \$243.261 MILLION FOR FY 2014, AND \$244.965 MILLION FOR FY 2015. THE MOTION WAS SECONDED BY MR. MADDOX.

THE MOTION WAS UNANIMOUSLY APPROVED.

Chairman Wiles emphasized the members did not need to continue to discuss the uncertainty of forecasting for the Insurance Premium Tax, but to keep in mind that there was uncertainty over one-sixth of the United States economy. Therefore, even slight changes to the Economic Forum forecast had the potential for significant impact on personal income, consumption levels and distribution of incomes. Chairman Wiles thought it very difficult to forecast on a General Fund revenue affected by the Affordable Care Act, which there was little known information or its implementation timeframe. He cautioned the Forum members to keep that information in mind as further decisions were made at the meeting.

Chairman Wiles recessed the meeting at 12:00 p.m.  
Chairman Wiles reconvened the meeting at 12:17 p.m.

## **GAMING PERCENTAGE FEE TAX**

*Mike Lawton, Senior Research Analyst, Gaming Control Board*

Referencing the Gaming Control Board (GCB) handout on page 105, (Exhibit A), Mr. Lawton said that since the November 2012 meeting, gaming win and percentage fee collections were only reported through September 2012. Currently, collections through February were available leaving three months' of data to complete the fiscal year. Fiscal year-to-date statewide game win was up 1.4% or \$113.5 million compared to being up 5.1% through the same period in FY 2012. Taxable gaming revenue was up 1.3% or \$99.4 million (page 107) after being up 2.8% in the same period a year ago. Year-to-date Percentage Fee collections were up 2.9% or \$14 million after increasing 4.4% in the same period in FY 2012. Mr. Lawton explained that Percentage Fee collections from taxable gaming revenue was up 1.3% or \$6.1 million compared to being up 2.9% during the same period in FY 2012. The GCB estimated that Percentage Fees collections from taxable gaming revenue would increase by 2.2% in FY 2013 compared to the 1.2% increase the state experienced in FY 2012. He stated that the ratio of taxable gaming revenue to gaming win was currently at 90.4%, which was almost exactly where the state was in FY 2012 at 90.5%. Mr. Lawton estimated that this number would continue to increase by the end of FY 2013 due to the credit issued from the Chinese New Year, which would be paid off within the next few months. The GCB forecast the state taxable gaming revenue (TGR) win ratio was 92.6%, which was higher than where it finished in FY 2012. Collections from the Estimated Fee Adjustment (EFA) were currently up \$7.8 million, and the state was sitting at a -\$27,000 balance compared to a -\$7.8 million balance in FY 2012. Mr. Lawton estimated that the EFA would increase more by year-end, finishing at \$2.8 million compared to a -\$2.4 million in FY 2012.

Mr. Lawton stated that statewide slot win was more stable than game and table win because of the lack of large swings and growth in slot win, as opposed to table win because of baccarat play. Fiscal year-to-date, slot win was down 1.4% or \$72.6 million against growth of 2.6% in 2012. Slot wagering volume was currently down 1.6% compared to being up 1.6% in the same period in FY 2012, which could be attributed to the fact that gambling budgets have decreased, in addition to the migration of players to more volatile higher-hold machines. He indicated that there were many instances where lower-hold, less profitable machines were being removed from casino floors by operators, sacrificing volume in order to increase profitability. The forecast for slot growth for FY 2013 was adjusted down; originally the GCB forecast a growth rate of 6.5%, which was basically flat, and the forecast was decreased .5% with approximately \$6.8 billion in slot win against an increase of 2.1% in 2012. Mr. Lawton noted that to meet the GCB forecast, slot win needed to increase by 2.3% over the remaining three months of FY 2013 against a modest comparison of 7%. For FY 2014, the rate was adjusted down slightly from 2.5% to 2.46% with \$6.9 billion in win. The FY 2015 growth rate was adjusted down from 3.95% to 3.89% with \$7.2 billion in statewide slot win.

Mr. Lawton reported that games and table win was currently up 6% fiscal year-to-date with \$186.2 million in collections, compared to being up 9.6% in the same period in FY 2012. In addition, game wagering and volume increased 4.2% fiscal year-to-date compared to being up 2% during the same period in FY 2012. Looking at some of the major games, Mr. Lawton indicated that the results were positive – twenty-one was up 1.6%, craps was down 3.9%, roulette was up 14.1%, and baccarat was up 15.2% fiscal year-to-date. In February 2013, baccarat posted its highest total win in state history with \$263.9 million, and its third highest wagering volume total of \$1.6 billion; currently wagering volume was strong, up 12.3% fiscal year-to-date. Mr. Lawton noted that the baccarat business was healthy and there was no indication that would change in the near future.

Chairman Wiles asked if the healthy baccarat growth was due to natural growth, or was there a specific holiday or event that spurred growth. Mr. Lawton replied that the Chinese New Year in February was a huge success and added to baccarat growth. Chart 7 on page 112 (Exhibit A) illustrated how baccarat play was driving the modest growth, and without baccarat play, fiscal year-to-date total gaming win was down 7% compared to being up 3.3% in FY 2012. If baccarat play was excluded from games and table win, the state was only up 1% for games and table win, as opposed to being up 6% compared to 4.7% growth during the same period in FY 2012. He noted if baccarat volume was excluded from games and table win, the state was basically flat and only up .05%. During the same period in FY 2012, games and table volume without baccarat was up 4.1%.

Chairman Wiles asked if there was an increase in the percentage of people playing baccarat relative to other table games, or was the increase primarily driven by a fixed group of people playing baccarat, which contributed more to the economy, primarily in Southern Nevada.

Mr. Lawton said his understanding was that Las Vegas companies were developing relationships and operating properties in Macau, and those new customers desired to have a different experience than what they could have in Macau, which helped baccarat expand in Southern Nevada.

Mr. Maddox added that Mr. Lawton was correct and there would always be new customers, and old customers would fall away. Las Vegas was seeing net increases in the base of new customers, and existing customers were betting more than previously, particularly players from the Far East.

Continuing, Mr. Lawton stated that the current growth rate was adjusted upward from 4.9% to 6.6% with \$4.2 billion in win in the Statewide Game and Table Win Forecast (Exhibit A, page 113). During FY 2012, games and table win increased 2.8%, and to meet the GCB forecast, win needed to be robust and increase by 9.1% over the remaining three months of the fiscal year. However, games and table win had a soft comparison, down 16.8% in the last three months of FY 2013; baccarat win was down 36.3% fiscal year-to-date. For FY 2014, the growth rate was adjusted down slightly

from 4.8% to 4.7%, with \$4.4 billion in total collections. The GCB forecast for FY 2015 showed the growth rate for statewide games and table win was adjusted down slightly from 5.3% to 5.23%, with \$4.6 billion in collections.

Mr. Lawton stated that the Las Vegas Strip gaming win for the individual markets (page 115) was currently up 3.9% with \$181.9 million in collections compared to being up 7.7% during the same period in 2012. There was continued positive metrics across the board with increased visitation and convention attendance, passenger traffic and increased room rates and occupancy. However, the bottom line was more people were coming to the state and spending more money on non-gaming activities compared to gaming. Gaming budgets were still below previous levels, and in November 2012 there was a shift in how customers spent their money. Fiscal Year 2012 continued the shift as gaming revenue grew by 1% and non-gaming revenue grew by 8%, which resulted in gaming revenue representing only 36% of total revenue on the Las Vegas Strip. The non-gaming revenue increased its share to 64% of total revenues. To put that into perspective, Mr. Lawton said that in 1990 gaming revenue on the Las Vegas Strip represented 58% of total revenue for the Strip. The Las Vegas Strip had an easy comparison for the last three months with a -9.9% growth rate. With the baccarat comparison being so easy, the GCB increased the Las Vegas Strip growth rate from 3.3% to 4.7%; FY 2012 gaming win on the Las Vegas Strip increased 3.1%.

Mr. Lawton moved to the Las Vegas Locals Market, which was currently down 2%, compared to 3.6% growth during the same period in FY 2012. He indicated that the GCB remained confident in the downtown market with the opening of the Zappos headquarters in downtown Las Vegas in October 2013. Laughlin was currently down 4.2% and only recorded one increase in FY 2013, compared to being down 1.5% the same period in FY 2012. Moving to the chart, Las Vegas Locals Gaming Win (page 115, Exhibit A), Mr. Lawton stated the chart showed the gaming win for the Las Vegas locals market. Fiscal year-to-date, the combined markets were down 2.34%; the Boulder Strip was down 2.5%; North Las Vegas was down 5.2%; and the balance of Clark County was down 1.5%. During the same period in FY 2012, the combined markets were up 3.2%. Mr. Lawton indicated that although these markets have recently lost traction, through October 2012, the Las Vegas locals market showed positive growth and the longer term showed a rebound in the Las Vegas locals gaming market that was driven by continued job growth, wages, and the housing market recovery. In addition, the GCB believed the new Las Vegas Strip construction over the next several years would help the numbers in the forecast. The GCB forecast for the Las Vegas locals market decreased by 1.1% in FY 2013, after increasing 3% in FY 2012. Moving to Northern Nevada, Mr. Lawton indicated that Washoe County was currently down 1.5% with a recorded five consecutive months of declines, compared to being down 1% during the same period in FY 2012. Currently, gaming win in Elko was down 2.8% compared to 3.6% growth in FY 2012. He stated that the Elko County activity was up slightly in December 2012, and the county experienced consecutive double-digit monthly increases, which he believed had to do with inclement weather in January and February. He indicated that the GCB remained positive in the Elko County market due to the price of gold and its ties to the mining industry. Mr. Lawton stated



that South Shore Lake Tahoe gaming win was currently up 6.1% compared to a 2.1% increase in FY 2012, which was a result of strong table game win experienced in FY 2012.

Mr. Lawton directed the committee to the GCB revised forecasts for Statewide Gaming Win and Percentage Fee Tax collections (page 117, Exhibit A), showing the forecast for total win and percentage fees, which were adjusted slightly. For total Statewide Gaming Win, the FY 2013 growth rate was adjusted down slightly from 2.2% to 2.1%, with \$10.9 billion in revenue. During FY 2012, total gaming win increased by 2.34%. To meet the forecast from 2012, Mr. Lawton said that total gaming win needed to increase by 4.4% over the remaining three months, an easy comparison to a negative 5.6% a year ago. The preliminary results showed an increase in Statewide Gaming Win for March 2013. For FY 2014, the growth rate for Statewide Gaming Win was adjusted down slightly from 3.4% to 3.3%, with \$11.4 billion in revenue. For FY 2015, the growth rate was decreased from 4.5% to 4.4%, with \$11.9 billion in total win.

Moving to the corresponding Gaming Percentage Fees forecast for FY 2013 (page 118, Exhibit A), the forecast was adjusted up from 2.9% to 2.96%, with \$672.9 million in total collections. During FY 2012, Percentage Fee Tax collections only increased 0.2%. Although the forecast for total gaming win was adjusted down, Mr. Lawton believed the ratio between taxable gaming revenue and win would come in at 92.0%, which was bumped up from what the original forecast of 91.95%. He felt confident 92.06% in total collections was more realistic.

Mr. Lawton said that the GCB anticipated gaming win collections over the remaining three months of FY 2013 would increase 4.4% with an associated increase in Percentage Fee Tax collections, soft baccarat comparisons and a soft comparison for total win – 32.3% for baccarat and 5.6% for total gaming win. Preliminary results indicated that Percentage Fee Tax collections would increase in May 2013, as well as gaming win. To meet the GCB forecast, Percentage Fee Tax collections needed to increase by 2.9% over the remaining three months of FY 2013 compared to collections of -9.9%. The growth rate for FY 2014 was adjusted upward slightly, from 3.6% to 3.68%, with \$697.6 million in collections. The FY 2015 forecast was adjusted downward slightly from 5.4% to 5.12%, with \$733 million in total collections.

In conclusion, Mr. Lawton stated that the GCB long-term thesis of continued and gradual growth in Statewide Gaming Win and Percentage Fee Tax collections remained intact and was sustained by growth in baccarat, new investments in projects on the Las Vegas Strip, which would continue to increase visitation, in addition to continued domestic growth with jobs, wages, and an ongoing housing recovery.

Chairman Wiles asked why the percentage fee tax collections forecast for FY 2015 was reduced from 5.4% to 5.12% when the FY 2014 forecast was adjusted up. Mr. Lawton replied that the taxable gross revenue (TGR) ratio for FY 2015 was not increased as much as in FY 2013 and FY 2014, so the growth rate was scaled back. He said the GCB forecast increased the taxable gaming revenue to win ratio from 91.95% to

92.06% in FY 2013, increased win from 91.81% to 92.07% for the TGR to win ratio in FY 2014, and in FY 2015, the TGR to win ratio increased from 92.05% to 92.09%, which resulted in the growth rate being scaled back slightly in FY 2015.

*Janet Rogers, Chief Economist, Executive Budget Office*

Referring to the Executive Budget Office Economic Forum Forecast (Exhibit C), Ms. Rogers said the current forecast did not change dramatically from the November 2012 forecast. She stated that the primary economic driver for the forecast was visitor volume, which was the central part of economic growth in the state. Ms. Rogers referenced The Conference Board, Consumer Confidence Index (Index), which recently released numbers showing a large uptick in consumer confidence; however, the uptick was relative to recent performance. The recent results from the Index showed that 17.2% of the surveyed population indicated that business conditions were currently good, and 28.1% of the population indicated that conditions were bad, which was an improvement from the previous month. For the labor markets, 9.8% of the surveyed population indicated that jobs were plentiful; 37.1% indicated that jobs were hard to get, which was an improvement over the previous report, but not a resounding overwhelming positive report. Ms. Rogers said that the short-term outlook from the Index indicated that 16.9% of the surveyed population saw improvement and 15.1% saw worsening, which played into visitor volume. In addition, the federal sequestration had an impact, such as the furloughs for the Federal Aviation Administration, which caused flight delays, although Congress was quick to eliminate that problem. Ms. Rogers was unsure of the full impact of the sequestration and how much of it would be corrected in the near future.

Ms. Rogers referred to the top graph on page 2 of Exhibit C, Year-over-Year Change in Monthly Las Vegas Visitor Volume. She noted the graph showed a declining growth rate over the last two fiscal years leveling off a little and then picking up in the out years – approximately a 2% growth rate. Moving to the graph on the bottom of page 2, Exhibit C, Ms. Rogers said the graph showed Las Vegas visitor volume on an actual visitor volume per month basis – the state was at historic highs at this time and she continued to see growth in the future. The graph on page 3 showed the breakdown of the relationship between the various components of Gaming Percentage Fees, the estimated fee adjustment (EFA), and how percentage fee collections were impacted by non-economic factors. She pointed out that the Executive Budget Office forecast was strictly economically driven. Mr. Rogers said that baccarat was separate from all other gaming in the forecast and slots and tables or cards were lumped together with the idea that visitors came to the state with a somewhat fixed budget and would game until their budget was depleted. Ms. Rogers indicated that her forecast began with actual total gaming drop, which was done in components – Clark County (non-baccarat), the rest of the state, and baccarat drop.

Continuing, Ms. Rogers stated that the top graph on page 4 (Exhibit C) showed inflation-adjusted monthly gaming drop per million visitors. The graph contained historical data beginning in 1988 and showed that visitors to the state were not

spending as much on gaming. The middle graph on page 4 showed statewide monthly gaming drop not adjusted for inflation or visitors, and showed a slight growth in the amount played. Ms. Rogers noted that obviously win was the important number, but the state would not get the win if customers were not playing slot machines. The bottom graph on page 4 showed monthly baccarat drop statewide and the econometrics of the forecast were fairly limited and took into account the Chinese New Year, and the fact that the market would continue to expand. The forecast then estimated win and taxable gross revenue and then the estimated Percentage Fee Tax collections. The graph on the top of page 5 showed the monthly statewide gaming Percentage Fee Tax collections and the uptick in the last quarter of FY 2012, compared to a very weak quarter in 2011, so growth was a little stronger. There were adjustments to gaming Percentage Fee Tax collections between the win and the taxable gross revenue, such as credit play that was usually impacted by high baccarat play, resulting in high credit play, which reduced the taxes collected. Once the adjustments were made, in addition to the EFA, Ms. Rogers produced the actual forecast. The bottom graph on page 5 showed the forecast for statewide gaming Percentage Fee Tax collections, including a 5.5% EFA for the year, which was most of the 3.4% increase for FY 2013. In addition, there was credit play that was not accounted for in the previous quarter, which she thought would be picked up in the most recent quarter. The forecast for Percentage Fee Tax collections was 3.4% growth in FY 2013, primarily due to picking up the previous credit play, along with the EFA – 2.9% growth in FY 2014, and 2.6% growth in FY 2015.

Mr. Rogers pointed out that the first graph on page 6 (Exhibit C) showed how careful the forecasters had to be when comparing previous data, and the variability of the components with regard to gaming were extreme. The middle graph showed the statewide amounts (not adjusted for inflation) and the most recent gaming drop in February 2013 compared to February 2012 was up 4%; win was up 15%; taxable gross revenue was down 10% due to credit play; and the percentage fees net of the EFA were down 10%, and actual total collections were down 12%. Ms. Rogers indicated that the forecast was like a moving target, which was a reason she had a tendency to take the forecast as a larger collection rather than divvying out the individual components.

Mr. Leavitt asked Ms. Rogers why the Budget Office forecast was higher in FY 2013, but substantially less in FY 2015. Ms. Rogers replied that she primarily looked at the EFA, which she thought would bump up the forecast. She said there was a weak quarter to compare to, resulting in a relatively large EFA that was taking a fairly weak forecast and bumping it up to 3.4%, resulting in a higher forecast in FY 2013, slightly less in FY 2014, with the largest drop in FY 2015.

Ms. Rogers explained that the difference in the Budget Office forecast was how things were modeled – the Budget Office forecast was driven off of visitor volume, which was going to be relatively low, in addition to accounting for national economic indicators, which she thought were weaker. She added that gaming has been disappointing for the state and she thought there was a tendency to want to assume a strong comeback,

which has not happened. Ms. Rogers believed her model was relatively conservative in terms of taking into account the economic conditions the state was likely to see.

Chairman Wiles asked Ms. Rogers what was driving the lower estimate in the forecast for visitor volume in the out years. He thought the Las Vegas Visitor and Convention Authority (LVCVA) forecast \$40 million for FY 2012 and the state came in lower than expectations.

Ms. Rogers replied that the visitor volume forecast between November 2012 and May 2013 was basically adjusted for the year-to-date numbers and the slightly lower economic forecast from Moody's Analytics, which was the forecast used for the national forecast. She stated that there was very little difference between the Budget Division and Moody's Analytics forecast, and there were no fundamental differences.

*Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division*

Mr. Guindon referred the members to page 35 of Exhibit D, the Fiscal Analysis Division Forecast Information Packet, which showed the May 2013 forecast for percentage fee tax collections highlighted in yellow, the November 2012 forecast highlighted in green, and the orange highlighted section showed the difference between the two forecasts. Mr. Guindon stated that slot win has been performing worse than thought in the November 30, 2012, forecast, so he decreased the forecast for slot win for FY 2013. Instead of 0.5% growth in FY 2013, slot win is forecast to decrease by 0.8%. The FY 2014 forecast was decreased to 3.0% growth compared to the November 2012 forecast of 3.2% growth. The forecast remained the same for FY 2015 with 3.2% growth. For games, Mr. Guindon increased the FY 2013 forecast from 3.89% in November to 5.8% in the current forecast because of the record month in growth, which ended up giving the state a record quarter. For total gaming win, Mr. Guindon stated that because of the downward revision in growth rate for slot win, the loss in slot win outpaced the gain in games win from revising the growth rate up, resulting in a slightly lower growth rate in total win. In addition, taxable gaming revenue was lowered in the current forecast, which the main driver was lowering the TGR to win ratio compared to the November 2012 forecast in terms of where he thought the state would end up in FY 2013 and what the ratio would be going forward. He noted that with baccarat being a big part of the market, and having a lower hold on average than some of the other table games that used to be a bigger part of the market, the TGR to win ratio would stay down. Historically, that ratio was in the 96% range and because of baccarat play, the ratio was currently down in the low 90% range. In addition, the average hold has gone down, there was a high credit event, and collection ratios were still good at 92%, but approximately a 4% difference compared to prior history. With baccarat being a bigger play, slot win not coming back, and the lack of credit play, he thought TGR to win ratio would stay in the low to mid 92% range. Mr. Guindon believed when the slot win forecast was in the 93% range it was probably too high, which was his logic for lowering that ratio in the May 2013 forecast compared to the November 2012 forecast. In the base year, Mr. Guindon lowered the forecast for the average tax rate, but still had it

increasing some because the TGR to win ratio was increasing, which would push more revenue into the top tax bracket and the average effective tax rate up.

Mr. Guindon stated that the growth rate for gaming Percentage Fee Tax collections from TGR was an increase of 1.7% in FY 2013, 3.5% in FY 2014, and 3.3% in FY 2015. The EFA was not changing much in terms of his calculations, but he ended up with 2.5% growth in FY 2013, 4.0% growth in FY 2014, and 3.2% growth in total Percentage Fee Tax Collections compared to the 3.2% growth in FY 2013, 4.2% growth in FY 2014, and 3.4% growth in FY 2015 in the November 2012 forecast. He explained that he was decreasing the FY 2013 forecast and the base year adjustment was carrying through the forecast horizon into FY 2014 and FY 2015. The games growth rate was decreased in the out years because he assumed that baccarat would bring in the players, but due to the phenomenal record quarter, he was unsure the state could continue to get the players and the house would win. Table 3 on page 38, fiscal year for Statewide Game Win showed that drop per game was up 7.2% in FY 2011, and only grew 2.3% off the 7.2% in FY 2011. Currently, the Fiscal Division forecast drop per game to increase 7.1% in FY 2013, increase 2.1% in FY 2014, and 1.6% for FY 2015, which he believed was somewhat conservative. Chart 1 on page 40 showed the statewide total win, slot win and game win per Las Vegas visitor forecast; the thin orange line on the chart represented the actual slot win per visitor. The dark orange line on Chart 2, page 41 represented the slot win per employee forecast. The slot win forecast compared to the visitor forecast continued to decline through the current actual, but started to increase some over the forecast horizon. The forecast for game and table win in the first quarter of FY 2013 leveled and increased slightly in FY 2014 and FY 2015. Slot and game win was a little more matched statewide; slot win through the latest actuals declined some, recovered and was running flat over the forecast horizon for slot win per employee, and game and table win was projected to increase slightly over the forecast horizon. Clark County total win, slot win and game win shown on page 42, compared to Las Vegas visitors was more closely matched; slot win increased over the forecast horizon, in addition to game and table win. The table win showed the spike in baccarat on a per visitor basis, and baccarat play maintained those levels over the forecast horizon. Mr. Guindon noted that the Fiscal Division forecast was pulled back compared to the other forecasts, which was primarily a result of decreasing the base year, which carried through the forecast horizon.

Mr. Maddox asked what the hold was for Las Vegas in February with the phenomenal baccarat numbers relative to where it would be normally.

Mr. Lawton responded baccarat play was close to 16% and the average play was approximately 12.5% to 13%, so it was somewhat of an anomaly. Normally, there would not be a large deviation from the 12.5% to 13% on an annual basis. He assumed Mr. Guindon took the drop in the forecast and pulled it down into the 12.5% range and then grew the base from there.

Mr. Guindon replied that he did not break out baccarat play in the forecast because of the variance in this game. Page 38 of Exhibit D showed the average game win percent

was up 0.20% in FY 2012, increasing 0.16% in FY 2013, 0.09% in FY 2014, and 0.11% in FY 2015. He stated that his forecast had the average hold percent increasing over the whole forecast horizon; however, not at the levels recently seen.

Mr. Maddox stated that the levels recently seen were abnormal and not an indication of a lot of additional volume, but more of the house winning quicker than normal, which would always go the other way over a long period of time.

Mr. Wiles asked for comments from the Forum members about the forecasts before a recommendation was made.

Mr. Maddox agreed that taking the very strong months and growing those required “the best of all worlds” outcomes, and while the large growth could continue, it was tough to take the percentage from what has been currently happening and growing from that. He liked the Budget Division and Fiscal Division’s forecasts for gaming percentage fee tax.

Mr. Neilson stated that there was an interesting convergence across the forecasts for FY 2013, FY 2014 and they started to see the variance in FY 2015.

Mr. Leavitt asked if the committee was leaning more toward the Fiscal Division forecast for FY 2013, FY 2014 and FY 2015.

Mr. Maddox believed that by backing off the extraordinary win over the last few months that the Fiscal Division forecast was the best. He stated that the state had a tough April, May and June of 2012, and gaming Percentage Fee Tax growth was down, so he expected to see a lot of growth the end of FY 2013.

Mr. Guindon explained that Table 9, page 103 (Exhibit A) showed the comparison of average growth required over the remainder of FY 2013 to achieve the FY 2013 forecast. He noted that over the last three months of FY 2012 compared to FY 2011, the state was down 9.9%. Year-to-date through the first nine months of FY 2012, the forecasts approved by the Economic Forum in November 2012 were within \$200,000 of the forecast. He stated that he struggled with his forecast, and when the forecast came in lower than the November 2012 forecast, it was still within \$200,000 and he was unsure where to make adjustments.

Mr. Maddox said that the Las Vegas Strip looked very solid for April, May and June of 2012. He did not think the Economic Forum wanted to go below the FY 2013 forecast of \$672 million.

Chairman Wiles asked for a motion.

MR. LEAVITT MOVED THAT THE ECONOMIC FORUM FOR  
THE GAMING PERCENTAGE TAX ACCEPT THE CURRENT

ECONOMIC FORUM FORECAST OF \$672.422 MILLION FOR FY 2013. THE MOTION WAS SECONDED BY MR. NIELSEN.

THE MOTION WAS UNANIMOUSLY APPROVED.

Mr. Guindon pointed out that the forecasts of the Agency, Fiscal Division and Budget Division were within \$1 million of the forecasts approved at the November 30, 2012, Economic Forum meeting.

Chairman Wiles asked for a motion for the FY 2014 and FY 2015 forecasts for gaming percentage fee tax.

MR. MADDOX MOVED THAT THE ECONOMIC FORUM FOR THE GAMING PERCENTAGE FEE TAX KEEP THE NOVEMBER 30, 2012, ECONOMIC FORUM FORECAST OF \$696.663 MILLION FOR FY 2014 AND \$726.77 MILLION FOR FY 2015. THE MOTION WAS SECONDED BY MR. LEAVITT.

THE MOTION WAS UNANIMOUSLY APPROVED.

### **LIVE ENTERTAINMENT TAX – GAMING**

Chairman Wiles stated that forecasts for Live Entertainment Tax (LET) for the Agency, Fiscal Division and Budget Division were close to the estimates approved in November 2012. He asked the forecasters to focus only on significant changes that would cause the members to adjust the current Economic Forum forecast.

*Mike Lawton, Senior Research Analyst, Gaming Control Board*

Mr. Lawton reported that the Gaming Control Board (GCB) forecast for the Live Entertainment Tax (LET), with a remainder of four months' worth of data in FY 2013 to be collected, was adjusted down to 2.46%. Originally, the forecast showed a decrease in growth of 1.46%. Currently, the state was down 4% below the November 2012, Economic Forum forecast. Therefore, in order for the current GCB forecast to hit the estimate forecast provided, the state needed growth in the last four months of FY 2013. Mr. Lawton was confident the state would see growth in those months based on preliminary results that showed LET collections increasing in May 2013, which was the first month the state saw an increase in FY 2013. He explained that the reason collections slid in FY 2013 was due to shows that were "dark" because of show changes, not being replaced in the fiscal year, or would be replaced later in the fiscal year. The state was still working dark showrooms against ones that were live a year ago; however, in FY 2014, the state would have a complete set of shows online. Mr. Lawton stated that in March 2012, Celine Dion did not play due to an illness, which would have helped the March collections, and in April 2012, LET collections were

impacted significantly as a result of a refund. For events, in April 2012 there was a large Bon Jovi concert; May 2012 a Rolling Stones concert, in addition to the Michael Jackson show at the Mandalay Bay that opened Memorial Day weekend comparing against a dark showroom for that weekend and also in June. Mr. Lawton believed that he could get close to the original forecast for FY 2013, in FY 2014 he believed the state would see some growth, and the GCB forecast LET collections conservatively for FY 2015 because of the possibility of shows going dark again or getting pulled and the variables the forecaster did not have access to like gaming.

*Janet Rogers, Chief Economist, Executive Budget Office*

Ms. Rogers stated that the Budget Division's November 29, 2012, forecast was the highest of all forecasts. She took the growth rate seen for the first three quarters of FY 2013 and extrapolated the growth rate and assumed a continued decrease in LET collections, not accounting for the shows that could be coming online.

She stated the Budget Division growth for LET collections in the out years was based on the recognition that venue operators realized the importance of shows and would be aggressive in trying to bring venues back online. She said that there was no fundamental difference in the forecast and it reflected an adjustment for the additional months' of data that had the state down.

*Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division*

Mr. Guindon stated that the Fiscal Division forecast for Live Entertainment Tax collections was similar to the other forecasts, and the actual collections information received from the Gaming Control Board was below than the forecast from the November 30, 2012, meeting. Mr. Guindon said that his forecast reflected the state falling harder in LET collections in FY 2013, with a recovery later in collections. In addition, he pulled the visitor forecast down from the November 2012 forecast, which was why the Fiscal Division forecast for LET collections in FY 2014 showed much lower growth for FY 2014 compared to the other forecasts. He stated that he probably did not have the timing of when the shows were coming back online and the impact of those shows for comparing FY 2013 to the same time a year ago so growth could be a little stronger. Because of the timing, he had stronger growth in FY 2015 relative to where the Fiscal Division forecast was in the middle of FY 2014.

Mr. Leavitt stated that all the forecasts were close to the November 30, 2012, projections and suggested the Economic Forum stay with the original forecast for LET collections.

Mr. Nielson agreed that the forecasts were close but thought current data indicated that the state was running below expectations across the board. All three forecasts decreased projections for FY 2013 and FY 2014, and two forecasts showed a decline for FY 2015. He noted that the trend indicated that the state was running below previous expectations.



Chairman Wiles said that the Economic Forum estimates for LET collections for FY 2013 were \$123 million, and the Agency, Fiscal Division and Budget Division forecasts were lower by \$1 million. The FY 2014 forecast was \$128 million, which was high by \$2 million to \$4 million, and the FY 2015 Economic Forum forecast was \$131 million, which was the average of all the forecasts.

Mr. Nielson said that it seemed the least scientific of the forecasts was the FY 2015 Budget Division forecast and the expectation that casino operators recognized the opportunity to bring shows online, but there was still a lot of uncertainty around that timeframe.

Ms. Rogers pointed out that although the growth rate in LET collections were strong, collections were significantly lower than forecast in November 2012. The Budget Division forecast was based on the impact of inflation and an increase in visitors and volumes and the fact that she did not believe casino operators would let venues sit dark.

Chairman Wiles said that the Fiscal Division forecast for LET collections was close to an average between the Agency and Budget Division forecast for FY 2014 and FY 2015, which brought the Economic Forum forecast down slightly. He noted that it would particularly affect the years with the least amount of information, which were FY 2014 and FY 2015, and it was close to the Economic Forum forecast going out three years.

Mr. Nielsen stated that Chairman Wiles' suggestions were consistent with his instinct, which was that the Economic Forum should recognize what appears to be a trend of lower LET collections.

Mr. Lawton noted that the preliminary indicators showed that LET collections would increase in May 2013 for the first time in FY 2013 due to the shows finally coming back online and having "apples-to-apples" comparisons and less dark showrooms. In addition, there were some large venues coming online in April and May 2014 that would help, although he did not think the state would hit the Economic Forum's November 30, 2012, forecast of \$123.5 million. He indicated that the GCB's forecast was decreased accordingly.

Chairman Wiles believed the best approach was to accept the Fiscal Division forecast for LET collections.

MR. NIELSEN MOVED THAT THE ECONOMIC FORUM ACCEPT THE FISCAL DIVISION FORECAST FOR GROWTH IN THE LIVE ENTERTAINMENT TAX-GAMING TO DECREASE BY 3.0% IN FY 2013 TO \$121.576 MILLION; INCREASE BY 2.4% IN FY 2014 TO \$124.494 MILLION; AND INCREASE BY 3.9% IN FY 2015 TO \$129.353 MILLION. THE MOTION WAS SECONDED BY MR. LEAVITT.

THE MOTION WAS UNANIMOUSLY APPROVED.

## STATE 2% SALES TAX

*Sumiko Maser, Deputy Director, Department of Taxation*

Ms. Maser stated that the Department of Taxation recognized that the state has seen continuous growth in taxable sales in the last 32 months. The Department of Taxation revised its forecasts from November 30, 2012, to take into account the additional months of actual collections. Ms. Maser stated that the methodology used by the Department of Taxation to develop the forecast was a simple linear regression model that was applied to prior years' revenue. She said the Department of Taxation did not employ an economist; however, they were able to obtain some assistance from a graduate student from the Economics Department, University of Nevada, Reno. An econometric time-series model was used, which was coupled with the linear regression model that allowed the Department of Taxation to better forecast the revenues. The Department of Taxation's forecast was revised up from the November 30, 2012, forecast for the State 2% Sales Tax with \$876.28 million in collections in FY 2013; \$913.02 million in FY 2014; and \$949.77 million in FY 2015.

Mr. Nielsen said that it seemed the Department of Taxation used an econometric time-series and a linear regression model to forecast the State 2% Sales Tax. He asked how those two methodologies were combined in the Department of Taxation forecasts.

Ms. Maser replied that the Department of Taxation looked at the linear regression analysis that was calculated and the revenues for FY 2013, FY 2014 and FY 2015, in addition to the econometric model and the data points from FY 2013, FY 2014 and FY 2015 and used the average of the two models.

Mr. Leavitt asked Ms. Maser to provide detail on why the February 2013 State 2% Sales Tax collections showed growth in all the counties with the exception of Clark County. He asked if she knew what caused Clark County to be flat when there was consistent growth for a period of time. Mr. Leavitt wanted to ensure that the flat growth was reflective of a trend instead of an unusual occurrence.

Ms. Maser replied that the difference in collections for Clark County in February 2013 was due to beverage and tobacco product manufacturing. She noted that sometimes an audit would result in a deficiency or credit, and in February 2013, an audit resulted in a credit, which reduced the taxable sales in Clark County.

Mr. Guindon clarified that February 2013 had 28 days compared to 29 days in February 2012. When he looked at growth on a per day basis, February 2013 was up 8%, but collections were only up 4.5%, so there was a 3.5% gap between collections. There was a large negative taxable sales number in the Internet and Publishing North American Industry Classification System (NAICS) category in Clark County. He indicated that even in Clark County, \$36 million was large as a negative taxable sales number that pulled the county down in February 2013.

*Janet Rogers, Chief Economist, Executive Budget Office*

Ms. Rogers directed the members to the charts on page 8 (Exhibit C) which showed that the 2% Sales and Use Tax was primarily based on employment activity. The top graph on the page showed the historical long-term employment in Nevada back to 1985. The employment forecast was up from the November 30, 2012, forecast, which was primarily due to a revision of the data that was released by the Bureau of Labor Statistics. The revisions were released in February 2013, re-benchmarking the old data, and the growth was stronger for calendar year 2012 than originally thought based on the numbers being reported, which meant there was more employment than thought, but less economic activity per employee or per job given that the forecasters did not revise the rest of the numbers at the same time. The top chart on the page showed actual employment levels including the forecasts, which was 2.5% growth in FY 2014 and 2.2% growth in FY 2015. The middle graph on page 8 (Exhibit C) showed the year-over-year change in employment, which was very modest in comparison to what the state had seen in the past. The bottom graph reflected the inflation adjusted change in taxable sales per job showing some decline in the growth rate, so growth was not negative, but there was slower growth into calendar year 2014 before picking up again.

Referring to page 9 (Exhibit C), Ms. Rogers said the top graph reflected inflation adjusted 2% Sales and Use Tax per million jobs, which was based on an econometric forecast that not only took into account what employment would do in the state, but variables that reflected visitor volume, which had a large impact on taxable sales. The bottom graph on the page showed the 2% Sales and Use Tax forecast and what it looked like on a level basis going forward where the growth rate was essentially constant, but the number of jobs and inflation was increasing so the forecast was not showing the huge increase in the actual buying power of an individual. The chart reflected the State 2% Sales and Use Tax forecast on a fiscal year basis with 5.2% growth through February 2013, and a forecast of 4.8% growth for the last quarter of FY 2013, just slightly slower than what has been seen. Ms. Rogers expected a slight uptick of 5.5% in FY 2015, and hoped to see a continued increase as the national and state economy started to grow on more solid footing in FY 2015.

*Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division*

Mr. Guindon referred to Table 2 on page 64 (Exhibit D) which showed the actual quarterly total statewide taxable sales forecast. The Fiscal Division forecasts taxable sales on a quarterly basis using an econometric equation specified as a function of inflation adjusted taxable sales per employee, inflation adjusted personal income per employee, visitors per employee, new vehicle registrations per employee, and construction employees per employee. The Fiscal Division forecast had a stronger employment outlook and personal income outlook, particularly in FY 2015. For construction employment he used the DETR forecast, which was stronger than the November 2012 forecast and set the stage for expecting a stronger forecast compared to the November 2012 forecast. In FY 2013, the Fiscal Division forecast taxable sales

to grow 5.1% compared to 4.9% in the November 2012 forecast, 5.4% growth in FY 2014 compared to 4.2%, and 5.0% in FY 2015 compared to 4.1%, which was approximately 1.0% more growth for FY 2014 and FY 2015 than the November 2012 forecast.

Mr. Guindon recalled that at the November 30, 2012, meeting he discussed the abatements for the renewable energy projects and pledges of tax revenues through the Sales Tax Anticipated Revenue (STAR) bonds, which have come in larger than thought. He indicated that the Nevada Office of Energy recently approved another renewable energy project, which based on the fiscal note, was estimated to take almost \$7.0 million against the State 2% Sales Tax by the end of calendar year 2013. Based on the current information set he had, Mr. Guindon previously forecast collections would increase 5.6% against the 4.9% taxable sales; currently he forecast that the State 2% Sales Tax collections would grow 5.6% against the 5.1% growth in taxable sales, which was approximately a 0.5% gap. The forecasted gap based on the taxable sales, times the sales tax rate and the taxpayer collections allowance, he expected a \$10.8 million gap in FY 2013, which was \$14 million in FY 2012. The gap is projected to be \$9.5 million in FY 2014 and \$2.6 million in FY 2015. Mr. Guindon said that he did not have other information to believe there were additional renewable energy projects with magnitudes of \$10 million in collections a year, which was why taxable sales and collections converge more in the out years. The Fiscal Division forecast had a stronger taxable sales forecast because of the stronger economic outlook; however, he revised the forecast down by approximately \$1.4 million after accounting for the STAR bonds and the other abatements. He noted it was similar to gaming and the actual collections year-to-date tracked close to the Economic Forum forecast of \$891.4 million, which came out of the equation after the adjustment for renewable energy and STAR bond impacts. The state sales tax collections were growing stronger in FY 2015 compared to the November 2012 forecast, which made up for the loss in the base year and the forecast was revised up by \$5.2 million. The forecast was 1.7% stronger for the growth rate in FY 2015 picking up approximately \$21 million.

Mr. Guindon directed the committee to Chart 1, page 67 (Exhibit D) State 2% Sales Tax Collections: Actual versus Forecast on a Quarterly Basis. He stated that he had reservations after looking at taxable sales because he was unsure what was “normal” and a relative comparison. Statewide Taxable Sales: Actual versus Forecast on a Quarterly Basis (page 68) the chart on the page looked the same as the previous chart. Referencing Chart 4, page 70, he said taxable sales was divided by non-farm establishment employee, which showed the significant run up since the trough, but he had an inflection point in his forecast that started to increase, but at a decreasing rate. He said that taxable sales and collections increased, but it was slowing down on a per employee basis. Mr. Guindon stated that the reason for the large run up was when dividing by employees there were visitors coming to the state, but not as much employment growth. Visitors were spending on taxable sale items, which was pulling the numerator up, but the denominator stayed the same. He thought things would be more “normal” now that employment started to increase and there was an inflection

point where taxable sales started increasing at a decreasing rate instead of an increasing rate.

Continuing, Mr. Guindon said the chart of page 71 (Exhibit D) showed statewide taxable sales per \$1,000 of statewide personal income – actual versus forecast on a quarterly basis. The chart showed collections increasing, but not as robust as on a per employee basis because personal income held up better due to the unemployment insurance transfer payments on the non-wage side of income. There was a stronger personal income outlook, but relative to taxable sales, there was an inflection point where it started to increase at a decreasing rate. Chart 6, page 72 (Exhibit D) displayed Statewide Taxable Sales per Las Vegas Visitor – Actual Versus Forecast on a Quarterly Basis, which showed the same inflection point but not as much as on per-employee or per income basis. This result occurs because employment growth with corresponding growth in personal income helped taxable sales remain stable so it would be more dramatic when statewide taxable sales were divided by the Las Vegas visitor number. Mr. Guindon explained that the final chart on page 74 (Exhibit D) displayed Las Vegas Visitors per Statewide Number of Employees – Actual versus Forecast – Quarterly Basis. The chart showed a phenomenal run up for visitors per employee, but as employment growth was stronger than visitors, then the ratio started to fall. Mr. Guindon liked to see employment outpacing visitors, because employment growth meant that the underlying economy might be starting to get better versus just bringing visitors to the state.

Chairman Wiles said it was interesting how significantly Moody's Analytics FY 2013, FY 2014 and FY 2015 sales tax collections forecast has changed. The Economic Forum estimate for FY 2013 was fairly consistent with the Fiscal Division and Budget Division forecast, although a little higher based on the forecast from November 2012. Looking at FY 2014, the Economic Forum estimate in November 2012 was \$934 million, which was fairly close but trending downward. Fiscal Year 2015 was significantly lower and there were estimates in the out year that helped establish budget priorities for the Legislature, but there were significantly higher estimates and revisions from all the forecasters. Mr. Wiles said it was interesting to look at the state forecasts versus Moody's Analytics forecast and the swing of approximately \$80 million, which would be 8% to 10% of the base number. It looked like all forecasters were more in agreement now than the November 2012 forecast.

Chairman Wiles said he was uncomfortable making significant upward revisions in the sales and use tax forecast for FY 2015 because Nevada was going through great economic uncertainty. He indicated that he was more comfortable making adjustments to the FY 2013 and FY 2014 forecasts based on recent information.

Mr. Neilson asked if the FY 2013 forecast for sales and use tax was on target with the November 30, 2012, Economic Forum forecast.

Mr. Guindon replied that the state was close to the November 2012 Economic Forum forecast; however, recent information showed the state was approximately \$2 million below the November 2012 forecast for the first eight months.

Chairman Wiles noted that if the state was \$2 million below the November 2012 forecast it would need a significant increase in the last three months of FY 2013 to achieve the projections for the sales and use tax.

Mr. Guindon directed the Economic Forum to Table 9, page 103 (Exhibit A) which showed a comparison of the average growth required over the remainder of FY 2013 to achieve the FY 2013 forecast for the state sales and use tax. The chart showed that the Fiscal Analysis Division forecast was one of the highest forecasts with an average of 6.2% growth required over the last four months of FY 2012. Turning to Table 2, page 64 of Exhibit D, the table showed the Fiscal Analysis Division forecast for taxable sales and state 2% collections. The growth for the second quarter in FY 2012 showed the \$5.4 million gap between taxable sales and actual collections versus actual less imputed tax collections. The difference was a decrease of \$2.5 million in FY 2013 compared to \$5 million, which bumped up the Fiscal Analysis Division forecast. Fiscal Year 2013, Quarter 1, had 5.6% growth, FY 2013, Quarter 2, had 6.2% growth, and 6.2% growth was needed in the last quarter, which was basically the same as what was needed over the last four months of FY 2013. Mr. Guindon indicated that he made the assumption that the state had more renewable energy projects in the last quarter of FY 2012 around the \$5 million versus \$2.5 million in FY 2013, which was why collections were a little stronger in the Fiscal Division forecast. He noted that was his assumption from looking at new renewable energy projects and knowing impacts were large a year ago. However, if that holds true collections could be closer to the other forecasts in terms of where the state would end up because the state would not lose as much in FY 2013 compared to FY 2012.

Chairman Wiles asked Mr. Guindon if he had uncertainty about future renewable energy projects, and if that component does not come in as expected, the state would be closer to \$885 million as opposed to \$890 million.

Mr. Guindon replied that it was more of a statement of assumptions and if the state lost \$5 million then he would lose \$2.5 million against his forecast, which would put collections around \$887 million.

Chairman Wiles asked the probability of that occurring.

Mr. Guindon was unsure he could provide a percentage for the probability of that occurring. Looking at future energy projects and after analyzing the numbers, his forecast was his best guess.

Mr. Maddox asked why the Department of Taxation's forecast was lower for the last few months of FY 2013.

Ms. Maser replied that the Department of Taxation's forecast utilized the same methodology as in the November 2012 forecast, and included the new data for the actual months of taxable sales, which increased the forecast. However, the Department of Taxation's forecast was not increased as much as the Fiscal Division or the Budget Division's forecast.

Chairman Wiles stated that all the forecasts seemed high compared to the November 2012 forecasts.

Mr. Maddox said that he was uneasy estimating a forecast higher than the Moody's Analytics because they have overshot every forecast in the past.

Chairman Wiles stated that the forecast was challenging because of the uncertainty of underlying assumptions and the different econometric models used by the forecasters. He believed that the forecast of \$885.7 million in State Sales and Use Tax for FY 2013 was a good forecast.

MR. NIELSEN MOVED THAT THE ECONOMIC FORUM ACCEPT THE BUDGET DIVISION FORECAST FOR STATE SALES AND USE TAX OF \$885.653 MILLION FOR FY 2013. THE MOTION WAS SECONDED BY MR. MADDOX.

THE MOTION WAS UNANIMOUSLY APPROVED.

MR. MADDOX MOVED THAT THE ECONOMIC FORUM ACCEPT THE ECONOMIC FORUM FORECAST FOR STATE SALES AND USE TAX OF \$934.536 MILLION FOR FY 2014. THE MOTION WAS SECONDED BY MR. LEAVITT.

THE MOTION WAS UNANIMOUSLY APPROVED.

Chairman Wiles noted that the FY 2015 State Sales and Use Tax forecast appeared to have a divergence of opinion between the forecasters. He said the Economic Forum forecast was \$972 in November 2012.

Ms. Rogers stated that the growth rates were a good gauge for how much the forecasters were expecting in terms of changes, which might provide some additional information when forecasting.

Chairman Wiles said if they looked at the growth rates for each year for state sales and use tax, the Economic Forum forecast 4% growth; Department of Taxation forecast 4% growth; Fiscal Division forecast 6% growth, Budget Division forecast 6% growth; and Moody's Analytics forecast 7% growth. Moody's Analytics was optimistic on growth and pessimistic on level from its original estimate.

Mr. Maddox said that the Economic Forum forecast had growth of 5.5% for FY 2013 to FY 2014 in the current forecast, and approximately 5% in FY 2015.

Mr. Guindon referenced the chart on page 63 of Exhibit D, which provided historical taxable sales and state collections going back to 1997. He noted that there were only three fiscal years below 5% growth when he took out the negative growth during the economic downturn in FY 2008, FY 2009 and FY 2010.

Ms. Rogers noted that the chart at the bottom of page 8, Exhibit C, showed the inflation adjusted change in taxable sales per job, which provided a historical perspective on what was currently being forecast along with historical data.

Mr. Guindon stated the forecast for November 2012 from Bill Anderson, Chief Economic, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation was a percent higher, which was the same as the Fiscal Division and Budget Division forecasts in terms of the growth in employment in the out year compared to the November 2012 forecast, which was why the forecasters were increasing the forecast for taxable sales coming from the economic activity.

Ms. Rogers added that the chart on the bottom of page 8, Exhibit C, showed that the periods between positive and negative growth were relatively short. The Budget Division forecast a longer period of growth than what has been seen with the exception of the "bubble."

Mr. Nielson commented that the employment forecast and playing that forward into sales tax was logically consistent, and indicated that the employment growth was expected and would translate to increased sales tax revenue and accelerate over time.

Chairman Wiles said that the next question was the distribution of employees from FTEs, which was an unknown. He stated there was approximately a 6% growth rate in the out years in the Fiscal Analysis Division and the Budget Division forecasts. The Economic Forum forecast had a slightly different level and if they believed there would be a 5% growth rate going forward, which was consistent with the historical averages, he was unsure how they would throw out the negative or zero growth rates. If the cycles were far enough out or there were shorter cycles, it was a potential cyclical trough. He said they could take the Economic Forum's estimate and increase it by a growth rate.

Mr. Guindon clarified that if the Economic Forum took the \$934.536 million and increased it by the average forecast of 6%, it was \$990.608 million. Mr. Guindon said that 5.5% of \$934.536 was \$985.935 million.

Mr. Nielsen believed it was good logic to hold the forecast at 5.5% for FY 2015.



MR. NIELSEN MOVED THAT THE ECONOMIC FORUM APPROVE \$985.935 MILLION FOR STATE SALES AND USE TAX FY 2015. THE MOTION WAS SECONDED BY MR. MADDOX.

THE MOTION WAS UNANIMOUSLY APPROVED.

## **MODIFIED BUSINESS TAX**

### **NONFINANCIAL INSTITUTIONS**

*Sumiko Maser, Deputy Director, Department of Taxation*

Ms. Maser referenced page 124 of Exhibit A showing graphs for the nonfinancial Modified Business Tax (MBT) forecast for the Department of Taxation. She noted that because the tiered rate was set to sunset at the end of FY 2013, the Department of Taxation forecast the linear regression analysis on gross wages. In addition, a graduate student from the Economics Department, University of Nevada, Reno, conducted an econometric model based on employment in the nonfinancial sector. The Department of Taxation forecast for MBT nonfinancial for FY 2013 was \$364.69 million, decreasing to \$265.46 million in FY 2014, due to the sunset of the tiered rate, and \$274.87 million in FY 2015.

*Janet Rogers, Chief Economist, Executive Budget Office*

Ms. Rogers reported that the Budget Division forecast for MBT nonfinancial was on pages 10 and 11, of the Executive Budget Office Economic Forecast (Exhibit C). The forecast for employment on MBT nonfinancial institutions with an increase of 2.2% through March 2013, an increase of 1.6% for the remainder of FY 2013, increasing 2.5% in FY 2014 and FY 2015, which was a reflection of the strengthening economy. She indicated that most of the change going forward was due to the upward revision from the Bureau of Labor Statistics on data that was previously released in calendar year 2012.

The middle chart on page 10 of Exhibit C showed the inflation adjusted average monthly wage at nonfinancial institutions, which increased faster than inflation for a period though FY 2007; however, since this period the average monthly wage declined per job adjusted for inflation. She indicated that the decline continued at a slightly slower pace through the end of the forecast horizon. The final chart on page 10 showed the average monthly wage at nonfinancial institutions, which was increasing in the forecast for FY 2014 and FY 2015, predominately reflected by inflation rather than strengthening in wages.

Ms. Rogers stated that the top chart on page 11 of Exhibit C showed total monthly payroll at nonfinancial institutions based on wages and employment, which was the

primary basis for the Budget Division MBT forecast. Adjustments were made for the health insurance premiums paid by an employer, which was not exactly a one-to-one comparison. In addition, the rate change that occurred between FY 2013 and FY 2014 was included in the forecast, accounting for the large drop in FY 2014. The Budget Division forecast an increase of 3.4% in FY 2013 with data only for the first two quarters of FY 2013. Fiscal Year 2014 reflected a huge decline based on the change in the tiered rate from the 1.17 to .63, and there was an increase of 4.2% in FY 2015.

*Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division*

Mr. Reel stated that he would focus his presentation on the information on pages 85 and 86 of the Fiscal Analysis Division Forecast Information Packet (Exhibit D). He said that the economic variables driving the forecast were included on pages 92 and 93. Mr. Reel pointed out that the employment forecast on Table 2A was based on DETR's revised employment forecast with a 1% upward adjustment to the total employment compared to the November 2012 forecast. The actual employment for the beginning of FY 2012 was lower than originally estimated, and the second half of FY 2012 along with the last few months of calendar year 2012 was higher than originally estimated, so on a fiscal year basis the FY 2012 employment estimates essentially remained the same in terms of the growth rate. Mr. Reel thought the nonfinancial employment growth for FY 2012 in the November 2012 forecast would be 1.9%, but actual growth was 1.7%. The Fiscal Analysis Division forecast nonfinancial employment growth of 2% in FY 2013, 2.6% growth in FY 2014 and 3% in FY 2015, approximately 1% higher than the November 2012 forecast. Average wage per employee throughout the forecast path was approximately \$45,000 in FY 2014, and \$45,900 in FY 2015, a \$700 revision per year based on current data from the Bureau of Economic Analysis. For FY 2013, total wage and salaries were revised down slightly, and growth in the November 2012 forecast was estimated at 3.3%, which was decreased to 2.6%. Growth in total wages increased by approximately 1% with 4.6% growth in FY 2014 and 5.1% growth in FY 2015. Mr. Reel said the actual forecast for MBT nonfinancial tax revenue (page 92) resulted in an increase of approximately \$5.2 million in FY 2013, \$3.3 million in FY 2014, and \$5.67 million in FY 2015, due to the increase in the wages and employment forecast.

Chairman Wiles asked Mr. Reel if he assumed each job was full-time in the employment forecast for nonfinancial institutions. He thought if the forecasts assumed employment increases that they also needed to know the distribution of jobs and whether the jobs were part-time or full-time. Mr. Reel replied that he looked at the average wage for employee in terms of the job being counted and the wages that go into the average wage, which was part of the whole equation.

Mr. Guindon clarified that there was one metric for the employment number, which could be either part-time or full-time employment. In addition, there was a metric for total wages reported by the Bureau of Labor and Statistics and the two were divided to obtain the wages per employee. He noted that one employee and employees were a body, and one body could have two part-time jobs and be counted as two employees,

which was the nuance of the numbers and internally consistent. The wages for the forecast were from the Quarterly Census of Employment and Wages (QCEW) and were required to pay the unemployment insurance tax, which was tied to the MBT.

Chairman Wiles stated that the forecast was capturing the fact that the employees could be part-time or full-time and the average wage was captured in the forecast. The forecasts for FY 2014 and FY 2015 from the Fiscal Division and Budget Division were relatively close, and the Agency budget was an outlier.

Mr. Maddox said it has hard to say what normal growth was. When he looked at a compounded annual growth rate of wage disbursement over the last ten years, and then looked at the current forecasts for FY 2015, the growth was approximately 1.8% to 2% compounded annually. He thought that 5.1% growth looked like a lot for FY 2015; however, looking at the long-term view, the FY 2015 forecast felt more in line with the normal forecast.

Mr. Nielsen said another alternative for the MBT nonfinancial was the Economic Forum forecast for FY 2014 and FY 2015, which were reasonably close to the Fiscal Division and Budget Division forecasts. He thought they could look at the forecast in terms of collections to date relative to what was expected over the remainder of FY 2013 to achieve the FY 2013 forecast.

Mr. Reel replied that Table 9, page 104 (Exhibit A), showed that the state was up 5.4% year-to-date for the first two quarters of FY 2013 for MBT nonfinancial growth.

Mr. Nielsen asked if the implied growth rate to reach the Department of Taxation's forecast needed to be 3.7% and Mr. Reel replied that was correct.

Mr. Nielsen stated that he did not think the Department of Taxation or Fiscal Division's forecast for MBT were unrealistic if the trend in growth continued in the state.

MR. NIELSEN MOVED THAT THE ECONOMIC FORUM ACCEPT THE FISCAL ANALYSIS DIVISION'S FORECAST FOR THE MBT NONFINANCIAL REVENUE OF \$363.3 MILLION FOR FY 2013, \$246.2 MILLION FOR FY 2014 AND \$257.4 MILLION FOR FY 2015. THE MOTION WAS SECONDED BY MR. MADDOX.

THE MOTION WAS UNANIMOUSLY APPROVED.

## **FINANCIAL INSTITUTIONS**

*Sumiko Maser, Deputy Director, Department of Taxation*

Ms. Maser referred to page 125 of Exhibit A, for the Department of Taxation's forecast for MBT financial revenue and growth. She said the Department of Taxation used a

linear regression analysis and historical data from calendar year 2004. The Department of Taxation forecast revenues for the MBT financial of \$21.79 million in FY 2013, \$21.81 million in FY 2014 and \$21.83 million in FY 2015.

*Janet Rogers, Chief Economist, Executive Budget Office*

Ms. Rogers referred to pages 12 and 13 of Exhibit C to graphs showing employment and wage information for MBT financial institutions. The Budget Division estimated employment growth, inflation-adjusted average wage per employee, and combined those to get the total monthly payroll at financial institutions, which was then adjusted to reflect the actual MBT collections. She indicated that the numbers reported year-to-date for July through December were up 19%, which was primarily due to irregularities in reporting. Ms. Rogers said actual MBT financial collections showed growth of 7.5% in FY 2013, 4.2% growth in FY 2014, and 3.8% growth in FY 2015.

*Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division*

Mr. Reel noted that the MBT financial actual and forecast wages and employment information was shown on page 101 of the Fiscal Analysis Division Forecast Information Packet (Exhibit D). He noted that the MBT financial forecast, and the revision to the financial sector on the employment side was significant. The Fiscal Division forecast from November 2012, the un-benchmarked numbers for employment growth was -1.9% for FY 2012, and with the benchmark revision, MBT employment was up 1%. The result of the taxable wage and salary disbursements being adjusted upward was a revision to the average wage per employee. Mr. Reel thought average wages were growing by 4.4%, but wages were actually up 0.6%. He explained that with the large change in the employment revision affecting average wages and ultimately wage and salary disbursements being less than what was expected was driving the difference in terms of the interaction between employment and wages for the financial sector. Year-to-date through the second quarter, the state was up 19.1% compared to -6.4% for the same period a year ago. The state would have to grow 3.8% over the last two quarters of FY 2013 to hit the Fiscal Division forecast of 7.9% for the fiscal year. Mr. Reel stated that the adjustment to the forecast with the growth in employment being stronger than anticipated, the forecast was increased by \$1.1 million in FY 2013 to \$23 million, increased by \$1.7 million in FY 2014 to \$24 million, and increased by \$2.1 million in FY 2015 to \$25.3 million.

Mr. Nielsen asked for clarification on the misreporting issue and whether a company reported as a non-financial institution instead of a financial. Ms. Rogers replied that was correct and approximately \$500,000 was reported as financial MBT collections and should have been reported in the non-financial category. She added that she did not directly correct for the misreporting in the Budget Division forecast.

Chairman Wiles asked if an adjustment was made to the non-financial numbers. Ms. Rogers replied that number was fairly small for the non-financial category but was huge for the financial category.

Mr. Nielsen asked if the misreporting issue was considered in the Fiscal Division or the Department of Taxation's forecast.

Ms. Maser clarified that the misreporting issue was due to a taxpayer reporting three years of MBT information as a financial institution when it should have been reported as non-financial. She said that because the revenue reported was three years' worth of data, the \$500,000 would come out of the forecast, but the money was not necessarily related to the second quarter and was several years' worth of data that was reported in one year.

Mr. Maddox asked what the rate was for financial and non-financial institutions. Mr. Reel replied that it was 2% on financial and the non-financial rate was a bifurcated rate and was zero percent on wages up to \$62,500 and 1.17% on wages over \$62,500 per quarter.

Mr. Rogers clarified that the \$62,500 was per quarter, which was basically \$250,000 per year. Looking at the individual data, most of the money was coming in for the quarter that was being reported, but in addition there was money coming in from the previous quarters and occasionally for the upcoming quarter. The money that was reported by the Department of Taxation for a given quarter was approximately 95% for that quarter and sometimes money was reported from previous years.

Mr. Maddox stated that the financial industry was struggling relative to many other industries. He asked if the forecasters were thinking about the financial industries separate from other industries when growing the tax rate because the growth rates were fairly similar.

Mr. Rogers said she looked at the MBT forecast as being fueled mostly by the activity that would take place and the financial industry would follow.

Mr. Nielsen did not think the growth rates were extraordinarily high given general trends.

Chairman Wiles said the forecasts for MBT financial were relatively close for FY 2013 and there was divergence in the out years.

MR. MADDUX MOVED THAT THE ECONOMIC FORUM ACCEPT THE BUDGET DIVISION'S FORECAST FOR MBT FINANCIAL REVENUE OF \$22.265 MILLION FOR FY 2013, \$23.203 MILLION FOR FY 2014 AND \$24.092 MILLION FOR FY 2015. THE MOTION WAS SECONDED BY MR. NIELSEN.

THE MOTION WAS UNANIMOUSLY APPROVED.

## REAL PROPERTY TRANSFER TAX

*Sumiko Maser, Deputy Director, Department of Taxation*

Ms. Maser reported that the Department of Taxation used a linear regression analysis and data from calendar year 2009 to forecast Real Property Transfer Tax, in addition to the new revenues received since the November 2012 forecast. The forecast was revised upward for Real Property Transfer Tax (RPTT) to reflect collections of \$49.79 million in FY 2013, \$48.88 million in FY 2014, and \$47.96 in FY 2015.

*Janet Rogers, Chief Economist, Executive Budget Office*

Ms. Rogers said her forecast for the RPTT was on page 15, of Exhibit C. She noted that the Case Schiller Home Price Index recently reported that Las Vegas was up 17.6% year-over-year, still considerably below the trend in the 1990s. Currently, home prices were back to 2001 levels according to the Case Schiller Home Price Index. Ms. Rogers noted that single-family home permits were also on the rise and the state was currently at levels seen in 1983 and 1984. She noted the Budget Division's November 2012 forecast was fairly aggressive and still showing a 2% decline; year-to-date the state was up 5.4% through the first three quarters of FY 2013, with hefty growth of 9% in the fourth quarter of FY 2013, resulting in growth of 6.3% in FY 2013. Fiscal Year 2014 showed a large increase in RPTT because she thought the state would see investors picking up on the housing market. For the current forecast, Ms. Rogers moderated the growth rate based on the fact that investors were buying homes faster than what she originally forecast. She had less pronounced growth in the FY 2015 as investors stop the "feeding frenzy" and interest rates started rising.

Chairman Wiles stated that the federal government recently announced it was keeping the interest rate target stable through the middle of FY 2015.

*Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division*

Mr. Nakamoto referred to the Fiscal Analysis Division's forecast for RPTT on page 111 of the Fiscal Analysis Division Forecast Information Packet (Exhibit D). He reported that when the Economic Forum met on November 30, 2012, there was one quarter of actual data for FY 2013. The Fiscal Analysis Division forecast that the second quarter of FY 2013 would be down 11.3%, and the third quarter would be down 5.2%. Based on current information, the second quarter of FY 2013 was actually up 20.4%, and from information from the Controllers system, the third quarter of FY 2013 would be up approximately 11.3%. The number on the forecast sheet for the third quarter of FY 2013 was \$11,494,000 based on information for 13 of Nevada's 17 counties recorded. However, since the forecast was prepared, all 17 counties have reported and the actual number was approximately \$2,000 less with \$11,492,000 in collections. Mr. Nakamoto noted that the Fiscal Division forecast for the RPTT has increased by approximately \$7.5 million per fiscal year, basically taking into account the actual money that has been collected. He believed the fourth quarter would continue to be strong, but

FY 2014 would not be able to maintain that level of growth. Referring to the historical and forecast RPTT by quarter on page 113 of Exhibit D, Mr. Nakamoto said the state was still bouncing along the bottom and the path was shifted up a little based on actual collections. The Fiscal Analysis Division forecast growth rate of 5.9% for FY 2015, but a 6% growth rate on a \$50 million revenue source translated into an additional \$3 million revenue in FY 2015 compared to FY 2014.

Mr. Leavitt stated that the RPTT revenue was extremely difficult to forecast. He believed the Fiscal Division forecast was in line with the current economy, but the forecast was still low.

Chairman Wiles said that another issue affecting the RPTT were the foreclosures that have dramatically slowed, along with the significant amount of shadow inventory that would eventually come on the market. In addition, home sales and commercial real estate transactions have increased significantly over the last year.

Mr. Maddox said when he looked at \$11,492,000 for FY 2013 compared to prior years, collections were \$10.3 million; FY 2010 was about the same, and FY 2011 was significantly higher. He was surprised by the number and thought the current forecast would be higher than the FY 2011 forecast.

Mr. Nakamoto replied that the only information the Fiscal Analysis Division received in terms of the RPTT was the amount of revenue collected and the county in which it was collected. He said it was hard to tell what was driving the underlying activity other than the last few years have shown that the real estate market, which ultimately drives the RPTT, was still fluctuating and it could keep bouncing based on activity in the market.

Mr. Maddox said that the RPTT forecasts on page 112, of Exhibit D showed that the fourth quarter of FY 2013 had \$13.421 million in forecast collections and 10.6% growth, but was still significantly less than FY 2009, FY 2010, and approximately the same as FY 2011.

Mr. Leavitt clarified that the RPTT collections also reflect large commercial transactions, not just residential transactions, which would affect the collections and clarified the uncertainty in the numbers.

Chairman Wiles stated that the forecast estimates for FY 2013, FY 2014 and FY 2015 were significantly higher than the November 2012 Economic Forum forecast. With the recent information and activity, he thought that the revision to the forecast would be higher.

Mr. Nielsen said if they looked at the year-over-year change in RPTT collections, 1.2% was the Economic Forum forecast for FY 2014, which was consistent with the other forecasts.

MR. LEAVITT MOVED THAT THE ECONOMIC FORUM ACCEPT THE FISCAL ANALYSIS DIVISION'S FORECAST FOR REAL PROPERTY TRANSFER TAX OF \$51.7 MILLION FOR FY 2013, \$52.2 MILLION FOR FY 2014 AND \$55.3 FOR FY 2015. THE MOTION WAS SECONDED BY MR. NIELSEN.

THE MOTION WAS UNANIMOUSLY APPROVED.

Chairman Wiles said that based on previous discussions for the other major revenue sources and the analysis the Economic Forum used to evaluate the revenue sources; he thought it would be good to revisit the Insurance Premium Tax forecast approved earlier in the meeting. He said that the FY 2013 forecasts were fairly close, but there was a significant divergence of estimates for FY 2014 and FY 2015. Given that the Insurance Premium Tax was such a significant component and the Economic Forum had the opportunity to look at the other components at this point, he thought it would be good to discuss the Insurance Premium Tax to make sure they were comfortable with the previous forecast.

Mr. Guindon replied that the Economic Forum could revisit the previous forecast for the Insurance Premium Tax. He said if necessary, the previous motion for the Insurance Premium Tax could be rescinded by the person who seconded the motion.

Mr. Nielson said that the Division of Insurance estimated revenue for the Insurance Premium Tax was \$241.173 million for FY 2013, \$256.236 million for FY 2014 and \$273.003 million for FY 2015.

Chairman Wiles said that the forecasts for FY 2013 for the Insurance Premium Tax were fairly close. He asked if the FY 2013 estimate included the greater employment levels that were not included in the Division of Insurance's forecast.

Mr. Guindon replied that the Fiscal Division's forecast had a stronger economic outlook, along with wages and personal income. He said the last quarter of FY 2013 came in stronger than projected in the November 2012 forecast, which was the reason for the upward revision in the Fiscal Division forecast.

Chairman Wiles said that the FY 2014 forecast for the Division of Insurance was approximately \$256 million; the Economic Forum forecast from the November 2012 meeting was approximately \$264 million; and the Fiscal Analysis Division's forecast was \$262.2 million.

Mr. Guindon replied the forecast for the Insurance Premium Tax in November 2012 was the Budget Division forecast, and the Affordable Care Act (ACA) impact from the Division of Insurance was added to the projections. Mr. Guindon stated the forecast included the Budget Division's economic outlook in terms of the base, and then the ACA



was added versus the base that the Division of Insurance used to calibrate against the per capita analysis.

Chairman Wiles asked which table had the specific ACA estimates from the Division of Insurance. Mr. Guindon replied that the tables were on pages 134 and 135 of the Economic Forum meeting packet, Exhibit A. He stated that \$17.057 million was projected for calendar year 2014 from new insureds, and \$25.586 million was projected for calendar year 2015 from new insureds. He added that the existing taxable premium base would expand due to market reforms to \$2.846 million in FY 2014 and \$2.892 million in FY 2015.

Mr. Maddox stated that the math for the calculations was simple and both forecasters took between 150,000 to 200,000 newly insured people each year, multiplied by \$3,500, multiplied by 3.25%. He asked how the subsidies for people making under 400% of the poverty level came into play.

Mr. Guindon said it was his understanding that since the tax was tied to the premium written and what happened on the back end with regard to the federal government subsidizing or giving a credit would not affect the premium written.

5:20:19

Ms. Rogers clarified that the Budget Division forecast did not present the same level of detail as the Fiscal Division's forecast; however, she was doing the same math in the background. She stated that the differences were subtleties in the base and the number of newly insured, rather than a fundamental difference in the application of the information.

Mr. Guindon added that the tables on page 78 of the Fiscal Division packet, Exhibit D, the calendar year 2014 estimate for additional Insurance Premium Tax for coverage changes and rate increases were \$18.4 million; the Division of Insurance estimate was \$17.1 million. The calendar year 2015 half-year estimate was \$13.2 million, so it would be \$26.5 million compared to the Division of Insurance projection of \$25.6 million. He noted there was not a lot of difference in what was expected to come from the impact of the ACA between the Insurance Division and the Fiscal Division forecasts. The Fiscal Analysis Division took the forecasted base, which were the existing premiums and increased it by the Division of Insurance's 4.65%. Therefore, there was already a bigger estimate based on the economic outlook and actual collections came in above what they thought in the latest quarter. The base for FY 2013 was going to be larger and the 4.65% was added based on the analysis, and higher by \$1 million in FY 2013 accounting for the impact of the ACA, which would be higher in FY 2013 and would carry across the next two fiscal years due to the increased growth in the base before the ACA impact was considered.

Mr. Nielsen asked if the Budget Division's methodology for the ACA impact led to a similar result in terms of the total dollars. Ms. Rogers replied that Mr. Nielsen was correct. She said the ACA portion was the same and all forecasters based the ACA

impact on the same methodology. She believed the base in the Budget Division's forecast was growing a little more because of the influence of inflation on the existing base.

Mr. Guindon said that the Budget Division and Fiscal Division forecasts were comparable forecasts for employment, personal income and outlook in terms of the path over the forecast horizon. He said that there was less than a \$1 million difference between the two forecasts. He believed it was more of the FY 2013 takeoff point that was driving the difference between the Division of Insurance versus Budget Division and Fiscal Division forecasts, because the ACA impact was within \$1 million. He said the assumptions between the forecasters were different – the Fiscal Division forecast had a 40% pickup and 60% pickup, and the Division of Insurance had a 50% and 75% pickup. He said the Fiscal Division forecast aged for population for FY 2013 instead of just taking the FY 2010 number and the population was recalibrated, which were the things the Fiscal Division felt were appropriate to account for the information set they had and age it for the current world.

Chairman Wiles said it was somewhat compelling that the FY 2013 estimate took into account the recent employment levels data. He said if the Economic Forum believed the growth rates going forward then he thought they would be comfortable with the previous Insurance Premium Tax forecast.

Mr. Maddox said he wanted certainty from the forecasters that the 127,000 newly insureds in FY 2014 under the ACA would actually be at \$3,500 per head, which was the 3.5%.

Mr. Guindon explained that the ACA rates were unknown and open enrollment started October 1, 2013, so the forecasters were guessing at the \$3,500 per head.

Chairman Wiles said there were many unknowns about the ACA and when the program would start.

Mr. Guindon referenced Table 9, page 103 of Exhibit A, which showed the comparison of average growth required over the remainder of FY 2013 to achieve the FY 2013 forecast for the Insurance Premium Tax. He noted that fiscal year-to-date the state was up 2.1% through the first two quarters compared to being up 1.8% a year ago. The last two quarters of FY 2012 were down -0.2%, which put the Fiscal Division forecast in the 5% to 6% range growing against the -0.2% when the state was already up 2.1% against a positive 1.8% a year ago.

Mr. Nielsen said that he was looking at the percent change from FY 2012 to achieve the average growth required over the last two quarters of FY 2013.

Chairman Wiles said the previous forecast for the Insurance Premium Tax would remain unchanged.

Mr. Guindon said he would contact the Division of Insurance and have a representative available at future meetings to provide updates on the Insurance Premium Tax.

**VII. REVIEW AND APPROVAL OF MAY 1, 2013, FORECASTS OF MINOR GENERAL FUND REVENUES FOR FY 2013, FY 2014, AND FY 2015 APPROVED BY THE TECHNICAL ADVISORY COMMITTEE AT ITS APRIL 25, 2013, MEETING.**

Using Table 6, page 141, (Exhibit A), Mr. Guindon highlighted some of the forecasts of the minor General Fund revenues approved by the Technical Advisory Committee (TAC) at its April 25, 2013, meeting for FY 2013, FY 2014 and FY 2015. The table included the revised forecasts for all the minor General Fund revenue sources. Mr. Guindon said the May forecast for the Net Proceeds of Minerals tax for FY 2013 was revised down by \$12 million compared to the December forecast. The revision was based on the true-up of the calendar year actual net proceeds compared to the estimate made in FY 2012 and the mining companies tax payments for FY 2013, based on their estimated net proceeds for calendar year 2013. In addition, there was some credit carried forward for tax overpayments in prior periods and the net of all these factors was reflected in the revised estimate for FY 2013 included in the table. The TAC was provided three forecasts which were prepared by the Fiscal Analysis Division, Budget Division and Department of Taxation. The forecasts were very close in number and the TAC decided upon an average of those three forecasts. In FY 2015, the TAC Net Proceeds of Mineral tax forecast was revised up by approximately \$2.0 million compared to the forecasts that were approved in November 2012.

Mr. Maddox asked if the Net Proceeds of Mineral gross proceeds was approximately the same as the total gaming revenue for the State of Nevada, which was approximately \$10 billion and Mr. Guindon replied that was correct.

Mr. Maddox asked why the TAC forecast for Net Proceeds of Mineral taxes showed declines for all fiscal years when they the tax was generating \$10 billion in gross sales. He wondered if it was because gold prices would decline.

Mr. Guindon said the assumption in the forecast was that the net proceeds were taxed not the gross proceeds, and in the last few years the net has been much higher in terms of the net to gross ratio. He said the net to gross ratio was normally in the mid-to-high 30% to 40% range; currently it was in the upper 40% range, because gold prices were much higher in relation to expenses. In addition, some of the deductions were taken away, such as health and industrial insurance deductions, which was approximately \$300 to \$400 million causing the net to gross ratio to go up. Mr. Guindon explained, under the current law, they would get those deductions back, which was driving the reductions.

Mr. Guindon said there was a net downward revision for FY 2013 of approximately \$3 million; a net upward revision in FY 2014 of \$1.7 million; and a net upward revision

for FY 2015 of \$2.4 million, for a net difference over the three fiscal years of \$1.2 million for all of the minor General Fund revenue sources forecast by the TAC. Page 143, Exhibit A, contained the consensus forecast prepared by the TAC for the Economic Forum's consideration, total General Fund revenue for FY 2013, FY 2014 and FY 2015, compared to the November 2012 forecast. The FY 2013 forecast was \$690 million, approximately \$2.9 million less than the November 2012 TAC forecast, and the forecast of \$444.827 million for FY 2014 was revised up \$1.7 million from the November 2012 forecast. For FY 2015, the forecast of \$536.674 million was revised up by approximately \$2.4 million. He said the difference was a net positive of \$1.2 million over the three years, or approximately a .08% change in the forecast.

Chairman Wiles asked if the significant drop between FY 2013 and FY 2014 for total General Fund revenue was the impact of the sunsets and Mr. Guindon replied that was correct.

Mr. Guindon directed the members to page 141, of Exhibit A, Net Proceeds of Minerals. He indicated that there was no estimate for FY 2014 on the chart, so there was an \$80 to \$90 million hit because under current law, there would no payment in FY 2014 as the state switched from the estimated payment to the actual payment tax structure under the scheduled sunset. In addition, the bottom of Chart 6 showed the Governmental Services Tax under current law and those revenues did not go to the General Fund in FY 2014 and FY 2015, which was approximately \$64 million a year.

Mr. Nielsen asked about the total for all other revenue sources on Table 8, (Exhibit B) and if they matched the revenue sources on Table 6 in the meeting packet (Exhibit A).

Mr. Guindon replied the TAC does not prepare a forecast for sales tax so the TAC cannot produce a forecast for the sales tax commission, which was shown on page 85. He stated that there were four pieces of revenue that were tied to the local sales tax and there was a collection commission retained by the state for collecting and distributing the tax to the locals, which was deposited into the General Fund. He said that the difference was the TAC could not produce a sales tax commission without producing a state sales forecast. He said that there was approximately \$30 million to \$40 million associated with the sales tax commissions each fiscal year.

MR. LEAVITT MOVED THAT THE ECONOMIC FORUM ACCEPT THE TECHNICAL ADVISORY COMMITTEE'S FORECAST FOR THE MINOR GENERAL FUND REVENUES AS PRESENTED IN TABLE 6. THE MOTION WAS SECONDED BY MR. MADDOX.

THE MOTION WAS UNANIMOUSLY APPROVED.

#### **VIII. PUBLIC COMMENT.**

There was no public comment.

Mr. Guindon said that Fiscal Analysis Division staff would compile and check the forecast and put it into a format to be presented to the Governor.

Chairman Wiles called for a recess at 3:06 p.m. to allow staff to finalize the Economic Forum's forecast. The Economic Forum reconvened at 3:58 p.m.

Mr. Guindon distributed the Economic Forum's May 1, 2013, forecast (Exhibit G) to the members for their review and signature. The letter would be sent to the Governor and members of the Legislature and would be posted on the legislative website under the State of Nevada Economic Forum committee page.

Mr. Guindon said the total General Fund revenue forecast approved by the Economic Forum for FY 2013 was \$3,086,745,344, which was \$7,770,732 higher than the November 30, 2012, forecast. The FY 2014 forecast for total General Fund revenue was \$2,818,522,472, which was \$7,007,455 higher than the November 30, 2012, forecast; and the FY 2015 forecast for total General Fund revenue was \$3,035,822,473, which was \$29,711,856, higher than the November 30, 2012, forecast. He said the difference for the three fiscal years was \$44,490,043 higher than the November 30, 2012, forecast.

Mr. Guindon said the Fiscal Analysis Division also prepared an additional table, Exhibit F, which showed the General Fund revenues for the minor and major revenue sources. The revised forecast for the 2013-15 biennium was \$314.2 million less than the current forecast for the 2011-13 biennium, which was a result of the sunsets. He noted that the table itemized the major and minor General Fund revenues sources that were subject to the sunset provisions and the impact of those sunsets. In addition, it showed where they were gaining the money because of the growth in the forecast in FY 2014 and FY 2015 compared to the current biennium.

Mr. Guindon stated that the forecast table (Exhibit G) would be posted on the committee website and available to the public after it was approved by the Economic Forum.

MR. LEAVITT MOVED THAT THE ECONOMIC FORUM  
APPROVE THE FORECAST AS PRESENTED IN THE GENERAL  
FUND REVENUES MAY 1, 2013, FORECAST. THE MOTION  
WAS SECONDED BY MR. NIELSEN.

THE MOTION CARRIED UNANIMOUSLY.

## **IX. ADJOURNMENT.**

Chairman Wiles thanked the presenters and staff for the effort involved in producing the forecasts for consideration by the Economic Forum. He added that the country has been in a period of tremendous economic uncertainty, both at the federal and state

level, which was absolutely true in present time. Even after the discussions at the meeting, there were significant components of the estimates that were subject to considerable amount of uncertain information. Chairman Wiles looked forward to the to the updates in the next few years to see how accurate the forecasts were.

The meeting was adjourned at 4:04 p.m.

Respectfully submitted,

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Patti Sullivan, Committee Secretary

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Donna Thomas, Transcribing Secretary

APPROVED:

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Chairman

Date: \_\_\_\_\_

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

**MINUTES OF THE MEETING OF THE  
STATE OF NEVADA ECONOMIC FORUM  
(NRS 353.226 – NRS 353.229)**

**December 6, 2013**

The meeting of the State of Nevada Economic Forum (created by Senate Bill 23, 1993) was held at 9:00 a.m. on Friday, December 6, 2013, in room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. with videoconference to room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada,

**ECONOMIC FORUM MEMBERS PRESENT IN LAS VEGAS:**

Ken Wiles, Chairman  
Marvin Leavitt  
Matthew Maddox  
Linda Rosenthal

**ECONOMIC FORUM MEMBERS PRESENT IN CARSON CITY:**

None

**ECONOMIC FORUM MEMBERS ABSENT:**

None

**STAFF:**

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division  
Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division  
Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division  
Patti Sullivan, Secretary, Fiscal Analysis Division

**EXHIBITS:**

<u>Exhibit A</u>	Meeting Packet and Agenda
<u>Exhibit B</u>	Nevada Labor Market Briefing – Department of Employment, Training and Rehabilitation
<u>Exhibit C</u>	Nevada Health Link – Silver State Health Insurance Exchange
<u>Exhibit D</u>	Other States New Markets Tax Credit Benefits – Department of Business and Industry
<u>Exhibit E</u>	Table 3 – General Fund Revenues - Actuals
<u>Exhibit F</u>	Tables 4, 5 and 6 – State General Fund Revenues

## **I. ROLL CALL**

Chairman Ken Wiles called the meeting of the State of Nevada Economic Forum to order at 9:11 a.m. and the secretary called roll. All the members were present at the meeting in Las Vegas.

## **II. PUBLIC COMMENT.**

Chairman Wiles asked for public comment from attendees in Carson City and Las Vegas. There was no public comment at either location.

## **III. OPENING REMARKS AND OVERVIEW OF THE ECONOMIC FORUM.**

## **IV. PRESENTATION ON THE STATE EMPLOYMENT AND UNEMPLOYMENT OUTLOOK.**

**Leannandra Copeland, Economist, Research and Analysis Bureau,  
Department of Employment, Training and Rehabilitation**

**Bill Anderson, Chief Economist, Research and Analysis Bureau,  
Department of Employment, Training and Rehabilitation**

Bill Anderson, Chief Economist, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation (DETR), introduced Leannandra Copeland to present statistics on the state and national labor markets.

Leannandra Copeland, Economist, Research and Analysis Bureau, DETR, stated that Nevada's economy grew over 2%, with increased job growth in nearly every sector. She said 2013 marked the third year of recovery, citing that about 25% of the jobs that were lost had returned. She said the state was in a full-fledged recovery, and although Nevada's job growth was starting to outpace about 50% of the other states, Nevada's unemployment rate was the highest in the nation.

Ms. Copeland said that Nevada's new economy was strongly correlated with the U.S. economy. She referred to the graph showing national unemployment trends (page 2, Exhibit B). Ms. Copeland explained that the U.S. economy was expanding moderately, with conditions in the labor market gradually improving. The unemployment rate was 7% in November 2013, a drop of 0.8% from 2012. She said the labor force was close to reaching an all-time high, but the labor force participation rate was trending downward, implying that the nation's population growth was outpacing the labor force participation growth. Ms. Copeland stated that the U.S. added an average of 190,000 jobs per month in 2013, but the job situation remained unsatisfactory because the unemployment rate exceeded the long run normal level. She said the U.S. job level was projected to reach the prior peak in 2007, sometime in 2014. She said the economy was adding more jobs per month than it had before the recession, but not as



many as during the late 1990's. She expected that once job levels break this threshold, the U.S. will enter a long awaited expansionary phase.

Ms. Copeland reiterated that the U.S. and Nevada economies were highly correlated. She said Nevada's economy was highly dependent on tourism, citing the United States Travel and Tourism Satellite Account, produced by the Bureau of Economic Analysis, as a good indicator of U.S. tourism. She said U.S. tourism advanced 2.5% in the second quarter of 2013, with gains recorded in 13 of the last 14 quarters (page 4, Exhibit B).

Ms. Copeland said an individual's personal income, including salaries and wages, investment dividends, rental income, etc., were a major factor of consumer consumption and drives much of the economy. She said Nevada's personal income grew 2.7% in the second quarter of 2013 compared to the same period in 2012 (page 5, Exhibit B). DETR reported that average weekly wages in the first half of 2013 jumped 1.0% since 2012, but real wage growth (wages adjusted for inflation) remained stagnant since 2007. She explained that nominal wages were growing, but struggled to keep pace with inflation.

Ms. Copeland said Nevada's unemployment rate declined 1.0% from 2012, whereas the nation's dropped 0.8%. Ms. Copeland stated that Nevada had the highest unemployment rate in the nation, but thought Nevada would lose that distinction in 2014 given its job growth rankings. She said the rural areas with a large mining presence fared relatively well throughout the recession; however, the dynamics could shift if gold prices continued to decline (page 9, Exhibit B).

Ms. Copeland said Nevada added 50,000 jobs since 2011. She said job readings showed a 1.8% increase from 2012, on a seasonally adjusted basis, and reported year-over-year gains for 34 straight months, surpassing the national average in 2013. On a non-seasonally adjusted basis, Nevada's job market showed a 1.9% increase through October of 2013 compared to the same period in 2012, versus the nation's 1.6% increase. Ms. Copeland referenced a national recovery map on page 14 (Exhibit B). She explained that the job recovery ratio was calculated by dividing the number of jobs gained, since the economy bottomed, by the total number of jobs lost. She said Nevada was one of the last states to begin its recovery and had not made up much ground, exceeding only New Mexico, Alabama, and Rhode Island.

Ms. Copeland said Nevada was the fastest growing state prior to the recession, and the fastest state to decline during the recession. In 2012, Nevada outpaced 25 states in job growth throughout all major sectors of the economy. She said that the government sector lost 60 jobs in the first half of 2013, whereas the construction industry rose nearly 10%. The professional business service sector was the leader of job growth by adding 5,500 jobs through the first half of 2013. Holiday employment in the trade and transportation sectors returned to levels seen before the great recession. Ms. Copeland stated that the employment gain between September and December of 2012 reached 10,400 jobs. Because more people were working, and nominal wages increased, gains for 2013 were expected to match or exceed that number.

Historically, Ms. Copeland said gaming revenue on “The Strip” comprised 60% of Las Vegas’ total revenues, whereas non-gaming revenues equated to about 40%. Today, those numbers are reversed and non-gaming revenue comprised about 64% of the Las Vegas’ total revenue mix. The chart on page 18 (Exhibit B) showed strong growth in Nevada’s restaurants, hotels, and motels, and decreased employment in casinos over the past ten years.

Ms. Copeland referenced job trends on page 19 (Exhibit B). In regard to the private sector, Nevada added nearly 11,000 jobs in 2011, 19,000 jobs in 2012, and another 19,000 jobs were expected to be added in 2013. She said 60,000 jobs were expected to be added through 2016; however, she forecast Nevada’s employment would remain below the 2007 peak until 2017. Ms. Copeland said the job growth rate accelerated over the past two years, reporting an upward momentum of 0.6% in 2011, 1.5% in 2012, and a 2% growth rate was expected in 2013.

Ms. Copeland stated that smaller growth projections were anticipated in the mining sector, because the price of gold continued to drop. She said gold averaged \$1,400 per ounce through October 2013, whereas in 2012 it averaged \$1,700 per ounce. She stated that newspaper articles reported hundreds of mining jobs were cut in 2013; however, the unemployment insurance records did not reveal evidence of industry decline. The construction and finance job sectors were the last two industries to rebound, while transportation and warehousing already rebounded and displayed growth potential and diversity in Nevada’s economy. She said the retail sector looked healthy and was only down 4,000 jobs since 2007, and was expected to reach new heights in 2014. The health care industry was expected to add 6,000 jobs through 2015 (page 24, Exhibit B). She reported that the accommodation and food services industry showed strong growth with nearly 300,000 jobs held in the second quarter of 2013 compared to 310,000 jobs held at its peak. Ms. Copeland testified that the unemployment rate averaged 9.57% in 2013, whereas she initially forecast a rate of 9.5%. She said the unemployment rate was expected to decline by 1% in 2014 and drop another .05% in 2015.

In closing, Ms. Copeland said that Nevada’s new economy was taking form with increased momentum, yet many people failed to find work. The unemployment rate remained above the normal level and substantial real wage gains have yet to be realized.

Mr. Leavitt asked how present total employment compared to peak total employment, not including the construction sector. Ms. Copeland said the state lost about 200,000 jobs over the course of the recession, 100,000 of which were in the construction sector. She said Nevada recovered about 50,000 jobs, with only 5,000 positions allocated to the construction industry. She said Nevada was about 55,000 jobs short from the peak years, not including the construction industry.

Mr. Leavitt said, with the exclusion of construction jobs, he did not think Nevada's employment recovery was doing too poorly compared to where it was at one time. He was unsure whether it would be good for Nevada to return to such high levels of demand in the construction sector, because it subjected the state to huge declines during an economic downturn.

Chairman Wiles said that he heard there was a transition from full-time to part-time employment on a national level. He said it would be helpful to review information that pertained to household income, as well as personal income. On a national level, he said that household income declined approximately 10% over the last six years and continued to decline. He said household income had an impact on consumer spending, travel, and all other areas that affected the local economy. For forecasting purposes, Mr. Wiles said it would be helpful to understand the composition of the labor force, including the labor participation rate, the average number of hours worked, and the average hourly wage because an individual's net wages had an impact on tourism and trade activity. He said if more jobs were created, but a significant portion of those jobs were 30 hours or less, that it would cause impact to household income, disposable income, and consumption habits. Ms. Copeland stated she would take those comments into consideration and include them in DETR's next presentation.

Russell Guindon, Principal Deputy Fiscal Analyst, Legislative Counsel Bureau, added that DETR's employment outlook presentation was beneficial, and that a comparison would be done when the Forum meets in June 2014. Mr. Guindon said he would work with Mr. Anderson and his staff to compile some of the metrics that Chairman Wiles inquired about, and distribute the information prior to the June 2014 meeting.

## **V. PRESENTATION ON FUEL TAX INDEXING (ASSEMBLY BILL 413, 2013 LEGISLATIVE SESSION).**

**Tina Quigley, General Manager, Regional Transportation Commission of Southern Nevada**

Tina Quigley, General Manager, Regional Transportation Commission of Southern Nevada, said the Regional Transportation Commission of Southern Nevada (RTC) was the umbrella agency for all transit and transportation in Southern Nevada, except for taxi cabs and the monorail. She said RTC was the transit authority that operated the bus system and was the traffic management agency that oversaw the technology and movement of traffic, such as ramp meters, traffic signalization, and travel time signs. The RTC was also responsible for transportation planning and funding streets and highways.

Ms. Quigley referenced the two local funding sources used for maintaining the streets and highways: (1) sales tax, which had increased over the last couple of years. In FY 2013, Southern Nevada sales tax revenue totaled \$159 million and was used to fund transit, technology, and streets/highways. She said \$30 million of the sales tax revenue

was allocated to streets and highways, and \$28 million of that revenue was obligated to debt service, leaving \$2 million for new projects; and (2) fuel tax.

Ms. Quigley explained that consumers paid a \$0.52 fuel tax for every gallon of gas purchased in Southern Nevada. She said \$0.185 of the fuel tax was allocated to the federal government, \$0.23 was distributed to the state (a portion stayed in Clark County), and \$0.09 stayed local with the RTC. The fuel tax was not associated with inflation; therefore, the rate had not increased since 1995 and the RTC's purchasing power decreased. She said the fuel tax generated about \$65 million annually, of which \$21 million was not currently obligated to debt service. She explained that projects that needed to be completed during the recession were funded with bonds against future revenues. In summary, the combined, unobligated revenues from the sales and fuel taxes produced an average of \$23 million in FY 2013 for new projects, whereas in the past (2002 – 2012) that number was \$136 million (page 13, Exhibit A).

Ms. Quigley explained that the recessed economy, combined with diminished purchasing power, presented a significant problem. She said since 1995, the RTC had experienced a 36% loss when compared to the Consumer Price Index (CPI), and a 58% loss when compared with the Producer Price Index (PPI). She noted that the PPI was related to the cost of construction goods and equipment. To put it into perspective, she said a purchase for \$1.00 in 1995 would now cost \$2.60.

Ms. Quigley explained that A.B. 413 was passed by the Legislature in 2013, enabling the Clark County Board of Commissioners to adopt a fuel indexing ordinance that tied the \$0.52 fuel tax to inflation. Compared to the PPI, which relates to the cost of construction goods and equipment, it is an increase of about 6%. She said the fuel tax would increase annually, \$0.03 on January 1, 2014, \$0.03 in 2015, and \$0.03 in 2016. The County Commission was authorized to enact the fuel indexing ordinance for a period of three years, so it would expire in December 2016.

The Clark County Commission passed the ordinance with a \$0.10 cap, regardless of inflation. Ms. Quigley explained that the indexing was calculated on a ten-year rolling average of the PPI, related to construction goods and equipment. She said, regardless of how significant the rolling ten-year average might be, it would be capped at \$0.10 for the three-year period.

Ms. Quigley said the fuel tax increase would cost the average driver about \$0.10 per day. The formula was calculated using a Toyota Camry, driven approximately 13,476 miles per year and averaging 25 miles per gallon, equating to 539 gallons of gas consumed per year.

Ms. Quigley said the additional revenue would allow RTC to bond for about \$700 million (185 projects), which would allow the RTC to move forward on projects that were put on hold due to the great recession, but were needed to keep up with existing demand. She said the construction funding would create between 8,900 and 9,400 "person years of employment" jobs, defined as one person working full time for one year. The positions

created would impact direct jobs (construction related), indirect jobs (created as a result of construction, i.e., supplier), and induced jobs (created as a result of direct and indirect jobs, i.e., grocery store clerk, daycare worker, dry-cleaning personnel).

Ms. Quigley stated that the funded projects would have aggressive construction timelines. Many of the projects already had completed designs and construction was scheduled to begin in spring 2014. She said the RTC worked with project works directors in Southern Nevada to identify the projects that would be included in the motor vehicle fuel revenue indexing program. They focused on projects that had regional significance, encouraging growth to diversify the economic base in Clark County, or projects that were needed for people to commute from home to work. She highlighted the following high profile projects that would make a significant impact:

- Phase 1 of the Interstate 11 Corridor: Las Vegas and Phoenix were the only two major metropolitan areas in the U.S. that were not connected by an Interstate. Forecasts for economic activity projected strong growth in that corridor due to transporting goods from Mexico to the U.S. Las Vegas was well situated regionally to become a hub for logistics and manufacturing activities.
- Finishing the Las Vegas Beltway: Much of this project was at grade level. Grade separation and bridges were anticipated to be under construction in April 2014.
- FAST (Freeway & Arterial System of Transportation): This includes investment in infrastructure, fiber and technology used to manage traffic. A well-timed corridor could increase traffic capacity by 30%.
- Maryland Parkway: An artery that links the airport with a major university, a medical district (Sunrise Medical District), a mall (recently purchased by a developer with aggressive plans), and downtown. It is a six-mile, north/south corridor with the highest ridership routes in terms of transit and heavy pedestrian activity.
- The Convention Corridor: The RTC and Las Vegas Convention and Visitors Authority (LVCVA) recognized the importance of remaining globally competitive. If the LVCVA is successful in its endeavor to build a new \$2.5 billion facility, the corridor would need significant investment in transportation amenities to accommodate the estimated 20% increase in the number of visitors traveling from the airport to the convention center.

Ms. Quigley said the RTC had an amazing amount of support from the private sector businesses, unions, small businesses, and construction and engineering industries, but all of the entities were adamant about keeping the newly created jobs local to the area. As a result, each of the county, city, and RTC jurisdictions adopted resolutions stating that they were wholly committed to making sure, within the legal limits of the law, that jobs were kept local.

Ms. Quigley explained that the indexing of the fuel rate to inflation was important, not just because of the investment in infrastructure. She explained the two biggest components of economic development, diversification, and growth were education and transportation. Ms. Quigley reiterated that when a company decides whether to expand or relocate its business, transportation and education were key factors. She said that

Las Vegas had partnerships with Phoenix, Salt Lake City, and Denver, but was also in competition with them. She reported that each of those cities were investing in transportation programs aggressively. She said Denver would invest \$4 billion in its transit and transportation system over the next three years, Phoenix would invest \$6 billion over the next three years, and Salt Lake City was considering a sales tax initiative that would generate \$11 billion for transportation. In reference to A.B. 413, Clark County voters would decide in 2016 whether to continue the fuel tax indexing. She said the RTC would educate the voters to make sure they understood which projects were a direct result of the three-year fuel tax indexing to inflation.

Ms. Quigley said that regardless of whether the voters decide to continue fuel tax indexing, vehicles were more fuel efficient and would have an effect on the fuel tax revenue. Therefore, other funding methods needed to be explored in order to maintain the roads. She said the Nevada Department of Transportation (NDOT), as well as other state and federal entities, had discussed implementation of a “vehicle miles traveled” tax. In this case, miles driven would be tracked and a tax would be paid to the applicable state(s) traveled in. She noted there were privacy and technology issues involved in tracking miles travelled. Another idea was to increase registration fees so that owners of extremely efficient vehicles (i.e., electric) would pay a fair share for road maintenance. Potentially, everyone could be paying the same fixed amount regardless of the number of miles driven. Ms. Quigley said “tolling” was a concept being considered nationwide; however, it proposed a challenge because it could only be implemented on new infrastructure. She expected that it would be discussed in the 2015 Legislative Session.

Ms. Rosenthal asked for clarification in regard to the fuel tax increase and its \$0.10 per day impact to the average driver. She understood the three-year increase was not to exceed \$0.10 per gallon.

Ms. Quigley explained that It was coincidence that the fuel tax cap and the impact to the average driver both totaled \$0.10. The first year of fuel indexing would cost an average driver \$52 in tax. The cost would increase about \$100 in 2015 (totaling about \$150), and increase another \$60 in 2016 (totaling about \$210). She said the cost to the average driver, compounded over the three-year period, was \$0.10 per day.

Ms. Rosenthal asked if the fuel tax rate would regress at the end of the three-year period.

Ms. Quigley explained that the fuel tax rate would remain at the level indexed at the end of the three-year period, and continue until the expiration of the 20-year bonds. She said A.B. 413 required two ballot initiatives: (1) to ask the voters if Clark County should continue to index the \$0.52 fuel tax with additional revenue being allocated to Clark County, and (2) to ask the voters if the state portion of the fuel tax should be indexed with the additional revenue being allocated to NDOT.

Ms. Rosenthal asked if the revenue generated by indexing the federal portion of the fuel tax would be distributed to the federal government. Ms. Quigley said the revenue from indexing the federal portion of the fuel tax would remain in Southern Nevada.

Mr. Maddox referenced the Toyota Camry fuel mileage used to calculate the indexed fuel tax impact on the average driver. He asked if the Toyota Camry was the appropriate median vehicle, and if 25 miles per gallon was the appropriate metric. Ms. Quigley said a local economist performed a study of vehicle types in Southern Nevada and the Toyota Camry was determined to be the average vehicle.

Chairman Wiles noted that \$28 million of the sales tax component was allocated to debt service. He asked for the total amount of debt incurred by RTC.

Mr. Marc Traasdahl, Finance Director, Regional Transportation Commission of Southern Nevada, said the RTC had bonds outstanding on sales tax revenue totaling about \$280 million.

Chairman Wiles asked for the average interest rate on the sales tax debt service. In addition, he asked if the \$28 million sales tax debt service was interest expense or if it was amortized.

Mr. Traasdahl said the interest rate was roughly 5%. Chairman Wiles explained that if the interest rate was 5%, then the interest expense on \$280 million would be roughly \$15 million. He asked if the \$28 million debt service expense was made up of 50% interest and 50% amortization. Mr. Traasdahl confirmed that Chairman Wiles was correct, that the percentage was close.

Mr. Maddox asked if bids had been received for the projects starting in the spring. Ms. Quigley said the Beltway project recently went out to bid, and it was expected to be under construction in April of 2014. She clarified that this project would involve building bridges to Interstate 215, and would also bring Interstate 215 up to Beltway standards between Decatur and North 5<sup>th</sup> Street.

Mr. Maddox asked if only local companies were allowed to bid on the projects. He was concerned about the large size of the projects. He asked if RTC expected multiple bids from local companies to make sure the price was right.

Ms. Quigley said the Nevada Preference Law allowed for low bid, but when a project was permitted as "design build," which allowed more leeway and did not require low bid, RTC included a weighted evaluation factor of 10% for "local knowledge and experience." She said that was used for the Boulder City bypass project bid. She said, within the parameters of the law, the RTC was trying to make sure that the local companies had an advantage.

Chairman Wiles asked what the expected total expenditures would be over the next year or two on projects going forward. Ms. Quigley estimated about \$300 million to \$400 million worth of projects would be underway in the next three to four years.

Chairman Wiles asked if there would be additional borrowing against the bonds. Ms. Quigley said, based on the revenue over the next three years, the maximum amount that the RTC could bond for was \$700 million. She said It would be more than that if interest rates dropped.

Chairman Wiles asked how much total debt was projected to be incurred at the end of 2016. Mr. Traasdahl said the debt would be about \$1.3 billion at the end of 2016.

Mr. Guindon said that Chairman Wiles requested that both Clark and Washoe County RTC representation attend the Economic Forum meeting, because Washoe County had been approved to implement the same type of indexing through legislation in 2009. He said Washoe RTC representatives were unable to attend due to a transportation summit that conflicted with the Forum's meeting. For the record, Mr. Guindon stated that Washoe County did not have the same fuel indexing provisions as Clark County. Washoe County had no expiration period defined, whereas Clark County was limited to a three-year period before a vote on an extension was required. Ms. Quigley added that Clark County was held to a \$0.10 cap over the three-year period, and Washoe County was not. Mr. Guindon agreed, but noted if Clark County continued indexing after the three-year period, the indexing cap could rise above \$0.10.

## **VI. PRESENTATION ON STATE ENROLLMENT RELATED TO THE FEDERAL AFFORDABLE CARE ACT AND THE PURCHASE OF HEALTH INSURANCE PLANS THROUGH THE SILVER STATE HEALTH INSURANCE EXCHANGE.**

**Jon Hager, Executive Director, Silver State Health Insurance Exchange**

Jon Hager, Executive Director, Silver State Health Insurance Exchange (Exchange), stated it was too early to provide an estimate of plan enrollment via the Exchange, because only two months' of data was available. However, he reported that enrollment was accelerating rapidly. He reviewed the ten essential health benefits and explained that changes to the insurance rules created upward pressure on premiums (pages 3 and 4, Exhibit C). He said there had been stories in regard to the horrible premium increases that were anticipated; however, he did not think those stories were accurate because they were not based on valid samples. He said one of the studies compared the five cheapest plans in the current insurance market to the five cheapest plans in the new market, which reflected outrageous premium increases. However, the study did not make accurate comparisons between the plans. For example, the study compared a \$15,000 out-of-pocket maximum plan to a \$6,000 out-of-pocket maximum plan. In order to have a more accurate study, Mr. Hager said average enrollment needed to be compared amongst the different plans; nonetheless, there was not enough data at this time to generate that study. He said there would be a slight increase in premiums due to the implementation of essential health benefits and changes made to the cost benefit



structure, required by the Affordable Care Act (ACA). He said this was important because it would increase the total premium dollars and the Insurance Premium Tax revenue. He directed the Forum to the assumptions made by the Division of Insurance during the 2013 Legislative Session, noting that he thought those assumptions were still the most accurate. He suggested that Scott Kipper, Commissioner of the Nevada Division of Insurance, or his staff, be contacted for current statewide insurance enrollment statistics, noting the data would be limited.

Mr. Hager said that Nevada Health Link represented a small part of the entire insurance market in Nevada. He said Nevada Health Link helped people enroll into a qualified health plan that allowed them to be eligible for a tax credit. Nevada Health Link also helped people enroll in Medicaid, which he believed generated revenue through a premium tax paid by the Managed Care Organization (MCO). Mr. Hager said there were about 600,000 uninsured Nevadans, including 20% (120,000) who were not U.S. citizens. About 60,000 of the non-citizens were not in the U.S. legally. He reported that two-thirds of Nevada's remaining uninsured population were eligible for Medicaid, and one-third were eligible for a qualified health plan through the Exchange. Nevada demographics reflected that 25% of the population met the Medicaid threshold, because their annual income fell below the Federal Poverty Level (FPL) at 138%. He said 50% of the uninsured fell within the midrange FPL (138% - 400%) and were eligible for a tax credit, leaving 25% of the uninsured population the ability to access a qualified health plan (page 7, Exhibit C).

Mr. Hager said the following criteria must be met to enroll in a qualified health plan:

- The enrollee must be a legal resident of Nevada.
- The enrollee must not be incarcerated.

To be eligible for a tax credit, the following criteria must be met:

- The enrollee must file income taxes. If married, a joint return is required.
- The enrollee's income must be below 400% FPL.
- The enrollee must enroll in a qualified health plan.
- The enrollee cannot be eligible for another government or employer sponsored program.

With regard to Medicare, Mr. Hager understood that only 1% or 2% of residents 65 and older were uninsured. He said the Exchange did not expect to insure many individuals over 65, unless the person did not meet Medicare eligibility.

Mr. Maddox noted that if the average premium cost for a person on Medicaid was \$10,000 annually, that would equate to an insurance premium bill of \$3.5 billion for the 350,000 Nevadans. He asked if the potential annual \$3.5 billion Medicaid premium cost was an obligation to the state. He noted the amount would exceed the state's General Fund.

Mr. Hager made it very clear that he did not represent the agency that administered Medicaid. He was not sure about the average cost to insure a person through Medicaid, but said an annual premium of \$10,000 seemed high. He added that all funding for the Medicaid expansion population was provided by the federal government.

Mr. Maddox understood that the federal government had an obligation to pay 100% of each participant's Medicaid premium for up to three years. Considering the number of people who were qualifying for Medicaid, he was concerned that the State of Nevada would eventually have a Medicaid expense that was larger than its General Fund.

Mr. Hager said that at the end of the three-year term, the federal government's premium obligation would gradually decrease until 2020, at which point the state would be obligated to pay 10% of the Medicaid premium for the expanded population. He said the remaining 90% of the Medicaid premium would still be paid by the federal government. Mr. Hager advised the Forum to seek clarification from Mike Willden, Director of Nevada Department of Health and Human Services, or Administrator Laurie Squartsoff, Nevada Department of Health and Human Services.

Mr. Hager presented the following October and November statistics in regard to Nevada Health Link (page 8, Exhibit C):

- The website had 4.4 million hits, 458,000 of which were classified as unique visitors.
- 69,000 eligibility determinations were made, including Medicaid, Children's Health Insurance Program, and those who were ineligible.
  - 16,000 people were determined eligible for the tax credit.
  - 10,000 people were determined eligible for the qualified health plan without the tax credit.
- 4,800 people confirmed their medical plan selections.
- 8,300 people confirmed dental plan selections.

Mr. Hager explained that there were enrollees who unexpectedly found themselves eligible for Medicaid at the time of enrollment. Since the Medicaid premium was issued at no cost to the enrollee, some enrollees opted to spend their dollars on dental coverage. He noted that the premiums collected for the dental plans would generate an Insurance Premium Tax revenue.

Mr. Hager said Nevada Health Link projected 118,000 enrollees by March 31, 2014. He thought it was possible to meet that projection, stating that the enrollment was accelerating rapidly. In addition to Nevada Health Link, he said many insurance brokers were involved with issuing health care plans and that the pace of enrollment appeared to double every two weeks. He pointed out that the dental plan had twice the enrollments of the qualified health plans. He directed the Economic Forum to refer to the enrollment assumptions reported by the Division of Insurance, per their Insurance Premium Tax forecast presented at the May 2013 Economic Forum meeting.

Mr. Marvin Leavitt asked if the insurance premiums paid by Medicaid were subject to the Insurance Premium Tax. He said it appeared that more people were eligible for Medicaid who were not previously eligible. He asked where Insurance Premium Tax revenue projections stood if Medicaid was not subject to the tax.

Mr. Hager did not know whether Medicaid premiums were subject to the Insurance Premium Tax, but his understanding was that the MCO paid the tax on the amounts that were paid by the state. He said that question would need to be directed to Director Willden.

Mr. Leavitt expressed concern as to how the federal government reacted to paying premium taxes to the state while it was paying the insurance premium for the Medicaid eligible population of the state.

Mr. Guindon said the insurance company, or the agent that wrote the policy and collected the premium, had a statutory liability to report the paid premiums via a tax return. He questioned whether there was some form of reimbursement from the federal government, or some kind of netting out regarding the premiums reported by the insurance companies. Mr. Guindon said he would talk to the Department of Health and Human Services Director and the Director of the Department of Taxation to find out more about the administration of the Insurance Premium Tax. He will share his findings with members of the Forum.

Mr. Hager said the same question applied to those who enrolled into a qualified health plan, and were tax credit eligible. He said most people only paid a portion of their insurance premium, but the insurance company would be required to pay a premium tax based on the entire amount, just the amount paid by the individual. It was possible that an enrollee could select a plan that was cheaper than the tax credit awarded to them. In that case, he said the enrollee would not pay any portion of the premium; however, the insurance company would still be liable to pay a premium tax on the entire insurance premium. He said there were many services throughout the state that were subject to taxes in a similar fashion; the issue was much broader than just premium tax.

Chairman Wiles asked Mr. Hager about the enrollment statistics he quoted, specifically how the enrollments continued to escalate rapidly. He asked Mr. Hager how he knew the enrollments were escalating if he did not have numbers available to provide to the Forum.

Mr. Hager explained that the Exchange started with 500 to 1,000 enrollments in early October 2013. Enrollments doubled in the first two weeks, and doubled again the following two weeks.

Chairman Wiles asked, of the 13,000 participants that confirmed a plan selection, how many of those participants actually purchased a plan?

Mr. Hager clarified that the dental plan participants were included in the count of 13,000. He said about 25% of the enrollees paid for their plans, and most of the remaining enrollees set up scheduled payments. He said invoices were scheduled to be mailed over the weekend and payment was required by December 23, 2013, to satisfy the enrollment deadline. In regard to the medical only plans, he said not all of the anticipated 4,800 enrollees would be registered and paid by January 1, 2014. However, there were enrollees who signed up within the first three weeks of December who were also expected to enroll and pay by January 1, 2014.

Chairman Wiles said, of the 4.4 million web hits identified by Mr. Hager, roughly 1,000 people paid for their plan and another 3,000 were expected to pay. He said 460,000 of the web hits were classified as "unique visitors," but that number could include one person accessing the site three times in one day. He congratulated Mr. Hager on the website success, but said the conversion rate seemed low. He asked if a significant number of participants were expected to have a gap in insurance.

Mr. Hager said the Exchange expected 118,000 participants to have insurance by March 31, 2014. He said there would be a large number of people who would not have coverage by January 1, 2014, but those people were expected to obtain coverage over the next several months.

Assuming the projected 118,000 participants met the enrollment deadline of March 31, 2014, Chairman Wiles asked how many Nevadans would remain uninsured. He asked if a large number of the uninsured were expected to accept the penalty rather than pay the premium.

Mr. Hager said Nevada Health Link and Medicaid aimed to reduce the uninsured rate for those under age 65 from 24.9% to 12% in the first year. He said the remaining 12% were expected to remain uninsured through 2014; however, many people within that group were low-income individuals who qualified for an exemption. He explained that the first year penalty for not having insurance was \$95 per family member, or 1% of income, whichever was greater. He said many people were willing to accept the first year penalty rather than pay a premium. The penalty will increase to \$375 per family member, or 2% of income, in 2015, and \$695 per family member, or 2.5% of income, in 2016. He further clarified that the penalty would continue to increase substantially in hopes to incentivize the uninsured population to purchase insurance. He said the incentive to purchase insurance was not to avoid the penalty during the first year, but to obtain the tax credit. Mr. Hager reiterated that the Exchange projected that 12% of Nevadans would remain uninsured through 2014, and that this projection was provided during the 2013 Legislative Session.

Chairman Wiles recalled Mr. Hager's comment about the anecdotal evidence that suggested outrageous premiums, that it was incorrect due to lack of consideration of the full picture. Chairman Wiles asked Mr. Hager to report on the average person's total annual out-of-pocket expenses, including the monthly premium, deductibles, and co-pays, based on the estimated number of visits.

Mr. Hager said that was a very difficult equation to figure out. He said the premiums would be the easiest data to capture, because it is tracked through the premium taxes. He explained that when essential health benefits are adjusted or changed (i.e., reduction of the maximum out-of-pocket expenses), an individual's out-of-pocket costs are reduced on the back end of a plan, but the premium is increased on the front end. Mr. Hager said he did not know if it was possible for the state to compile the aggregate amount of an average person's total annual out-of-pocket expenses. He said this type of study had not been considered as of yet, but that it might be something that is looked at over the long term. Mr. Hager stated that the goal of the ACA was to reduce the overall cost of one's care, but not necessarily lower the costs specific to premiums. He said that question would need to be revisited over the next three or four years to determine if the ACA results in a reduction of overall health costs.

Chairman Wiles said the purpose of his questions was to recognize whether the ACA implementation would affect consumer spending, and to understand how it was impacting various industries, both nationally and in Nevada.

Mr. Hager said Chairman Wiles' question was extremely complicated. Mr. Hager said if costs shifted from the back end of a health plan to the front end, the premium increase would result in an increase in Insurance Premium Tax revenue. He did not think there was a tax on doctor or hospital services. He said spending trends showed that health care money was being spent throughout the year when high deductibles applied. With lower deductibles, an individual would tend to spend more money at the beginning of the health plan year. He said once the low deductible was met, and the co-insurance became applicable, spending on health care decreased toward the end of year. Theoretically, a participant would potentially have more money at that point, unless it had already been spent on the premium or deductible.

Mr. Maddox said his employer had the single largest premium increase ever for 2014 and 2015. He said because of the 4.95% tax required by the federal government, plus the extra 2%, doctors advised his employer to expect a 22% cost increase. He said the premium increase applied to 10,000 employees, which would have an impact on consumer spending. Mr. Maddox understood there was a very large union contract negotiated for multiples of those 10,000 people, where all increases would be applied to health benefits and nothing allocated to wages. Mr. Maddox stated that the high premiums would have a real impact on actual spending and wages. He said the enrollment numbers over the next couple of quarters could have an impact on the economic forecast.

Mr. Hager said that the experience described by Mr. Maddox was not uncommon. He said that recent studies touted a 179% premium increase, which he believed was excessive. He said the 20% increase that Mr. Maddox quoted was more in line with the Division of Insurance projections from early 2013.

Mr. Maddox stated that premium costs increased between 5% and 7% annually over the last decade, emphasizing that his employer's premiums tripled over the last two years. Mr. Hagar said that over the past decade health plan inflation typically increased 10% to 12% per year, but the premiums were kept lower due to cost shifting measures, such as increases to deductibles, co-insurance, and co-pays.

In response to Mr. Hagar, Mr. Maddox stated that his employer had not changed its benefit structure at all, including a \$300/\$900 deductible and a \$3,000/\$6,000 out-of-pocket maximum. Considering what his employer was experiencing with 10,000 employees, he said it would be interesting to observe what was happening elsewhere.

Chairman Wiles recalled a national analysis pertaining to the average anticipated premium increase by state. He said Nevada was at the top of the list, reflecting a 79% premium increase in 2014.

Mr. Hagar said the Manhattan Group performed that study. He said the anticipated premium increase for Nevada was a 179% increase, not 79%. He said the Manhattan Group compiled the study by comparing the five lowest plans in the 2013 market to the five lowest plans in Nevada Health Link. He explained that Nevada Health Link only represented 10% of the Nevada market, so the study's data was skewed from the beginning. In addition, the study reflected a straight-line average of all Nevada Health Link premiums. He said that formula assumed identical weight throughout Nevada's 17 counties, although three-quarters of the population resided in Clark County where premiums were lower than the rest of the state. Mr. Hagar said there were lots of flaws in the Manhattan Group study.

#### **VIII. PRESENTATION ON THE NEVADA NEW MARKETS JOBS ACT (SENATE BILL 357, 2013 LEGISLATIVE SESSION; CHAPTER 231A OF NRS).**

**Ashok Mirchandani, Deputy Director, Department of Business and Industry**

***This agenda item was taken out of order.***

Ashok Mirchandani, Deputy Director, Department of Business and Industry (B&I), said that B&I will present the Nevada New Markets Tax Credit (NMTC) program that resulted from S.B. 357 in the 2013 Legislative Session.

Mr. Kent Steadman, Management Analyst II, B&I, said the Nevada New Markets Job Act (S.B. 357), referred to as the NMTC program, was passed by the Legislature in June of 2013. He noted that the Assembly voted 40 yay, 1 nay and 1 absent, and the Senate voted 20 yay, 0 nay and 1 absent.

Mr. Steadman said the NMTC program was administered by B&I and that its purpose was to encourage capital investment in low-income areas and create jobs. He said the

program was allocated \$200 million in tax credits and B&I could award a maximum of \$50 million in tax credits to any one Community Development Entity (CDE) applicant. He said a state NMTC program could also attract federal NMTC money, another resource to help build the local economy.

Mr. Steadman stated that the NMTC program was an alternative financing arrangement that complemented conventional capital investments. He said a typical investment ranged from \$3 million to \$5 million, based on what other states reported, and was structured as a short term, seven-year, below market interest loan. He said the loan could be originated in two ways: (1) include a below market interest rate, or (2) define part of the loan as forgivable, and structure the loan to best meet the needs of the business.

Mr. Steadman said the Nevada NMTC fund focused on operational capital loans, compared to the federal NMTC that focused on real estate projects. He explained that an insurance company that made a Qualified Equity Investment (QEI) could earn up to a 58% tax credit over a seven-year period; yielding a 0% tax credit benefit the first two years, 12% the next three years, and 11% the last two years.

Turning to page 66 (Exhibit A), Mr. Steadman named B&I, the CDEs, and the Investors/Insurance companies as components to the structure of the program. He explained that the investors make a cash investment to the CDEs, the CDEs package the investments with conventional loans, and the packaged loans are offered to qualified low-income community businesses. The businesses have seven years to repay the loan. Other states reported that after seven years, the businesses were strong enough to refinance into conventional loans.

Mr. Steadman explained the application process, stating that Nevada's NMTC program piggybacked on the federal system. He said the administrative costs were lowered by using federally certified CDEs and federally defined low-income census tracts. He said October 1, 2013, was the deadline for federally certified CDEs to apply for the tax credits. By November 15, 2013, B&I qualified seven CDEs and allocated \$200 million in tax credits. The CDEs had 30 days to report all cash received from the QEI made with the insurance companies.

Mr. Steadman said B&I was developing regulations, monitoring, and reviewing reports while processes transpired. He said within one year of receiving the QEI, the CDE had to invest at least 85% of it into low-income businesses. If the CDE failed to make the deadline, B&I would implement the recapture provisions of the statute. Mr. Steadman acknowledged Nevada's CDE recipients and award totals (page 69, Exhibit A). Based on the applications, six CDEs received \$32 million and one CDE received \$8 million.

Mr. Steadman said B&I's role in monitoring the Nevada NMTC program was significant and time consuming, emphasizing that Nevada employed one person to monitor the program, whereas other states employed three to six individuals to do the same work. He highlighted B&I's responsibilities (page 70, Exhibit A).

- Receive applications.
- Certify the CDE.
- Process application fees.
- Grant or deny the applications.
- Verify that the CDEs received cash within 30 days of receiving the QEI authority.
- Reallocate the QEI authority if the CDE failed to meet the NMTC program requirements.
- Verify investments to ensure qualified low-income community requirements are met.
- Verify that 30% of the investments met the severely depressed census track requirements.
- Develop and administer program regulations.
- Verify that the CDEs invested 85% of the QEI cash investments within 12 months of receiving the tax credits from B&I.
- Verify that no QEI exceeded 25% of the total QEI authority granted to the CDE. This was specified by the Legislature to make sure that the money was used to offer loans to at least four low-income community businesses.
- Process refunds.
- Verify that investments were made to qualified low-income community businesses.
- Verify that the qualified CDE follows the defined processes.
- Verify that the CDEs made investments equal to 150% of the investment proceeds over a seven-year period.
- Issue letter rulings to the CDEs to legally bind a department, agents or successors until the tax credit is claimed.
- Decertify a QEI if S.B. 357 requirements were not met.
- Perform an annual review of the qualified CDEs, and issue a bi-annual status report to the Legislature.

Mr. Mirchandani said the Insurance Premium Tax was the basis for the tax credits. He stated that the federal NMTC program had been in existence for ten years, but Nevada did not receive an allocation until 2013. He said the NMTC was designed around the federal NMTC program, and reiterated that the federal program was designed for commercial real estate investment, whereas the Nevada NMTC targeted operating loans. Nationally, the state NMTC program was new; therefore, results were vague in regard to its effect on economic impact and job growth. Mr. Mirchandani quoted statistics for all of the states that had implemented a NMTC program, noting that Missouri and Florida's NMTC program created thousands of jobs (Exhibit D).

Chairman Wiles noted that Florida was allocated \$178 million in tax credits and created over 8,000 jobs, whereas Missouri was allocated \$300 million and created over 7,000 jobs. He remarked that Missouri was allocated almost twice as much and produced less job growth.

Chairman Wiles asked for clarification. He understood that the NMTC program was going to utilize the Insurance Premium Tax revenue to support the \$200 million tax



credit program. In exchange for the tax credits, the insurance companies would invest with CDEs, who in turn invested in operating companies to stimulate economic growth.

Mr. Mirchandani responded, of the \$200 million in tax credits, 58% was actually redeemable as tax credits. He believed that the program was structured to prohibit the insurance companies from receiving a tax credit for the first two years to ensure incoming revenue. He said the 2-year hold on issuing tax credits would reflect a net positive in the outflow of funds, as a result of the credit against the Insurance Premium Tax revenue, whereas the inflow of additional dollars from the economic activity will be occurring at that time.

Chairman Wiles asked if the \$200 million in tax credits was equivalent to \$116 million in cash investments, anticipated over the life of the program.

Mr. Mirchandani concurred, stating that the insurance companies would receive a tax credit of \$0.58 on the dollar, equal to 58% of the purchase price of their investment.

Mr. Steadman said that the insurance companies received both a tax credit and reimbursement for their cash investments. He explained that the debt service payments from the low-income community businesses are paid to the CDE, and the CDE disperses allowable distributions to the insurance company (page 66, Exhibit A).

Chairman Wiles asked if the insurance company would receive a “preference payment.” He asked if the insurance companies get their money first, and then the tax credit applied. Mr. Steadman concurred with Mr. Wiles.

Chairman Wiles asked if the CDEs choose the operating companies they invest in, based on certain criteria. In addition, he asked if the insurance companies provided the capital for those investments.

Mr. Mirchandani said the insurance companies provide the capital and receive the tax credit. He explained that the insurance companies purchase the tax credits at a discounted rate, \$.30 to \$.40 on the dollar, because their cash investment is tied up for seven years. The insurance companies consider the present value of the cash flow when negotiating their cash investment, because it will take seven years to capture the full 58% return on their investment. He said the CDEs combine the cash investments with conventional resources to create the low interest loan packages that are offered to the low-income community businesses.

Mr. Mirchandani said the NMTC program was created so that low-income area businesses could be offered a customized loan structure at below market interest rates to help stimulate economic growth.

Chairman Wiles referenced Nevada’s seven qualified CDEs and asked what their investment criteria was. He wanted to know what type of projects were being invested in.

Mr. Mirchandani said the projects had to be located within federally defined low-income distressed or rural areas. He said the CDEs research projects that specialize in specific areas, such as renewable projects or health care. He said the CDEs mastered the art of identifying low-income community projects, and that nothing in the law prevented the CDEs from funding multiple specialty projects in one area.

Besides the explanation of the NMTC program, and its disbursement of Insurance Premium Tax revenue, Ms. Rosenthal asked if today's presentation had anything to do with forecasting tax revenues.

Mr. Mirchandani said that his presentation did not address forecasting revenue, but implied that the discussions would be helpful to the Forum in the event that the NMTC program was successful with creating jobs and stimulating economic activity.

Russell Guindon agreed that the NMTC program could create jobs and stimulate economic activity, and that forecasting Insurance Premium Tax revenue might need to be taken into account when the Forum convenes in the fall of 2014. He said at some point there would be credits against the Insurance Premium Tax that would have to be recorded as a negative impact, creating difficulty for the forecasters to assess the economy. He said, because the insurance companies were not allowed to receive tax credits in the first two years of the program, the Economic Forum may not have to address the impact of the tax credits until after the next biennium.

Ms. Rosenthal asked if the tax credit would be issued against the Insurance Premium Tax revenue, which the Forum would have to consider, or if the credit would be an expenditure out of the Insurance Premium Tax revenue, whereas the Forum would not have to consider.

Russell Guindon understood that S.B. 357 was directly related to the insurance companies, allowing them to purchase tax credits that could accumulate to a 58% credit toward their Insurance Premium Tax obligation. He said the tax credits would be applied via a tax return. Because of the process, Mr. Guindon indicated that it will become more interesting to forecast the Insurance Premium Tax in the future as the Forum learns the details of the Affordable Care Act, the NMTC program, and potential new programs that relate to Insurance Premium Tax revenue.

Mr. Mirchandani said the CDE's were required to submit regular reports to B&I that illustrate the number of jobs they create and the economic impact results. He said B&I will ask the CDEs for pertinent information that should help the Forum to identify incremental revenues as a result of the NMTC program.

Mr. Marvin Leavitt asked if specific criteria was required on the CDEs application, such as details on what area or specialty project they planned to invest in, and the number of jobs they projected to create. In addition, he asked if that criteria was used to calculate

the ultimate effect on future state tax revenue, or if B&I was only concerned with general economic activity.

Mr. Mirchandani said B&I had no input in S.B. 357, but the law clearly defined that recipients of the tax credits had to meet specific federal requirements to qualify. He said B&I collected large deposits, and the deposit became non-refundable if the CDE did not perform per the requirements of S.B. 357; therefore, the CDEs were careful to identify specific project needs that met the funding criteria.

Chairman Wiles referenced the CDEs that were awarded the tax credits totaling \$200 million (page 69, Exhibit A). He asked what type of companies they were. Mr. Mirchandani said all but one were national firms that were experienced in the NMTC programs at the federal and state levels.

Mr. Matthew Maddox asked if the named CDEs were known national firms run by private citizens, that no appointees existed who could take advantage of the NMTC in various states. Mr. Mirchandani concurred that the CDEs were known national firms and that this was the primary function of their business.

Mr. Maddox asked if the investment return had a cap. Mr. Mirchandani said there was a cap on returns, but was determined per individual investment contract.

Mr. Maddox asked if the CDEs expected to receive 15% - 20% return with the tax credits, plus additional revenues through the loan profile. He asked if there were legislatively approved caps, or if it was a free market. Mr. Mirchandani said that he did not know what the returns amounted to, but confirmed that this was a private market and there was no cap on the investment.

Mr. Leavitt asked if B&I was encouraging people to invest, because of the tax credit incentive to invest in an otherwise difficult market.

Mr. Mirchandani expressed that access to capital was a huge impediment to the economic activity, and that conventional lending had not worked in many places. He welcomed the NMTC program because of its unconventional access to capital.

Mr. Leavitt asked if B&I had a compilation of how much revenue the state was expected to receive from the CDEs upon success of the program. He asked if those projections were compared to the amount of revenue that the state was giving up in support of the program. Mr. Mirchandani replied that those discussions would have taken place during the 2013 Legislative Session.

Mr. Leavitt clarified that he was asking if the CDEs provided revenue projections to B&I. Mr. Mirchandani said there was nothing referenced in the statute that required B&I to make those forecasts. He said he only had procedures on how to deploy the funds.

Mr. Leavitt reiterated his concern that there was no analysis on what the return might be to the state in the way of tax revenues.

Mr. Steadman said the statute required the CDEs to submit statistical data to B&I after the first 12 months of B&I issuing the tax credits. The report was to include the projected job creation and the economic impact. He said there were too many variables for the CDEs to accurately project anything up front.

Chairman Wiles said the Forum would have a better understanding of how the program funds were being deployed in the June 2014 Economic Forum meeting. He hoped that the CDEs correlated with what the Office of Economic Development identified as key industries.

Mr. Mirchandani stated that a roundtable meeting took place to discuss the NMTC program, potential projects, and the timing of those projects. The attendees consisted of local jurisdiction, the Regional Development Authorities and the Governor's Office of Economic Development. He said it was important for all parties to understand that the CDEs had to deploy 85% of their funds by November of 2014. Mr. Mirchandani said he would be happy to present an update at the June 2014 Economic Forum meeting.

## **VII. PRESENTATION ON THE PROGRAMS AVAILABLE TO THE GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT AND THEIR USE TO PROMOTE ECONOMIC DEVELOPMENT INCLUDING:**

**A. CATALYST ACCOUNT (NRS 231.1573)**

**B. KNOWLEDGE ACCOUNT (NRS 23.1592)**

**C. TRANSFERABLE FILM TAX CREDITS (NRS 360.758 – 360.7598)**

**D. TAX ABATEMENTS**

**Steve Hill, Executive Director, Governor's Office of Economic Development**

***This agenda item was taken out of order.***

Steve Hill, Director, Governor's Office of Economic Development (GOED) stated he would provide an overview of the economic development programs available through GOED (page 39, Exhibit A). He added that he would also discuss job growth from businesses that were assisted by the programs, as well as job growth in certain targeted sectors.

Turning to abatements, Mr. Hill said GOED had the ability to abate certain taxes such as Sales and Use Tax (SUT), Modified Business Tax (MBT), and Personal Property Tax (PPT). He said abatements were available for businesses that met certain criteria. The criteria changed based on location, and whether the business was new to, or expanding in Nevada. Mr. Hill said the MBT had an impact on state revenue; however, the majority of the taxes applied to only local revenue, having little or no impact on state revenue.

He noted the SUT and PPT affected the calculation of the Distributive School Account. Mr. Hill said the Transferrable Film Tax Credit (TFTC) was a new program for which the regulations were being drafted, and GOED hoped to have the program ready by the beginning of 2014.

Moving on to grants and investments, Mr. Hill stated that Silver State Works, Train Employees Now (TEN), and the Battle Born Venture Fund were federally funded. The Catalyst and Knowledge Funds were funded by the General Fund. The Catalyst Fund was originally funded with \$10 million, then increased to \$11.5 million during the 2013 Legislative Session. The Knowledge Fund was funded with a \$10 million commitment during the 2013 Legislative Session.

Referring to the Abatement & Assistance Activity table (page 40, Exhibit A), Mr. Hill noted that new jobs growth continued to increase annually. Over the past decade, an average of approximately 1,000 new jobs had been created annually through abatement and assistance programs. He thought the number of new jobs for 2013 would reach 5,000 by the end of the calendar year.

Mr. Hill said in 2012, Apple Computer Data Center (Apple) and Boulder Solar Power Generation Plant (Boulder Power) each invested approximately \$1 billion of capital. For purposes of comparison, GOED reported capital investment numbers with and without Apple and Boulder Power.

Mr. Hill explained that a contract was not established with a company seeking abatement or assistance until approved by the GOED Board. The company was obligated to establish a certain number of jobs, at a specific average wage rate, with a specified amount of capital investment as outlined in the contract. Mr. Hill said GOED used the number of projected jobs specified within the contract for reporting purposes. He said in the event of noncompliance, there was a clawback provision included in each contract, which had been surprisingly effective. At the end of the second and fifth contract years the Nevada Department of Taxation performed an audit to determine substantial compliance. Mr. Hill said that over the past two years the conversion rate for company commitments had been in the range of 50%; however, GOED projected it would likely increase due to the large, publicly traded companies, such as Barclays Bank, SolarCity, Reagor Dykes Auto Group, and Lincoln Electric Company, that have established contracts within the past few years. He noted those companies were already over-performing their projections.

Mr. Hill provided an overview of Sales and Use Tax (SUT), Modified Business Tax (MBT), and Personal Property Tax (PPT) abatements (page 41, Exhibit A). With regard to the MBT and PPT, Mr. Hill said GOED recently reduced the abatement by 25% for companies paying less than 75% of the county average wage. He said the reduction was a policy instituted by GOED, not a requirement by statute. Mr. Hill said the policy could be negotiated if necessary; however, as Nevada's economy improved and unemployment decreased, level of pay should be considered for jobs that are encouraged to come to Nevada.

Turning to the Transferable Film Tax Credit, (Page 44, Exhibit A), Mr. Hill said the program was established during the 2013 Legislative Session. He said the goal of the program was to attract film production, digital media, and application development to Nevada. The four-year pilot program could cost \$20 million annually, or \$80 million overall. Mr. Hill said 60% of the production costs must be incurred in Nevada at a minimum of \$500,000 and a maximum of \$6 million per production. Qualified expenditures in Nevada would result in a base tax credit of 15%, with incremental increases based on the amount of Nevada labor, and/or county of production. Upon completion, the producer was required to generate an audit and provide GOED with the results. Mr. Hill noted that the film tax credit was transferrable, so it would reduce revenue in applicable taxes. He thought the Gross Gaming Tax revenue would be impacted the most, because it was the largest eligible area and the most liquid.

Mr. Hill moved on to the Catalyst Fund Grants (Page 45, Exhibit A), reiterating it was an expense of \$11.5 million from the General Fund. He noted that 11 agreements had been negotiated and approved over the past 12 months, with another project awaiting approval that would increase the number to 12, and increase the commitment to approximately \$8 million over the course of time. In addition, all of the agreements were performance based, meaning they were tied to job creation and a minimum average wage, spread out over 3 to 5 years. If the job creation threshold was met, then a payment was made to the company. Mr. Hill said the goal at the beginning of the program was to assist in the creation of 2,500 jobs. He said there were currently 2,800 jobs associated with the grants and projects; however, if the jobs were not created then the funding would revert back to the Catalyst Fund.

Mr. Hill said the TEN and Silver State Works Grants were intended to help train employees for new and expanding businesses in Nevada. Each of the grants were slightly different, but both programs were federally funded. He said the grants would allow individuals across the state to be trained and improve their skills, resulting in higher salaries.

Turning to the Knowledge Fund Grant, Mr. Hill said during the 2013 Legislative Session, the grant provided \$10 million to encourage research, innovation, and commercialization through the three research institutions in Nevada: University of Nevada Reno, University of Nevada Las Vegas, and Desert Research Institute. He said a "Knowledge Fund Advisory Council," was established to screen applications from the three research institutions. The advisory council included six experienced members of the private sector. Mr. Hill said the advisory council recommended four programs so far, and the process of contracting grants with the three research institutions was in progress. He said it would take time to see an impact, but the proposals were aligned with the targeted sectors in the State Economic Development Plan. GOED thought it was important to enrich the research performed in the university system, but also execute it in a way that was applied and commercialized. Mr. Hill said the goal of the Knowledge Fund was to create intellectual property that could generate revenue, and create companies and jobs.

With regard to the Battle Born Venture Fund, Mr. Hill said it was funded through the U.S. Treasury's "State Small Business Credit Initiative" and launched in September 2013. He said the purpose of the fund was to provide collateral loan support for businesses that had difficulty obtaining loans from banks. Nevada appealed to the U.S. Treasury to use \$5 million of the original \$14 million grant to create a Venture Capital Fund to attract venture capital to Nevada. A committee, made up of venture capital professionals, was created to help screen applications. Mr. Hill said within the first few months nearly 30 applications had been submitted, and GOED hoped to fund the first few companies by January 2014.

Mr. Hill said the graphs titled "Projected Jobs from Assisted Companies" (pages 50 and 51, Exhibit A), provided a general projection of when jobs would be created by contracted companies. He said the process would be tracked to show projected jobs versus jobs that were actually generated. Mr. Hill added that the reports would include contracted and build-out jobs. As an example, Barclaycard US (Barclay) was going to establish an office in Nevada and the contracted number of jobs was 400. Mr. Hill said Barclay would be required to create the jobs within the first 12 months to qualify for abatements. He added that Barclay anticipated a build-up to roughly 1,000 jobs within three years. Mr. Hill said GOED's reports would reflect the progression of jobs as they were created.

Mr. Hill noted that in the few years since GOED was established, it assisted with the creation of 7,000 jobs. He clarified that there were not 7,000 active jobs yet; however, GOED estimated that approximately 3,500 would be in place by the end of 2013, and that number would continue to grow. To put it into perspective, Mr. Hill said over the past ten years there had been approximately 1,000 jobs per year announced as a result of the Economic Development Program. Mr. Hill said, based on a 2008 study, the conversion rate for projected versus actual jobs was approximately 50%. He indicated the conversion rate was directionally accurate to GOED as well. Mr. Hill said there would be some amount of loss in the conversion rate going forward; however, the numbers were much larger than in the past. GOED also anticipated that some companies would over-perform their projections, which would positively impact the number.

Mr. Hill presented information concerning economic development in certain targeted sectors (page 55, Exhibit A). He noted that most of the targeted sectors in Nevada were achieving at a slightly higher rate than the overall economy. He pointed out one exception was the Clean Energy sector, which experienced job reductions, likely because of the lack of growth in the construction sector. Mr. Hill pointed out that the areas of tourism, gaming, and entertainment had been healthy and continued to have a positive impact on Nevada's economy.

In response to a question from Mr. Leavitt, Mr. Hill answered that the Sales and Use Tax abatement reduced the county rate, including the Local School Support Tax, to only the General Fund portion of 2%.

Mr. Guindon added that the General Fund rate of 2% could not be abated by the Governor's Office per statute; therefore, local rates were impacted by abatements affiliated with GOED.

Chairman Wiles thanked Mr. Hill for his presentation, stating it would help the Forum assess how economic activity would develop over the next few years.

Mr. Hill pointed out that GOED was also working to build clusters and grow targeted sectors. He said, in addition to what was discussed today, efforts were being made to attract the unmanned aerial vehicle industry to Nevada. GOED thought it would help expand and attract businesses and increase employment opportunities in the state.

Mr. Guindon said the TFTC was one program that the Governor's Office of Economic Development was statutorily tasked with administering that involved General Fund revenue sources, such as the Gaming Percentage Fee Tax, the Modified Business Tax, and the Insurance Premium Tax. He said the TFTC program was designed to generate economic activity, but the state would also have to monitor tax credits that may affect revenue forecasts. Mr. Guindon thought the design of the program would allow staff to easily track and report the status of outstanding film tax credits to produce forecasts. For example, film companies would be required to declare which tax to apply a film tax credit, or to whom the tax credit was transferred. Also, film tax credits would have an expiration date to avoid an infinite liability for the state.

#### **IX. PRESENTATION ON THE MEDICAL MARIJUANA PROGRAM AND IMPOSITION OF AN EXCISE TAX (SENATE BILL 374, 2013 LEGISLATIVE SESSION).**

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

Mr. Guindon said the Medical Marijuana Program, and imposition of an excise tax, was based on approval of S.B. 374 during the 2013 Legislative Session. He said he wanted this agenda item on the record in order to discuss the direct and indirect effects of the Medical Marijuana Program. He said there were Nevada residents that had a registered medical marijuana identification card, but the state never had the ability to cultivate, produce, or dispense marijuana to those individuals. Marla McDade-Williams, Deputy Administrator of the Nevada Division of Public and Behavioral Health (DPBH), the division tasked with implementing and administering the Medical Marijuana Program, was in attendance. Mr. Guindon stated that he would present this agenda topic as it relates to economics rather than public and social policy.

To summarize the highlights of S.B. 374, Mr. Guindon said the Division of Public and Behavioral Health could issue licenses to four types of entities, in relation to the Medical Marijuana Program: (1) test lab, (2) cultivation facility, (3) production facility, and (4) dispensary (page 75, Exhibit A). He said a business could apply as a vertically integrated entity, meaning the business could perform more than one of the four types



of establishments. Under the law, the division could approve a total of 66 medical marijuana dispensaries in the state: 40 in Clark County, 10 in Washoe County, 2 in Carson City, and 1 in each of the remaining 14 counties. However, Mr. Guindon said there were provisions in S.B. 374 that allowed modifications to permit at least one dispensary in each county.

In regard to the test laboratories, cultivation facilities, and production facilities, Mr. Guindon said the division would be responsible for approving the number of establishments needed in order for the dispensaries to meet the supply demands of the medical marijuana card holders.

Mr. Guindon said that each Medical Marijuana Program applicant was required to pay a one-time, non-refundable application fee. That fee would fund division related application costs. In addition, in order to participate in the program there were initial registration and annual renewal fees required for each type of medical marijuana establishment (page 75, Exhibit A).

Mr. Guindon stated that the revenue received from the Medical Marijuana Program fees would not be deposited into the State General Fund as a non-restricted General Fund revenue source; therefore, the Economic Forum would have no statutory responsibility to produce forecasts for the revenue. He said the revenue would be used to fund the division and excess revenue would be deposited in the DSA, in the General Fund. He said by placing the revenue in the DSA, the funds are deemed a restricted General Fund revenue source (page 75, Exhibit A).

Mr. Guindon said there was a 2% excise tax that applied to the sale of medical marijuana products at the cultivation, production, and dispensing stages of the program. He explained that 75% of the excise tax revenue would be deposited in the DSA, and 25% would be directed to the division to cover administrative costs. He clarified that the excise tax was a restricted revenue source; therefore, the Economic Forum would not have to produce forecasts pertaining to the excise tax revenue. However, the Forum's forecasters would project the sales tax at the dispensary level because that transaction would be considered a retail sale. Mr. Guindon said that forecasters would meet with the Economic Forum in the late fall of 2014 to discuss the projected sales tax forecasts for the Medical Marijuana Program.

Chairman Wiles asked about the number of applications that had been received for dispensary licenses. He expressed concern that the state would be collecting taxes and registration fees for something that was illegal at the national or federal level.

Mr. Guindon said the Medical Marijuana Program would not be in effect until April 1, 2014, so the application process had not started. He said Marla McDade-Williams was currently developing the program's regulations, and that attendance at public hearings in regard to the Medical Marijuana Program reflected interest from potential applicants. Mr. Guindon said that many of the entities that provided recreational and medical marijuana in Colorado, Arizona, and California were

also expected to apply. He noted that Nevada's statutes were closely modeled after Arizona's medical marijuana program. He said an applicant was required to have \$250,000 worth of liquid assets, and with knowledge of the federal government's lack of support for the program, normal financial institutions may be hesitant to provide funding.

Mr. Guindon said it was interesting that Nevada was venturing into another privilege industry. He referenced gaming as Nevada's major privilege industry, and similar to the gaming industry, the Medical Marijuana Program required suitability criterion in order to apply for the establishment, manage the programs, and to be employed in the industry. He said DPBH would be responsible for implementing the rules that govern the suitability requirements, very much like the Gaming Control Board and how it regulates the gaming industry.

Mr. Guindon reiterated that the Medical Marijuana Program would go into effect in April of 2014. At that time it would be determined if a build-out process was necessary to accommodate the application activity and approval process in order for the establishment to get up and running. Since the program is new, he did not know how much real data would be available to utilize when forecasting in the fall of 2014. He felt it was beneficial to include this topic on the agenda today, and encouraged updates at the June 2014 and fall 2014 Economic Forum meetings, hoping to track economic stimulation and potential tax impact, both positive and negative.

#### **X. PRESENTATION OF THE TAX CHANGES APPROVED BY THE LEGISLATURE DURING THE 2013 SESSION AND THE ECONOMIC FORUM MAY 1, 2013, FORECAST FOR FY 2014 AND FY 2015 ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2013 SESSION.**

Mr. Guindon presented the Economic Forum's forecast adjusted for actions that were approved by the 2013 Legislature, and signed by the Governor. After the 2013 Legislative Session, staff from the Fiscal Analysis Division and the Budget Division collaborated to generate a consensus forecast to show how the legislative actions would impact the state.

Referring to page 87 (Exhibit A), Mr. Guindon summarized the adjustments that applied to various revenue sources, and explained how those adjustments impact estimated revenue for the 2013-15 biennium. He said that forecasts made by the Forum, in December 2012 and May 2013, took into consideration the sunsets that were present at that time, which reflected unusual growth rates for some of the revenue sources. He noted that the 2013 Legislature extended most of those sunsets for another two years. Specifically, Mr. Guindon called attention to the two-year sunset extension on the Net Proceeds of Minerals and the \$100 increase in the Business License Fee.

In regard to the Modified Business Tax (MBT), Mr. Guindon explained that a two-year sunset was applied, and changes were made to the tax structure on taxable wages paid by the employer, effective FY 2014 and FY 2015. Previously, there was a 0.50% tax

rate on taxable wages up to \$62,500 (per quarter), and all wages over that amount were taxed at a rate of 1.17%. The tax rate changed to 0.0% on taxable wages up to \$62,500 (per quarter), with taxable wages over that threshold taxed at the 1.17% rate. The 2013 Legislative Session held the tax rate at 0.0%, but increased the exemption threshold from \$62,500 to \$85,000 (per quarter). All taxable wages exceeding the threshold would continue to be calculated at the 1.17% rate. However, there was a sunset applied to the MBT, effective July 1, 2015, at which time the tax rate would adjust to 0.63% on all taxable wages per quarter.

Mr. Guindon explained that a portion of the Governmental Services Tax (GST) going to the General Fund was supposed to be deposited in the State Highway Fund, beginning in FY 2014; however, A.B. 491 required the funds to remain in the General Fund until FY 2016. Beginning in FY 2017, those funds will be deposited in the State Highway Fund (page 87, Exhibit A).

Mr. Guindon continued by discussing the Vital Statistics Fees (page 88, Exhibit A). A legislative decision was made to allow revenues to be retained by the Health Division, Department of Health and Human Services, instead of being deposited in the state General Fund.

Mr. Guindon reported that the GST Commissions and Penalties revenue that funded the Department of Motor Vehicles (DMV) diverted proceeds from their budget to the state General Fund, effective in the 2011-13 biennium for FY 2012 and FY 2013. He said the 2013 Legislature approved diverting the proceeds from the DMV's budget to the state General Fund for FY 2015 only.

Mr. Guindon explained that by statutory requirement, a portion of the revenue from the Court Administrative Assessments must be allocated to fund certain programs; therefore, a revenue forecast was necessary for budget purposes. Based on the legislatively approved program budget, a comparison would be made to the Court Administrative Assessment revenue forecast to determine the estimated revenue available. The amount by which the estimated revenue exceeds the legislatively approved budget amount is the forecast amount allocated to the state General Fund. Mr. Guindon said that the Forum cannot forecast the Court Administrative Assessments revenue without a program budget.

Regarding the Cost Recovery Plan, Mr. Guindon said that after the Forum met in May of 2013, this revenue item was adjusted to reflect true data, which required a positive adjustment.

Mr. Guindon stated that, per statutory provisions regarding the funding plan for K-12 education, additional dollars in the DSA could become a General Fund offset. He said that was why the DSA was considered a generating resource for the General Fund. The revenue deposited in the General Fund, from the DSA, had to be recorded and forecast by the Economic Forum. He highlighted the following adjustments that pertained to the DSA, and were approved by the 2013 Legislature:

- The State 3% Room Tax currently had a sunset that required revenue to be deposited in the DSA, effective FY 2014 and FY 2015. Effective FY 2016, the revenue will return to the State Supplemental School Support Fund.
- The 0.35% increase to the Local School Support Tax sales tax rate was extended for two years.
- The sunset related to the Net Proceeds of Minerals Tax in the General Fund also effects the Net Proceeds of Minerals Tax that is allocated to the school districts.

Mr. Guindon closed by referencing key forecast adjustments: the net amount of revenue that was added to the General Fund (page 89, Exhibit A), and the amount added to the Economic Forum's forecast sheets (page 88, Exhibit A).

#### **XI. REPORT AND DISCUSSION OF FY 2013 ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM DECEMBER 1, 2010; MAY 2, 2011; NOVEMBER 30, 2012; AND MAY 1, 2013, FORECASTS, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2013 SESSION.**

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented a comparison of actual collections versus forecasts made by the Economic Forum for FY 2013 (page 91, Table 1, Exhibit A). He said the Economic Forum produced four separate forecasts for FY 2013: (1) 2-Year Ahead Forecast, dated December 1, 2010; (2) 2-Year Ahead Forecast, dated May 2, 2011; (3) Current Year Forecast, dated November 30, 2012; and (4) Current Year Forecast, dated May 1, 2013. He explained that Table 1 included adjustments for legislatively approved actions that were taken from the 2011 Legislative Session. He said the actions taken during the 2013 Legislative Session did not affect revenue in FY 2013; however, those actions did affect revenue for FY 2014 and FY 2015.

Mr. Nakamoto pointed out that Table 1 showed actual revenue collections in FY 2013 for major and non-major revenue source categories, compared to forecasts that were prepared by the Economic Forum, the agency collecting the tax. It also showed forecasts by the Fiscal Analysis Division, the Budget Division, and Moody's, which provided forecasts associated with sales and gaming taxes. He said the table showed the difference between the forecast and the actual revenue collected, as well as the percentage by which the forecast exceeded or fell below the actual revenue collected.

Mr. Nakamoto explained that Table 1 identified several of the General Fund revenue sources, including major sources, select non-major sources, and all other revenue sources (pages 91-94, Exhibit A). The bottom of page 94 (Exhibit A) showed the total revenue results for all General Funds combined.

Mr. Nakamoto stated that the most important forecast in Table 1 was the Current Year Forecast, dated May 1, 2013. He said the Legislature used this forecast during the 2013 Legislative Session to build the final budget for the 2013-15 biennium. He pointed

out that the Economic Forum forecast the total General Fund revenue to be \$3.086 billion, which was approximately \$45.9 million below the actual General Fund revenue collections of \$3.133 billion for FY 2013.

Mr. Nakamoto explained that Table 2 showed all of the unrestricted General Fund revenue sources, and a comparison of the Economic Forum's forecasts (November 30, 2012 and May 1, 2013) to the actual revenue collections for FY 2013 (page 97, Exhibit A).

Mr. Guindon stated that the tables presented by Mr. Nakamoto illustrated how the Forum performed with its forecasting, compared to actual collections. Mr. Guindon said it was important to identify the results on public record because of the interest expressed by legislators and members of the public. He thought the Forum did well with its forecasts, but noted that FY 2013 presented a challenge. He observed that the 2-Year Ahead Forecasts produced more accurate results than the Current Year Forecasts, in comparison to actual revenue collections.

## **XII. REPORT AND DISCUSSION OF FY 2014 YEAR-TO-DATE ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM MAY 1, 2013, FORECAST, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2013 SESSION.**

Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, began his presentation in reference to Table 3 (Exhibit E). He explained that Table 3 illustrated actual General Fund revenues for FY 2008 through FY 2013. The far right column of the table showed year-to-date actual collections for all of the major and minor revenues through November for FY 2013 and FY 2014.

Mr. Reel referred to Tables 4, 5, and 6 (Exhibit F), stating that the tables were based on the monthly status reports that were distributed to the Economic Forum, and were posted to the Nevada Legislature's website. The report identifies how the General Fund revenue forecasts compare to the actual collections fiscal year-to-date. He explained that the major and select-major state General Fund revenues shown in Table 4 represent about 90% of total General Fund revenue. He said the Percent of Total General Fund revenue columns portrayed the percentage of the total General Fund revenue that each funding source represented. The FY 2013 Actual columns reflected the actual revenues collected in FY 2013, the actual percent change in revenue, and the forecast percentage change approved by the Economic Forum at its May 2013 meeting. He noted, with the exception of the Secretary of State Securities revenue, the actual revenue came in above what was forecast for FY 2013, at the May 2013 meeting.

Moving to the FY 2014 Forecast column, Mr. Reel said the numbers reflected the Economic Forum's forecast made at the May 2013 meeting, adjusted for legislatively approved actions. The next column showed the growth rates forecast by the Forum,

and the third column showed the Forum's adjusted forecast, based on the actual revenue collected for FY 2013.

Mr. Reel directed attention to Table 5 that displayed the fiscal year-to-date collections compared to fiscal year-to-date forecasts for FY 2014. The far left column lists the major and minor General Fund revenues, with the parenthetical data representing the number of months or quarters for which the actual revenues were reported. He said this table compared actual revenue data for FY 2013 and FY 2014, and identified how the forecasts compared to actual collections for FY 2014. Focusing on the FY 2014 Forecast Year-to-Date columns, Mr. Reel observed that actual sales tax, gaming percentage fees, and Modified Business Tax collections were below the forecast. This shortfall was offset by three other major General Fund revenues, such that collections for the major revenue sources were above forecast by about \$1.9 million. He commented that collections for two of the minor revenues, cigarettes and governmental services tax, were below the forecast; however, overall collections for the minor General Fund revenues were \$990,491 above the forecast.

Mr. Reel said that All Other General Fund revenues accounted for approximately 10% of the total General Fund revenues, and were roughly \$1.6 million below forecast. Mr. Reel said that actual total General Fund revenues reported were about \$1.3 million above the Economic Forum's forecast for the periods reported.

Mr. Reel said that Table 6 was a comparison of FY 2013 to FY 2014, and represented the revenue that remained to be collected throughout the remainder of each fiscal year.

Mr. Leavitt commented that the Government Services Tax revenue normally followed the trend of the sales of automobiles; however, it was lower than he expected. He noted that sales tax had been fairly good from the automobiles category in FY 2014.

Russell Guindon explained that the time period for which the revenue was collected did not necessarily reflect the period in which the activity occurred. He said the money must first be deposited into the Controller's office system before the information is available to be included in the report. He explained that some agencies make an effort to account for collections in the same period that the activity occurs. However, other agencies' financial reports may only reflect revenues collected through the previous month, regardless of when the activity occurred.

Mr. Leavitt asked if there were some counties still collecting past revenues. Mr. Guindon believed there were a few counties that had not reported revenues, and those revenues could amount to a few hundred thousand dollars. Mr. Leavitt voiced his concern about the lag in the reporting of revenue collections.

Mr. Guindon voiced concern over the most current statements for the state General Fund reserves, recognizing that the state General Fund was in aggregate \$1.3 million. He said the public may not understand and express deception.

Chairman Wiles pointed out that a \$1.3 million difference between actual collections and the forecasts translated to a 0.1% margin of error.

Mr. Guindon noted that one of the duties of the Economic Forum was to review the state's current status. After careful analysis of the forecasts, and taking into consideration the standard deviation and the month-to-month movements of the revenue sources, Mr. Guindon said he was not concerned with the difference between actual collections and the current forecast. He explained that the Live Entertainment Tax revenue (Non-Gaming) includes live shows, which were sometimes a challenge to forecast. He said he would not be surprised if the level of under-forecasting continued to grow.

Mr. Leavitt observed that the Real Property Transfer Tax (RPTT) revenue was climbing. He said the increase in revenue indicated there was an increase in sales activity in the real estate market.

Chairman Wiles said the Economic Forum had heard anecdotal stories about growth in the real estate market. He said it was nice to see that being reflected in the collection of RPTT revenues.

### **XIII. REPORT ON FORECAST ACCURACY BY FORECASTER FOR SELECTED REVENUES.**

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented the historical forecast error analysis found on page 105, Tables 1 and 2 (Exhibit A). He referenced the 40-page accuracy report that coincides with the tables (page 107, Exhibit A), but said that he was not going to go through it in today's meeting.

Mr. Nakamoto explained that the tables identified two major revenue sources, Sales and Use Tax and Gaming Percentage Fee Tax, as well as the total General Fund revenue. The tables showed a historical summary of the percentage errors and absolute percentage errors, based on the Forum's forecast performance in the current year, 1-year ahead, 2-year ahead, and the biennium.

Mr. Nakamoto explained that the average percent error represents an average of how far the forecast exceeds or falls below the actual collections for a specific revenue source, because it allows positive and negative forecast errors to cancel each other out. He said the absolute average percent error averages did not allow positive and negative forecast errors to cancel each other out by treating negative forecast errors as a positive result. He explained that the percentage errors identified in the table were based off the accuracy reports that were given to the Forum in the fall of 2008 (before the recession), the fall of 2010 (when the economy hit bottom), and in the fall of 2013 (included in the meeting packet (page 107, Exhibit A).

Mr. Nakamoto referenced the total General Fund revenue in Table 1, focusing on the Biennium Forecast columns (page 105, Exhibit A). In reference to the fall of 2008 report, he noted that the average percent error showed that actual collections for the total General Fund were 3.0% above the Forum's forecast. The fall of 2010 report showed the average percent error dropped to 0.0%, indicating the forecaster's lack of ability to gage the effects of the recession. Lastly, the fall of 2013 report showed an average percent error of -0.1%, indicating that the Forum over-forecast the actual total General Fund collections. Mr. Nakamoto said, although a -0.1% error rate might look good on paper, the average percent error rate allowed positive observations to cancel out negative observations; therefore, the true performance of the individual forecast was not accurate. For that reason, the absolute average percent error was added to Tables 1 and 2 in order to capture a more accurate statistic. He further clarified that, on average, the Economic Forum's biennium forecast was within 0.1% of the target. However, when the absolute average percent error was calculated, the forecasters were either plus or minus 6.1%.

Mr. Nakamoto explained that Table 2 presented the same error analysis as Table 1, but showed the error results in dollars versus percentages. In review of the biennium forecasts for the total General Fund revenue, the average error reflected that the Forum under-forecast actual collections by \$27.8 million in the fall of 2010 report, and dropped to an under-forecast of \$27.2 million in the fall of 2013 report; reflecting a huge difference from the over-forecast of \$143 million in the fall of 2008 report. Mr. Nakamoto pointed out that there was an error in the table, that the middle column of the biennium forecast should read 2010 rather than 2013. Mr. Nakamoto said, in dollar terms, the absolute average error reflected an over-forecast of \$200.6 million in the fall of 2008 report, an over-forecast of \$322.4 million in the fall of 2010 report, and an over-forecast of \$309.9 million in the fall of 2013 report.

Mr. Nakamoto said, historically, the Economic Forum did not perform too badly with its forecasts. He said the recession affected the forecasts and skewed the ability to gage the economy. However, the errors were starting to normalize, meaning the Economic Forum was doing a better job of forecasting as the economy recovered.

Mr. Guindon noted that the 1996-97 biennium recorded the first biennium forecast, with Nevada's economy on the upward trend. He referenced Table 2, Biennium Forecast for the Fall of 2008 Report (biennium ending FY 2007), and made comment that the actual collections for the total General Fund revenue was only 3.0% above the Forum's forecast. He said the 1.7% difference between the average error and the absolute average error could have been a lot worse, considering that the reports from 2010 and 2013 were heavily influenced by the recession. Mr. Guindon stated that these tables are reviewed by the forecasters to stimulate ideas of where forecast improvements can be made among the various revenue sources. As an example, he highlighted the General Fund revenue source, Net Proceeds of Minerals in FY 2013 (page 98, Exhibit A), stating that forecasters thought they had reliable data to project from, yet they missed the actual collections by a large percentage. Mr. Guindon said that the Fiscal staff will meet with the Department of Taxation and re-evaluate how forecasts are



prepared. He theorized that the timing of the prepayment and true-up stages might be part of the discrepancy between the forecast and the actual collections.

Mr. Marvin Leavitt said he had been observing the Net Proceeds of Minerals revenues for the last forty years, noting the forecasts had been consistently over or under the actual collections. He stated that he was not a member of the Forum at the beginning of the recession, but given the severity of the recession, he thought the Forum did well with its forecasts. He recalled when the Economic Forum made changes to the property tax system in 2005, stating that he never expected to see the huge decrease in the assessed value of property that later resulted from the recession. He said that Nevada's local government and school districts were experiencing a big problem now, because of the major hit that property taxes suffered as a result of the recession. He said, because of the annual cap that altered growth on property taxes, recovery would be slow. Mr. Leavitt reiterated that the Forum did a good job with its biennium forecast, considering how volatile that period was.

Chairman Wiles' viewpoint was that the Forum's biennium forecasts reflected an average percent error of - 0.1% (over-forecast of actual collections), and suspected that average percent error was within the margin of error.

#### **XIV. PRESENTATION OF HISTORICAL TAXABLE SALES AND GAMING MARKET STATISTICS.**

Russell Guindon suggested that the Economic Forum members look at the taxable sales and gaming charts that were posted to the Nevada Legislature's website. He explained that the taxable sales charts showed actual taxable sales by county, taxable sales growth rate for Nevada's 17 counties, and each county's share of statewide taxable sales.

Mr. Guindon said there was strong growth in the auto industry. He said some industries produced double digit growth rates a year ago, stating that it was a hard comparison to grow against, especially when taking into consideration some of the underlying dynamics in the economy in terms of wages and employment. Mr. Guindon announced that members of the public could request a hardcopy of the charts and tables through the Fiscal staff at the Legislative Counsel Bureau.

Mr. Guindon closed by announcing to the Forum that the tables included in Mr. Reel's presentation (Exhibit E) would be updated monthly, and be uploaded to the Economic Forum page of the Nevada Legislature's website.

**XV. DISCUSSION OF THE REPORT BY THE ECONOMIC FORUM TO THE INTERIM FINANCE COMMITTEE REQUIRED PURSUANT TO NRS 353.228.**

Russell Guindon stated the intent of this agenda item was to discuss the report that Chairman Wiles was scheduled to present to the Interim Finance Committee (IFC). He said it was too late to be included on the agenda for Monday's IFC meeting, December 9, 2013, but would collaborate with staff to prepare a report and have it placed on the February IFC meeting agenda. He said as soon as an IFC meeting date is finalized, he will contact Chairman Wiles to put together a schedule.

**XVI. PUBLIC COMMENT.**

There were no public comments at either location.

**XVII. ADJOURNMENT.**

Chairman Wiles thanked everyone who attended, as well as the speakers and the staff for preparing the information. He noted that the accuracy forecasted by the Forum was highly dependent upon the quality of the information that the Forum received from staff and other parties. The meeting was adjourned at 12:45 p.m.

Respectfully submitted,

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Judy Lyons, Transcribing Secretary

APPROVED:

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Ken Wiles, Chairman

Date: \_\_\_\_\_

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

# Nevada Labor Market Briefing

## Department of Employment, Training & Rehabilitation

Dennis Perea, Interim Director

Bill Anderson, Chief Economist

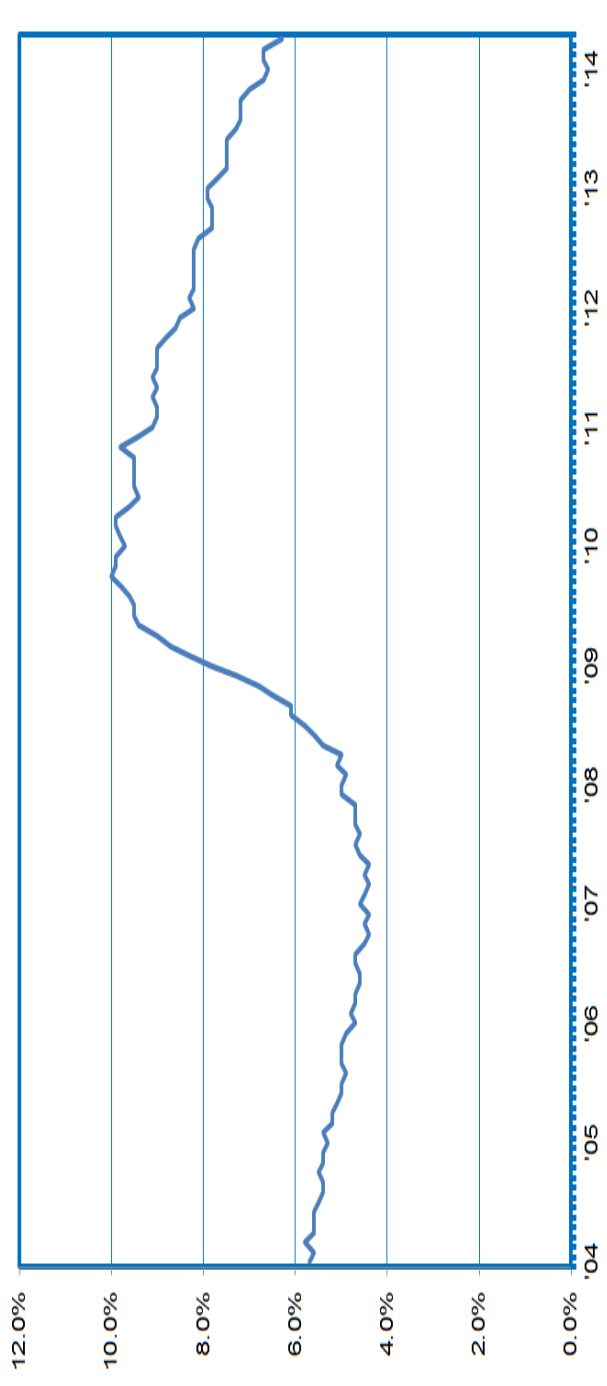
Susanna Powers, Economist

Prepared by the Research and Analysis Bureau for  
Presentation to the Economic Forum (June 2014)



The Nevada Department of Employment, Training and Rehabilitation is a proactive workforce & rehabilitation agency

## U.S. Unemployment Rate (SA)

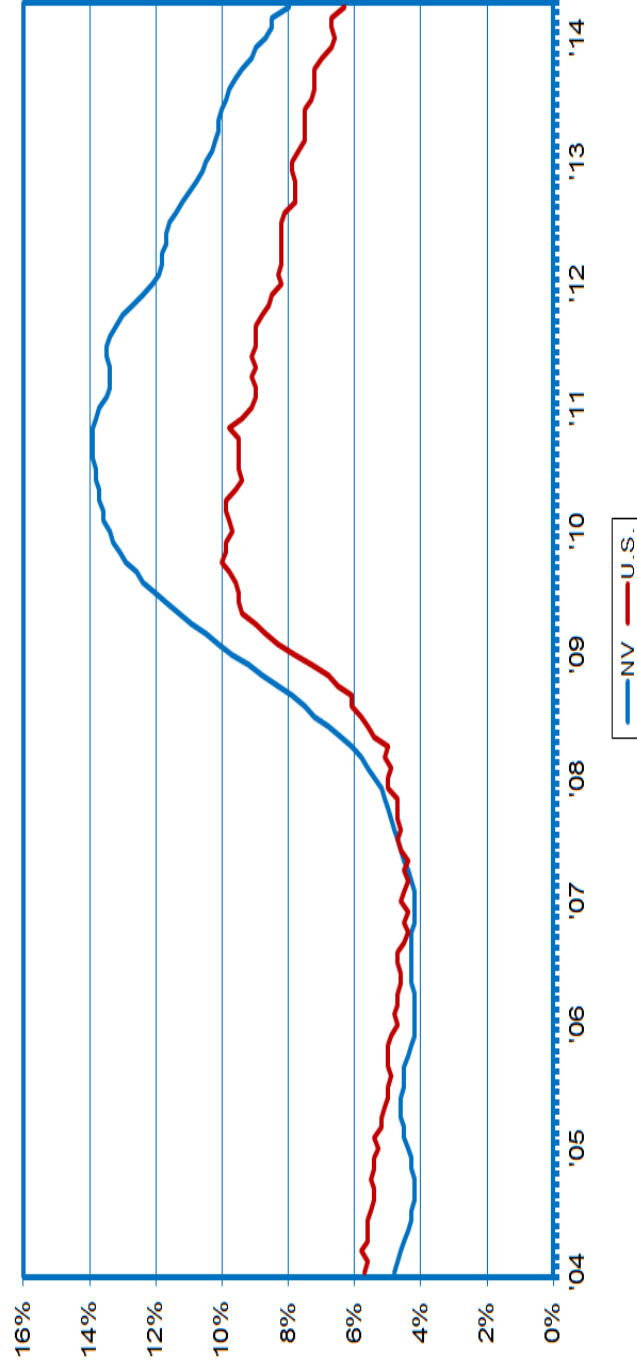


- ☐ The jobless rate peaked at ten percent in October 2009.
- ☐ In April, the rate stands at 6.3%, down 0.4 point from March.
- ☐ The unemployment rate has fallen by 1.2 percentage points in the past 12 months.



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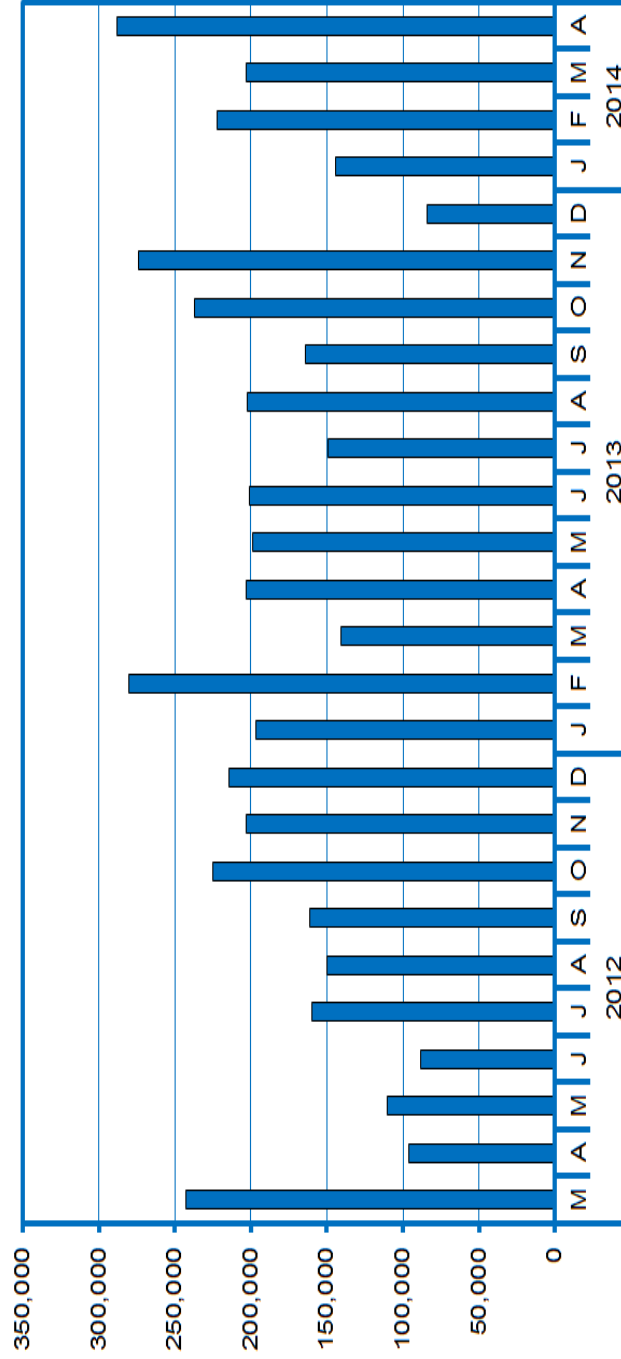
## NV vs. the U.S. Unemployment Rate (SA)



- ☐ Nevada's unemployment rate stands at 8.0% in April, down 0.5 point from March.
- ☐ The rate has fallen by 2.1 percentage points from a year ago, and is off from a record high of 13.9% recorded in the fall of 2010.
- ☐ The State's jobless rate stands 1.7 percentage points higher than the nation's 6.3%, but has narrowed the gap considerably during the post-recessionary period.



## U.S. Job Growth (month-over-month; SA)

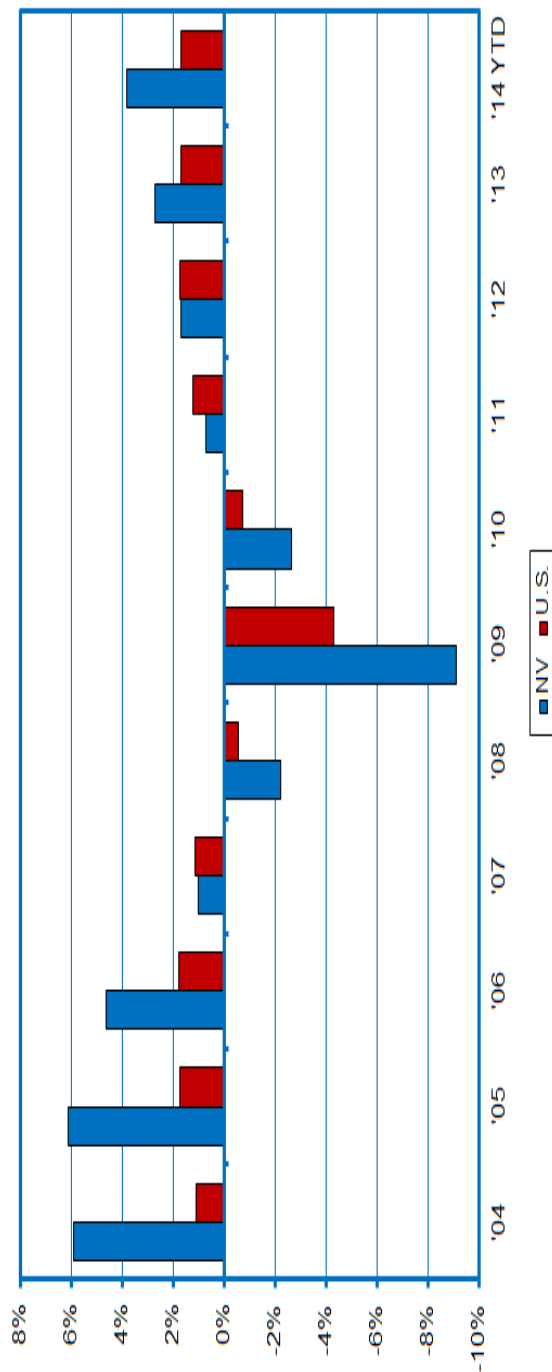


- ☐ 8.7 million jobs lost in the economic downturn.
- ☐ Since then, 8.6M jobs (about 99% of those lost) have been added.
- ☐ Job growth totaled 288K in April.



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## Job Growth: NV vs. the U.S. (year-over-year; NSA)

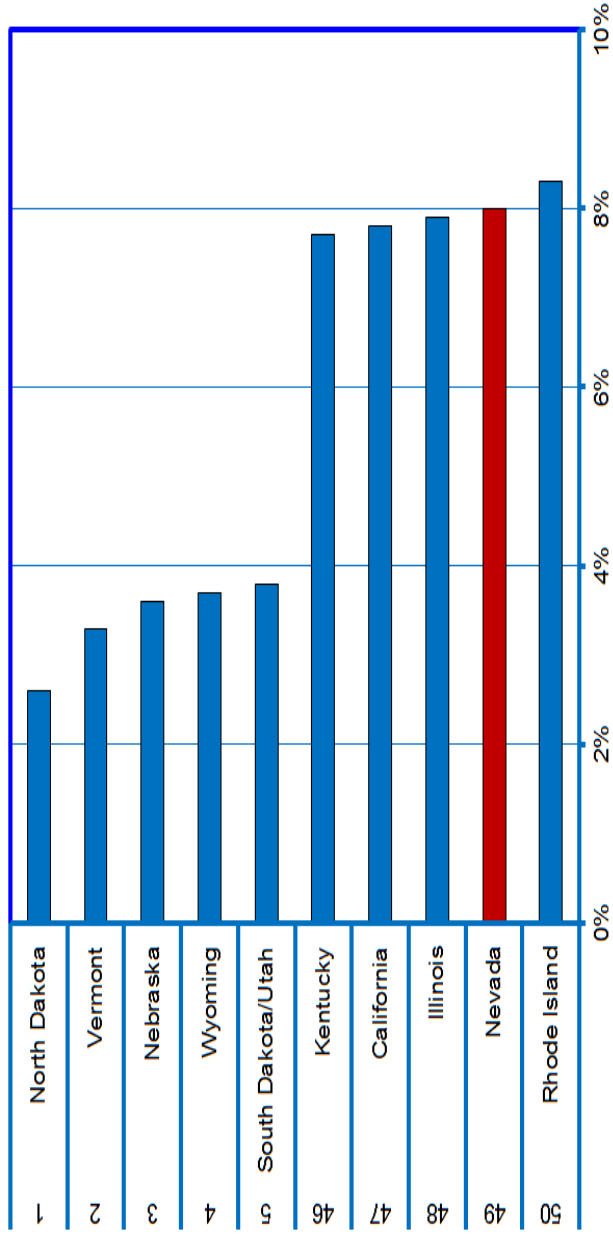


- ❑ After growing at a much faster pace than the U.S. prior to the recession, Nevada job losses were more pronounced than in the nation during the downturn. Once again, Nevada's job growth exceeds national norms.
- ❑ Through April, jobs are up 3.8% so far this year relative to the same period in 2013 in Nevada, compared to a 1.7% increase in the U.S. as a whole.





# Unemployment Rate Rankings (SA)



- ☐
- ☐
- ☐

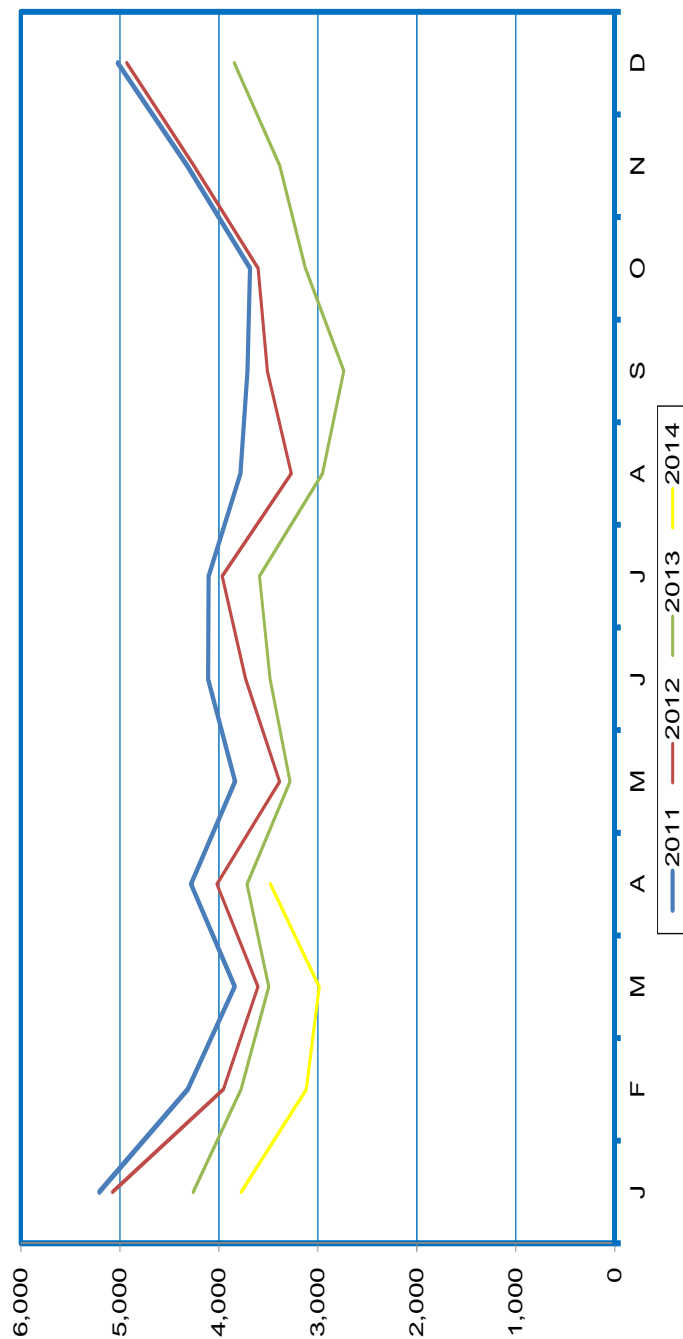
In April, Nevada has the second-highest unemployment rate in the nation.  
 Rhode Island was the highest at 8.3%.  
 North Dakota's 2.6% jobless rate was the lowest.



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# Initial Claims Trending Down Over Time



- ☐ The Chart shows the average weekly initial claims volume by month.
- ☐ Initial claims for unemployment were at 14,931 in April, a 15 percent drop compared to April 2013.



# Alternative Measures of Labor Underutilization

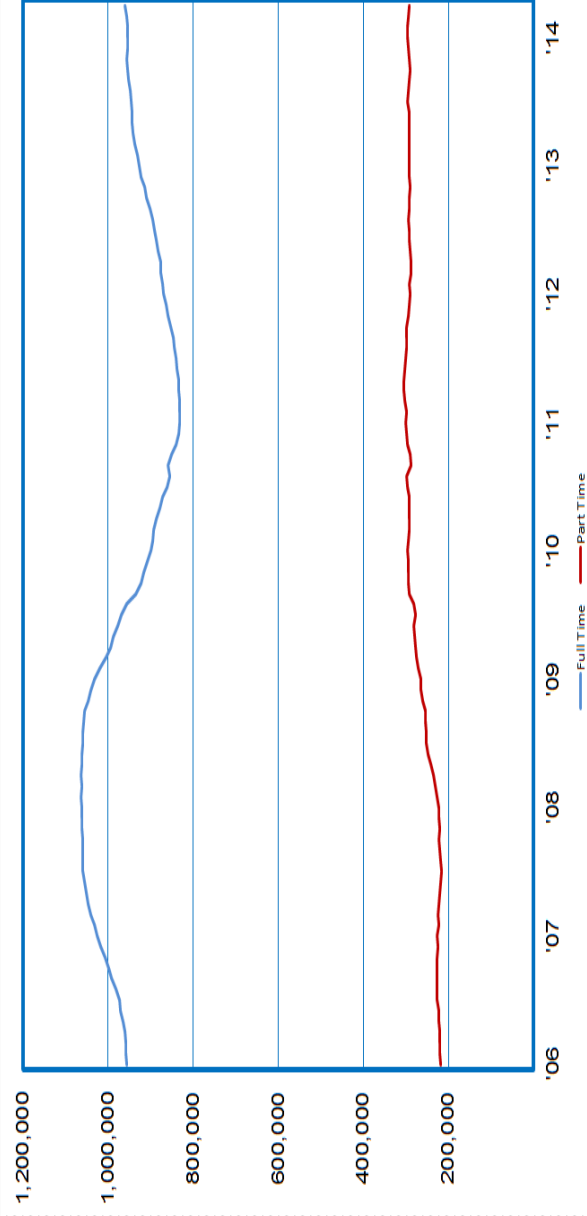
## Alternative Measures of Labor Underutilization (12 Months Ending in March 2014)

Measure	Underutilization Concept	Level
Official Rate	jobless persons available to take a job who have actively sought work in the past four weeks	9.2%
U-1	jobless 15 weeks or longer	5.1%
U-2	job losers and persons losing a temporary job	5.3%
U-3	similar to official rate	9.4%
U-4	U-3 plus discouraged workers	10.3%
U-5	U-4 plus others marginally attached to the labor force	11.2%
U-6	U-5 plus those employed part-time for economic reasons	17.4%



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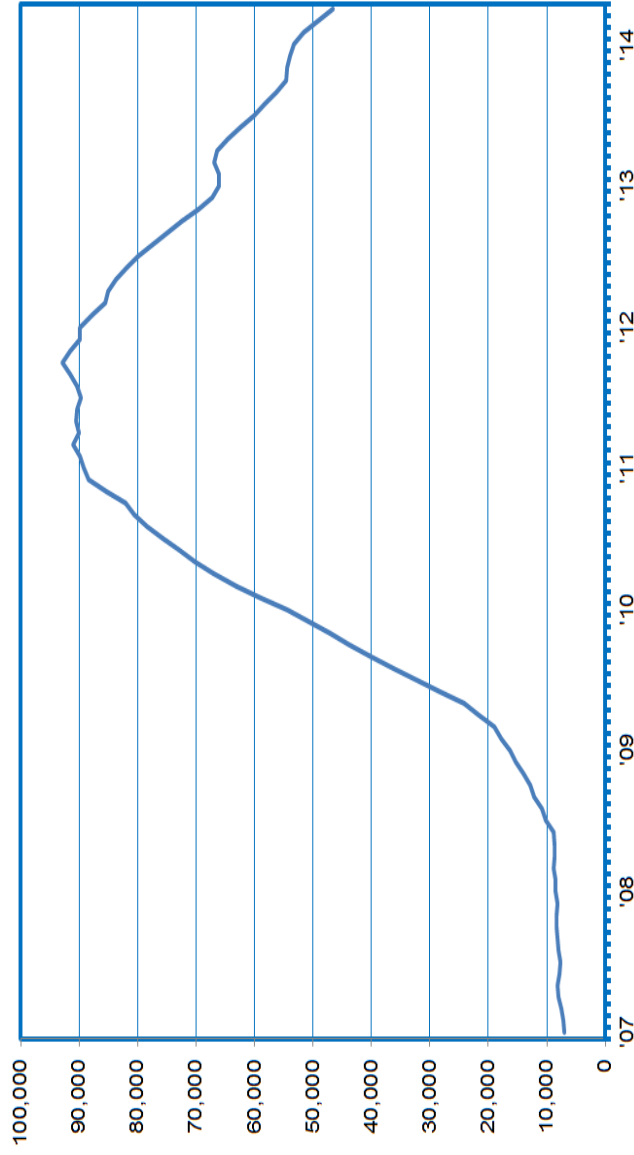
## Full-Time vs. Part-Time Employment (12-month moving average)



- ☐ Nevada has seen noticeable gains in full-time employment since 2011.
- ☐ According to the Current Population Survey (CPS) conducted by the Bureau of Labor Statistics, three quarters of Nevadans with jobs work full-time.
- ☐ The number of people working part-time has remained relatively stable since 2009.



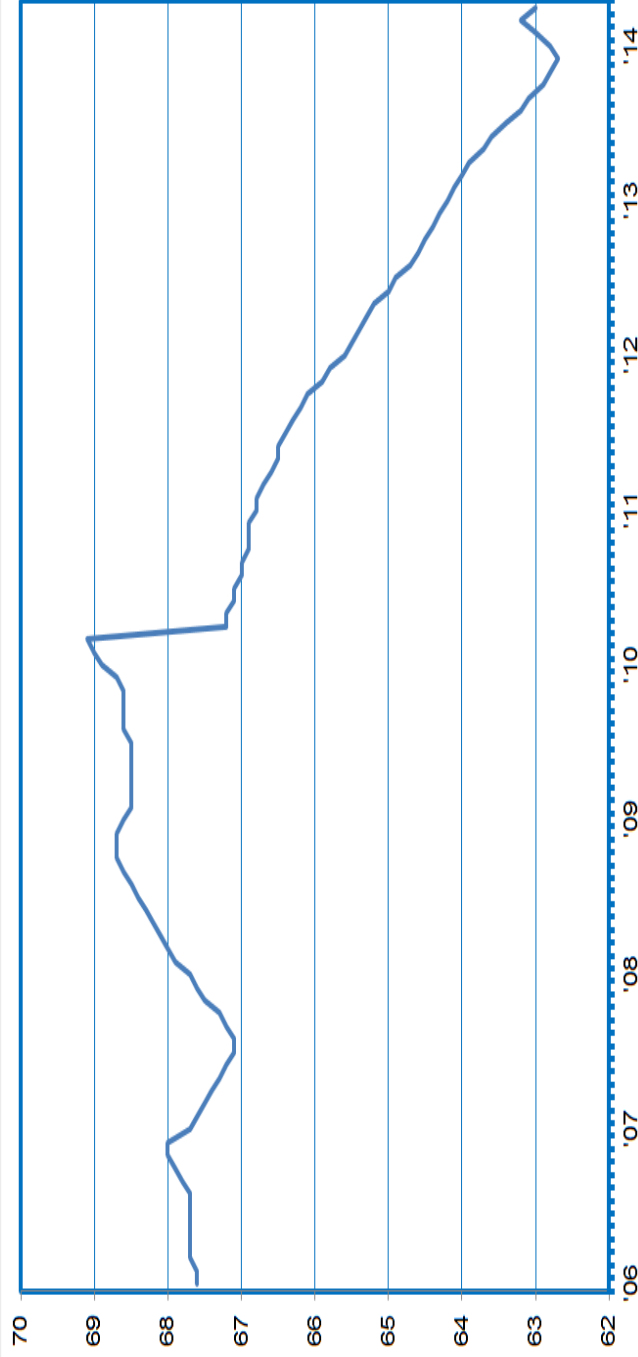
## Long-Term Unemployment (12-month moving average)



- ☐ The number of long-term unemployed (those jobless for 27 weeks or more) decreased by 19,800 over-the-year in April to 46,700.
- ☐ These people accounted for 37 percent of the unemployed.
- ☐ Nationally, the long-term unemployed represent 35 percent of total unemployed.



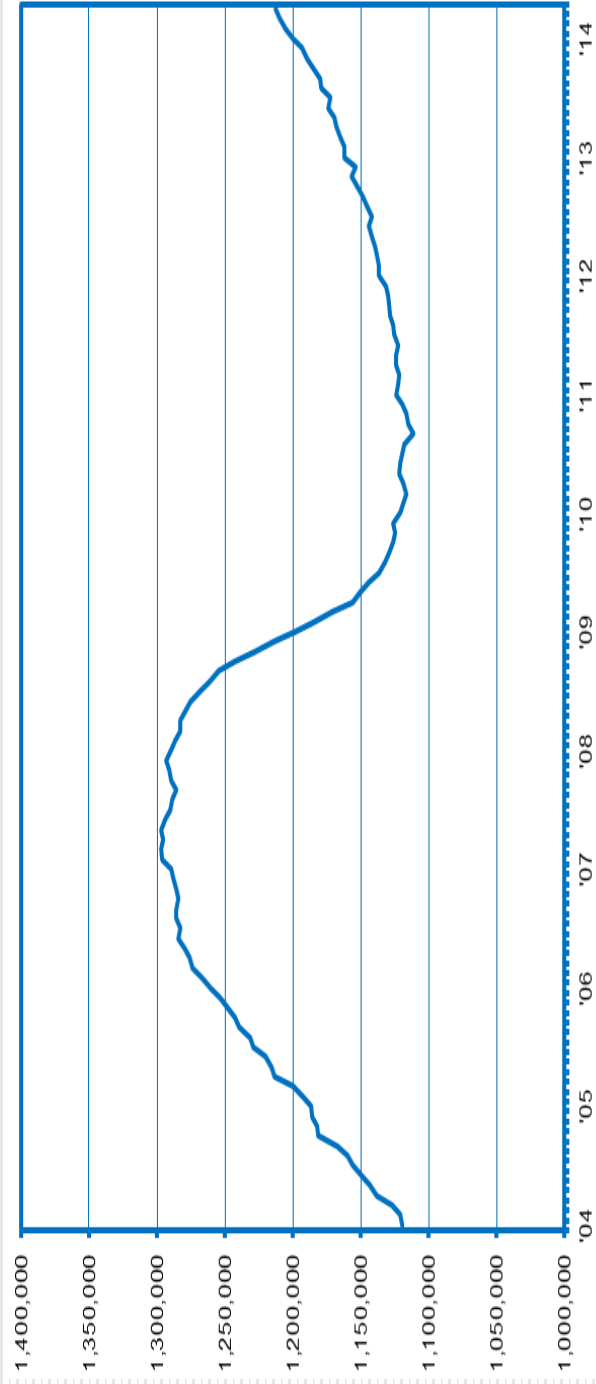
# Labor Force Participation Rate (SA)



- ☐ Before the start of the recession, the labor participation rate hovered around 67%.
- ☐ During the economic downturn, the labor force participation rate increased by about two percentage points.
- ☐ The participation rate has been falling since March 2010. The April 2014 data shows the participation rate is at 63%.



## Nonfarm Jobs in Nevada (SA)

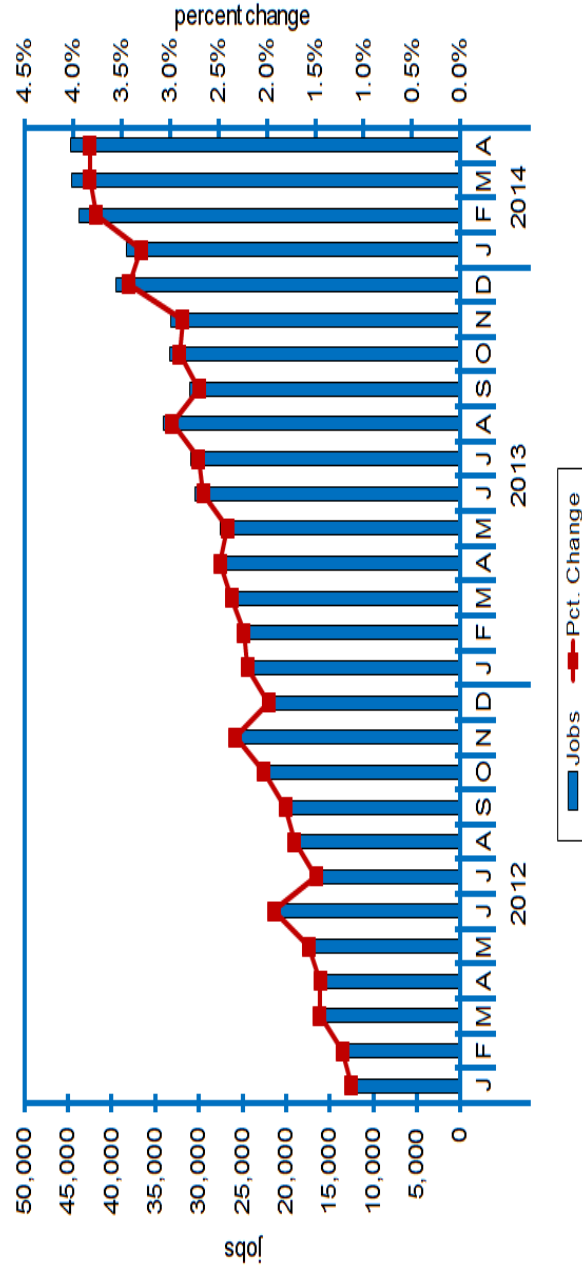


- ❑ In totaling 1.21 million, job readings are up by 44,700 relative to a year ago, and by 3,000 over-the-month.
- ❑ During the economic downturn, job losses totaled 185,600 (seasonally adjusted).





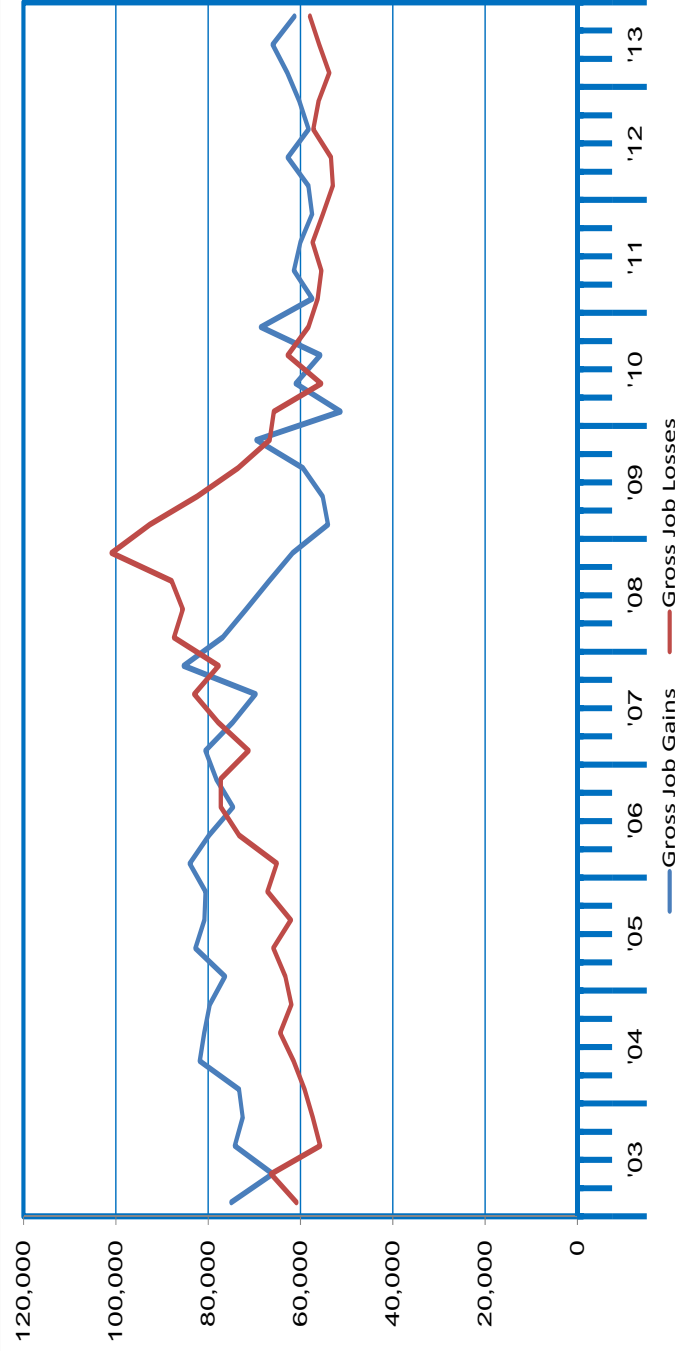
## Job Growth (SA; year-over-year)



- ☐ Non-farm job levels are up 44,700 relative to a year ago. This is the largest gain since September 2006.
- ☐ Nevada job readings are up 3.8% from a year ago.
- ☐ This increase marks the 40<sup>th</sup> straight month in which year-over-year gains have been recorded.
- ☐ In mid-2009, job losses exceeded ten percent on a year-over-year basis.



# Business Employment Dynamics: Private Sector Gross Job Gains vs. Gross Job Losses (SA)

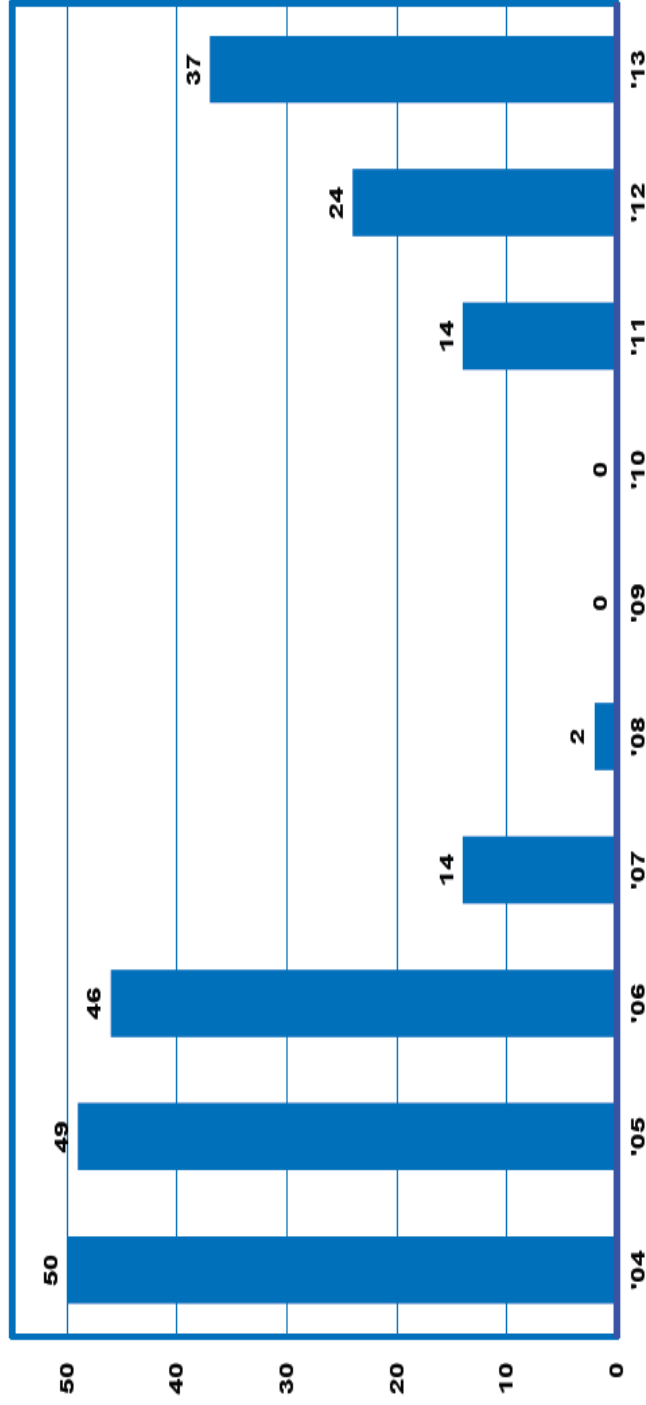


- ❑ The difference between the number of gross job gains and the number of gross job losses yields a “net” employment gain of 3,400 jobs in the private sector during 2013:IIIQ.
- ❑ The net gain is an increase of 1,000 jobs relative to last year.





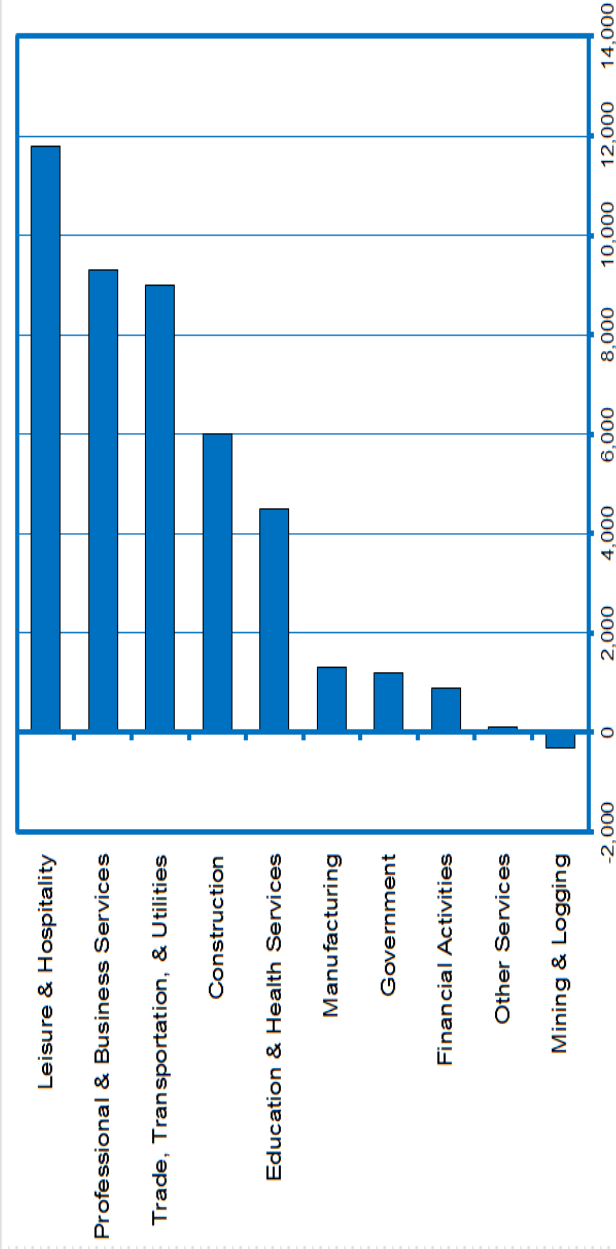
# Number of States with a Lower Private Sector Job Growth Rate than Nevada (2013 YTD through Q3)



- ☐ In the years preceding the recession, Nevada led the nation in employment growth (based upon QCEW information).
- ☐ Nevada was impacted by the recession more than any other state in terms of employment growth.
- ☐ In 2011, Nevada's employment growth rate is rising again. Private sector jobs grew 1.9% in 2012, higher than that for 24 other states.
- ☐ Over the first nine months of 2013, the private sector has grown at a rate of 2.6% relative to the same period in 2012. Nevada outperformed 37 other states in terms of y-o-y growth.



# Job Growth by Industry (YTD; year-over-year; Jan-Apr)



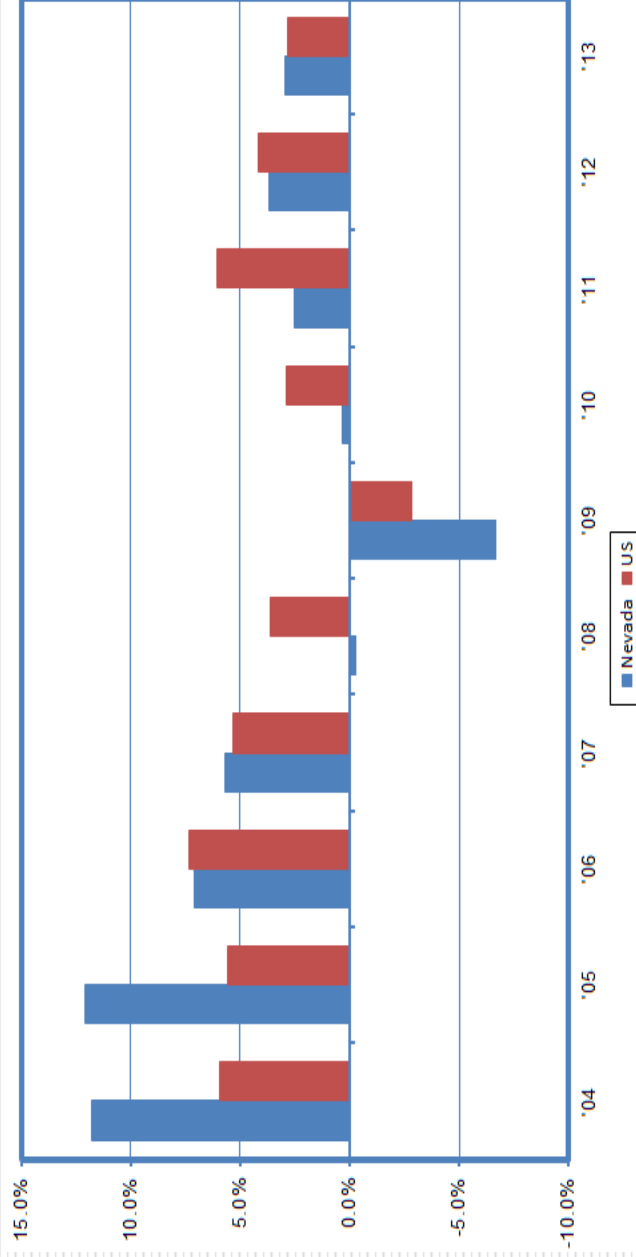
- ☐ Leisure and hospitality services leads the way with 11,800 more jobs so far in 2014 vs. a year ago.
- ☐ Professional and business services is up by 9,300, and the construction industry has added 6,000 jobs over the same period.
- ☐ Public sector job levels increased by 1,200 positions so far in 2014.



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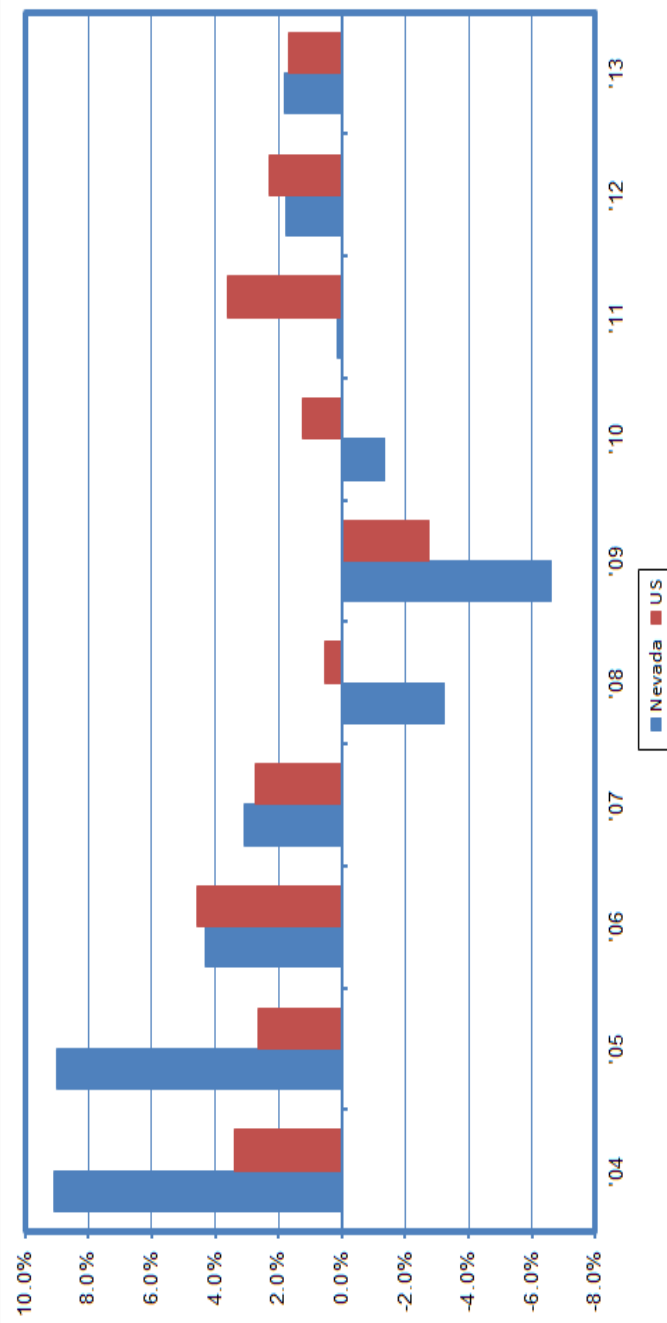
# Nevada Personal Income Growth (year-over-year)



- ☐ Personal income gains have rebounded off of recessionary lows.
- ☐ Like other indicators, income trends suggest that the economy bottomed out over the 2009-2010 period.
- ☐ In 2013, personal income is up 3.0% from a year ago.
- ☐ Growth is slightly above the national average of 2.9%.



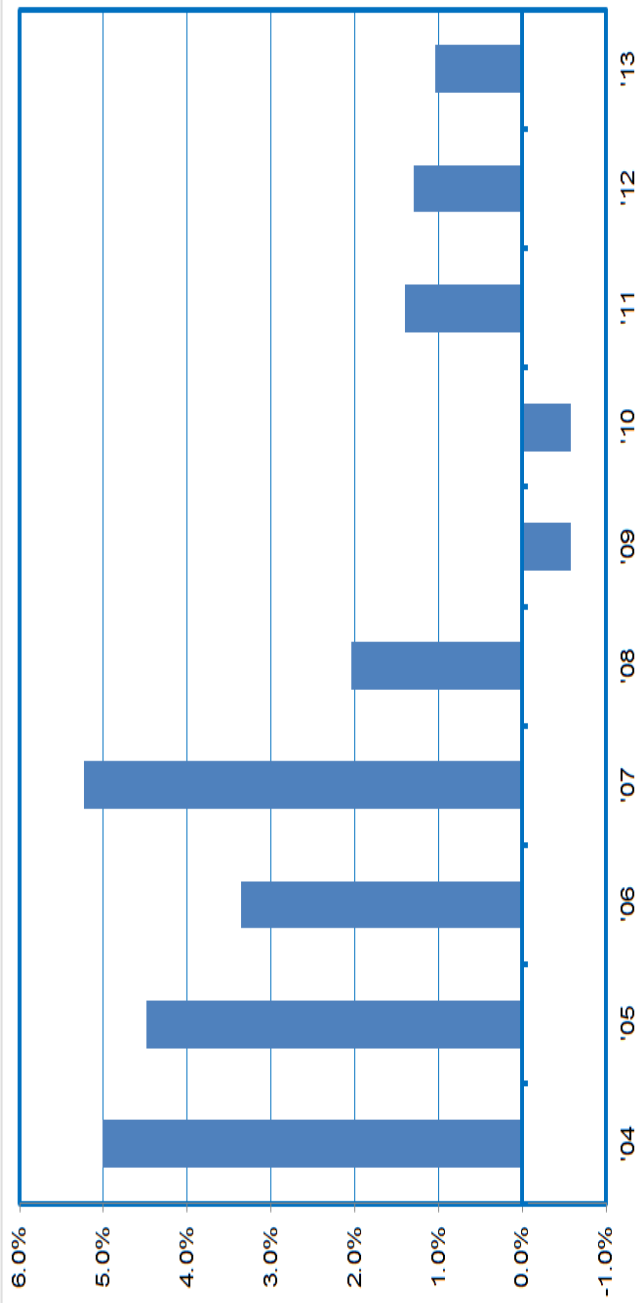
## Nevada Real Personal Income Growth (year-over-year)



- ☐ In 2013, real personal income is up 1.8% from a year ago.
- ☐ Growth is slightly above the national average of 1.7%.



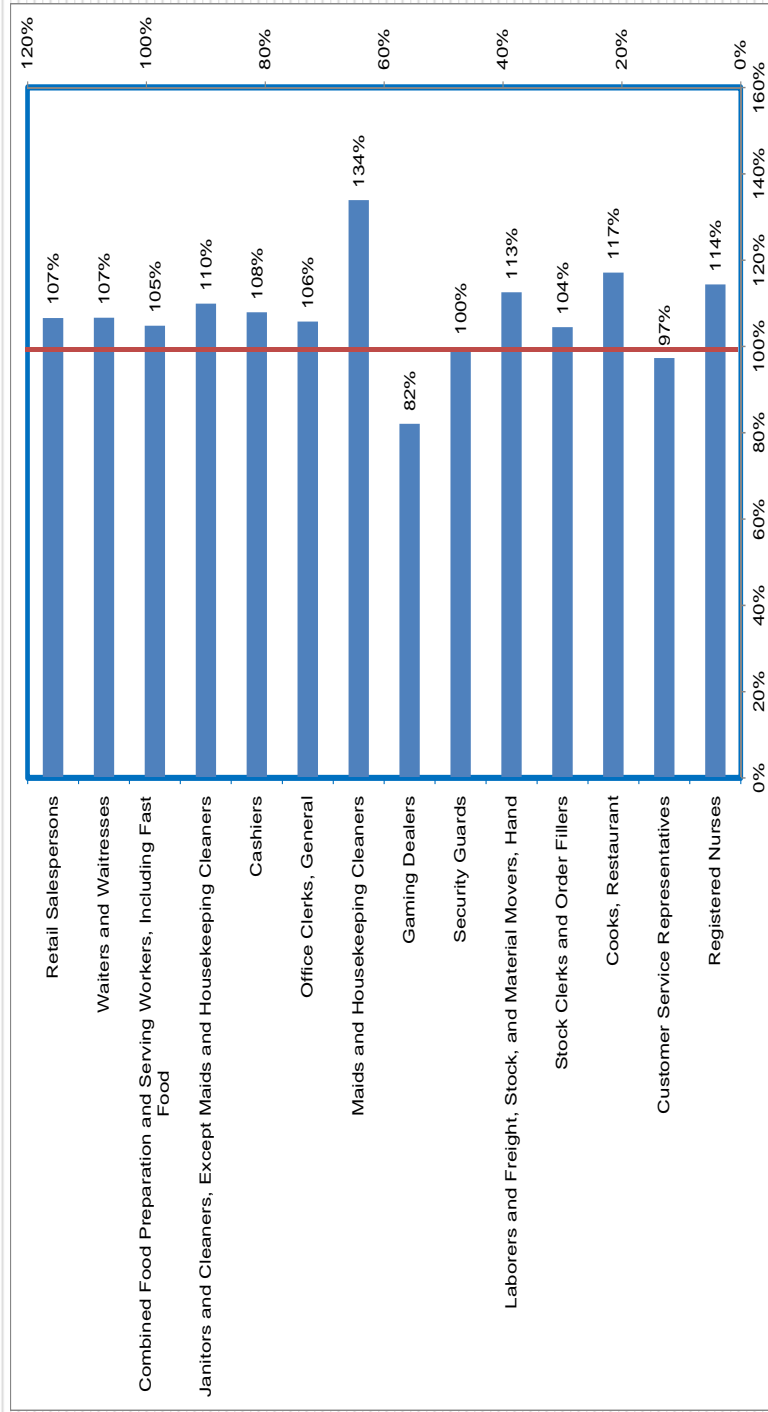
# Nevada Average Weekly Wage Growth (year-over-year)



- ❑ Following two years of outright declines during the recession, the AWW increased in both 2011 and 2012 .
- ❑ Wages in 2013 increased 1.0% from a year ago (\$848/week vs. \$840/ week a year ago).



# Nevada Wages vs. U.S.: 14 Largest Occupations



□ The latest data on Nevada's top 14 occupations (in terms of the number of jobs) shows that Nevada pays a higher wage, on average, when compared to the nation.

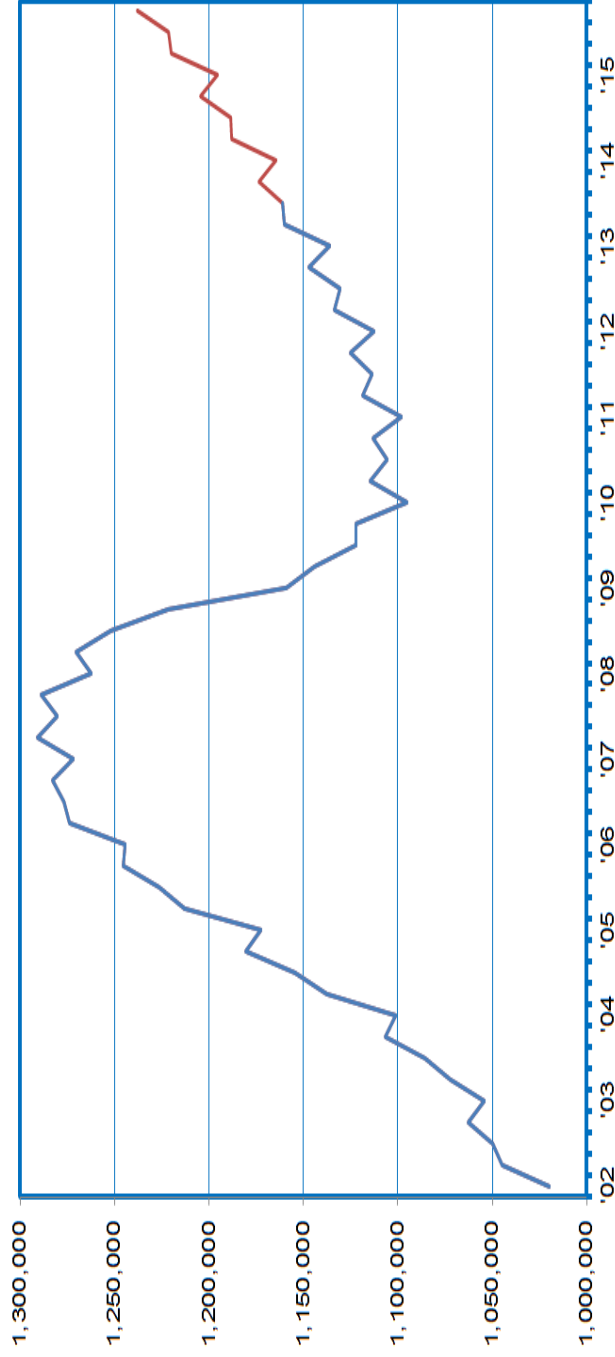


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# Nevada Jobs: History and Forecast

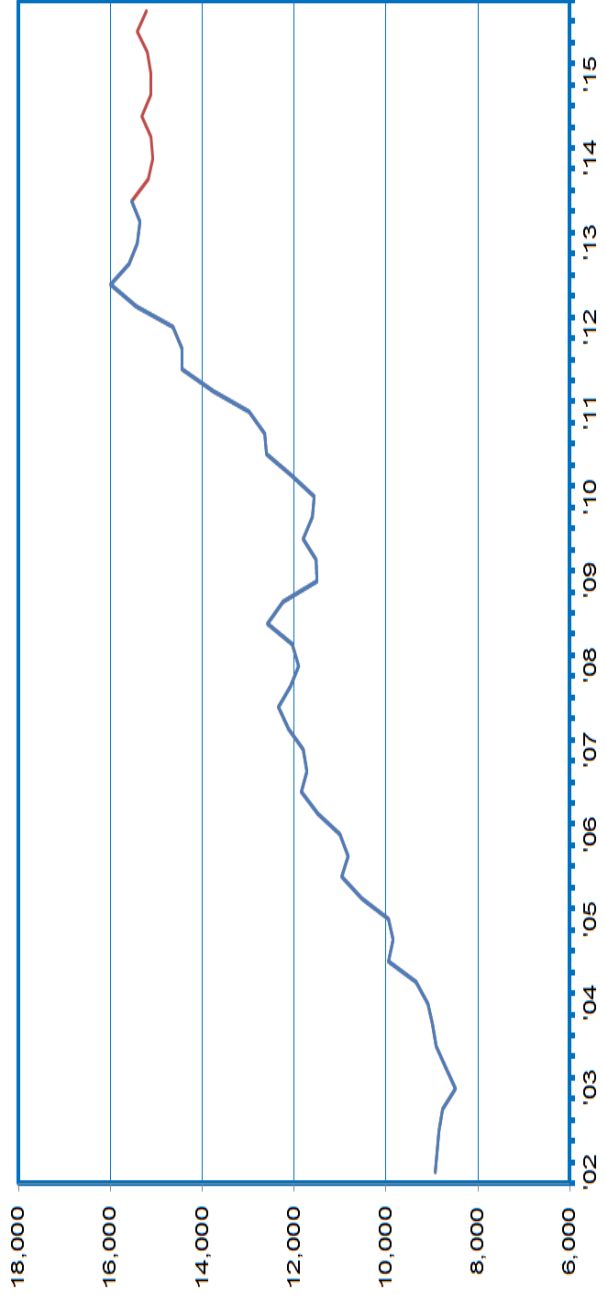


- ❑ Job growth turned positive in 2011, and continued on into 2012 and 2013.
- ❑ Our employment forecast estimates an additional 27,000 jobs in 2013.
- ❑ Growth should strengthen a bit in 2014 and 2015.
- ❑ 29,000 and 32,000, respectively



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# Nevada Mining Jobs: History and Forecast



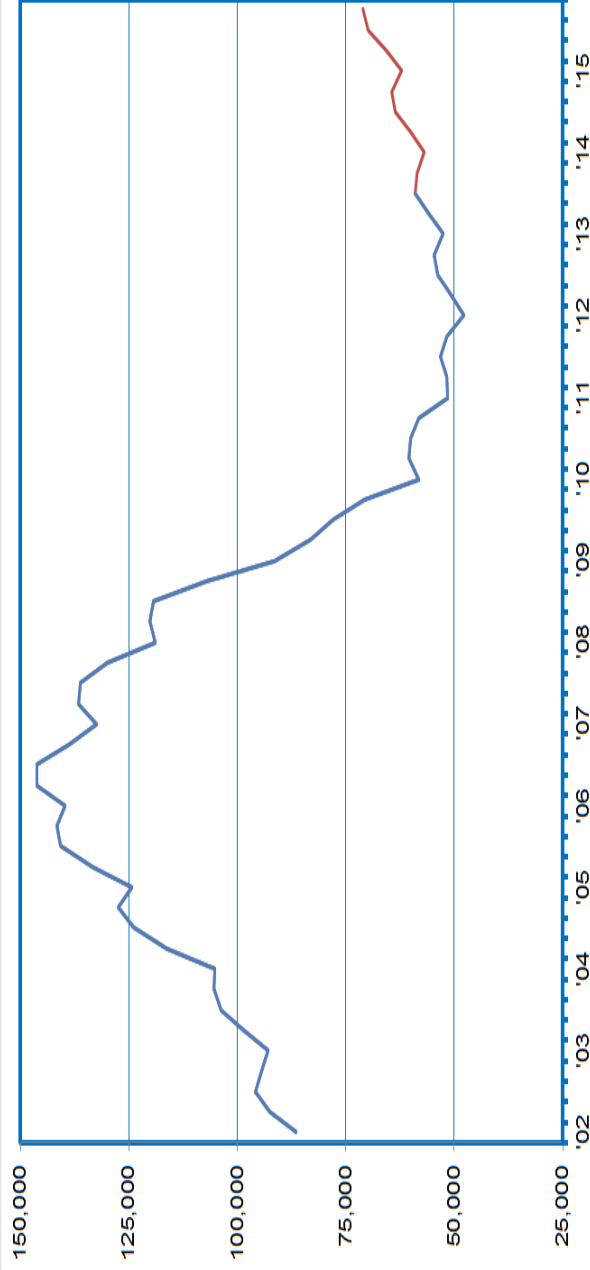
- ❑ Employment growth in the mining industry has turned negative in 2013 on a year ago basis.
- ❑ Our current forecast is estimating the mining industry to remain relatively flat in 2014 and 2015.



The Nevada Department of Employment, Training and Rehabilitation is a proactive workforce & rehabilitation agency



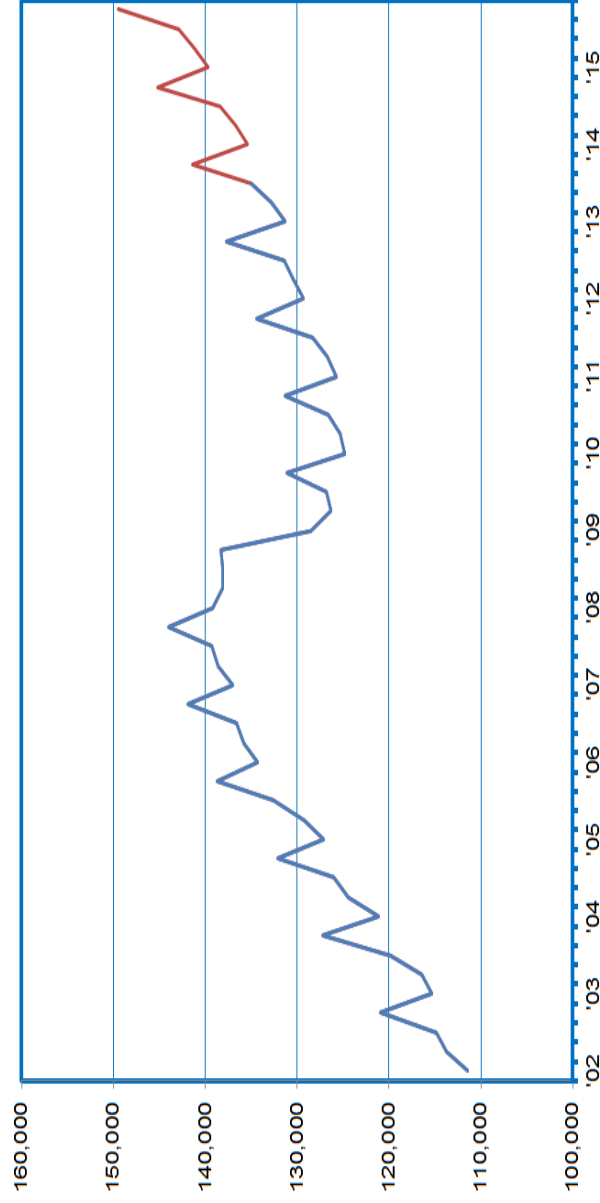
# Nevada Construction Jobs: History and Forecast



- ☐ Nearly 100,000 jobs lost over 2006-2012 period; signs of growth beginning in late-2012.
- ☐ We project to add about 4,800 construction jobs in 2013.
- ☐ Growth should be similar in 2014 and a bit stronger in 2015.
- ☐ 5,000 and 6,000, respectively
- ☐ At the end of 2015, construction jobs would still be 75,100 below the pre-recession peak, almost half the employment the industry once had.



# Nevada Retail Trade Jobs: History and Forecast



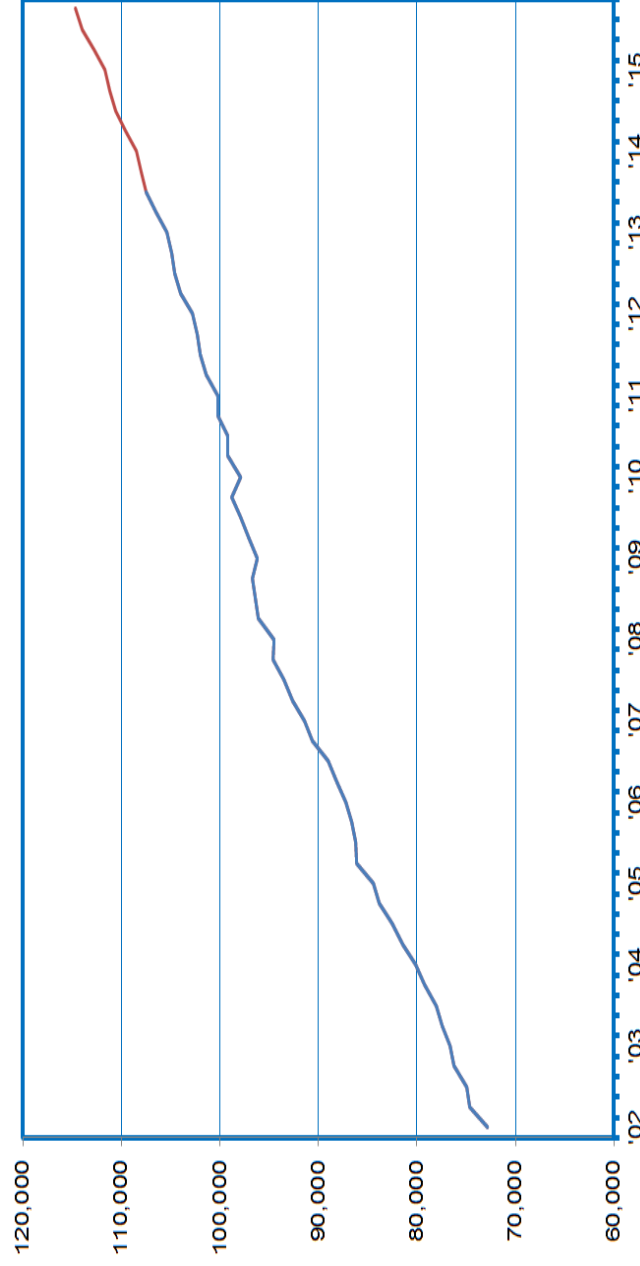
- ☐ Job growth of about 2,000 in 2011 and 3,400 in 2012.
- ☐ We forecast to add 3,000 jobs in 2013 and then 3,800 and 4,400 jobs in 2014 and 2015, respectively.



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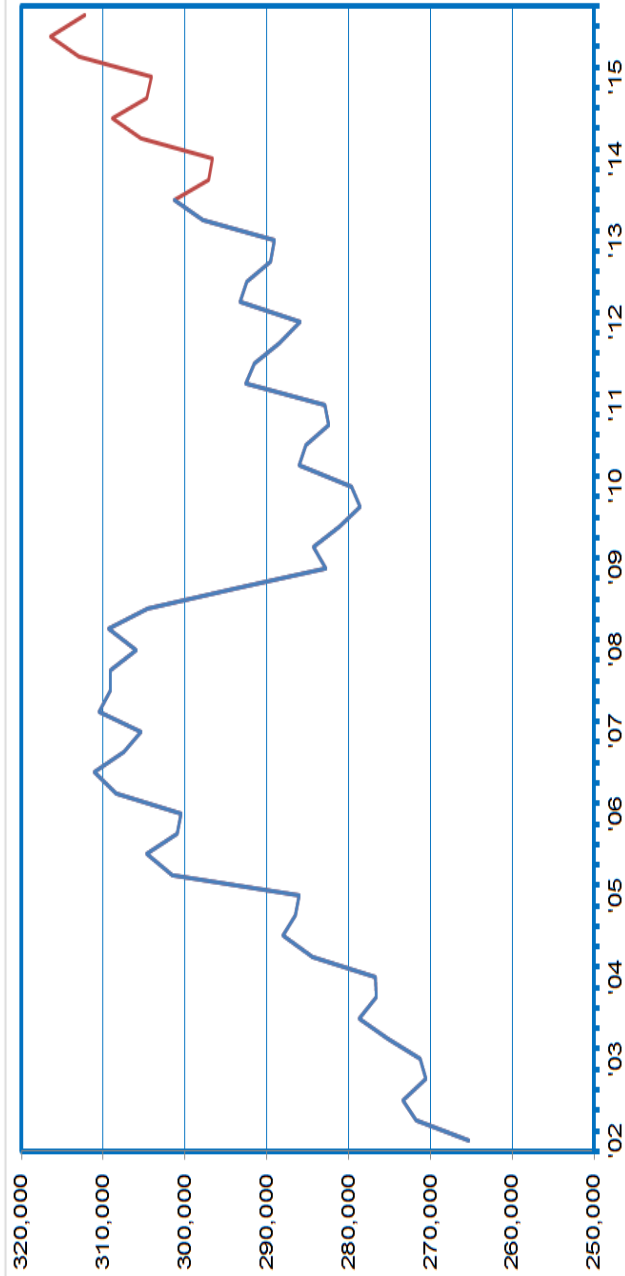
# Nevada Healthcare/Social Assistance Jobs: History and Forecast



- ☐ Job growth has been non-stop, even during the recession.
- ☐ That trend should continue.
- ☐ Growth of about 3,000/year over 2013-2015 period.



# Nevada Accommodation/Food Services Jobs: History and Forecast

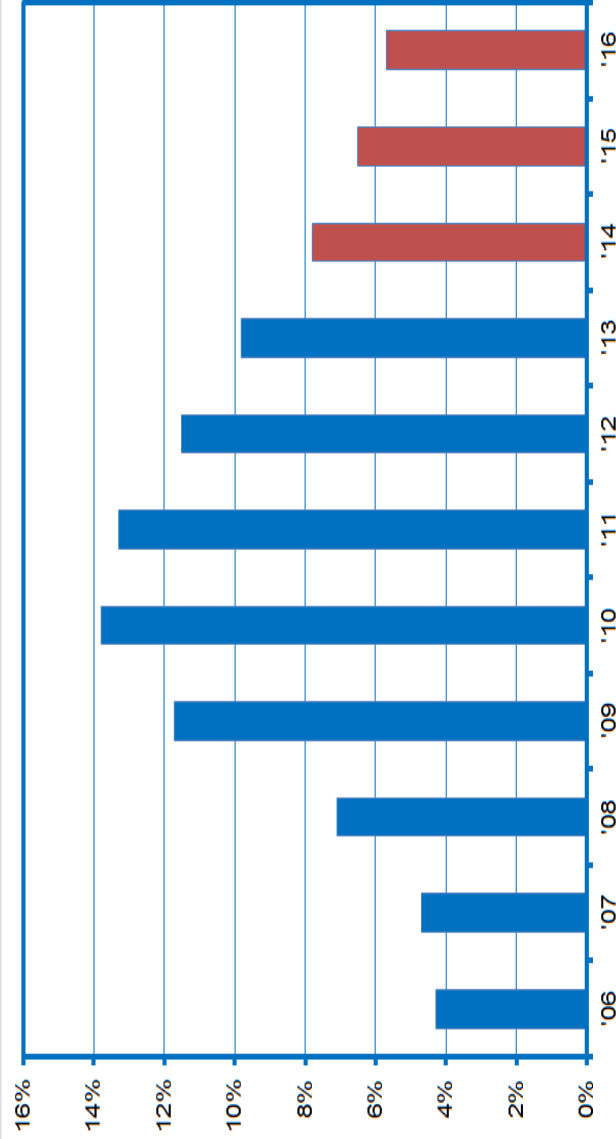


- ☐ About 30,000 jobs lost during the recession.
- ☐ Pretty steady growth beginning in 2010.
- ☐ Forecast estimated 6,000 new jobs in 2013 with similar gains going forward.



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# Nevada's Unemployment Rate Forecast



The jobless rate peaked at 13.8% in 2010, and has declined more than four percentage points since.



We expect a modest downtrend over the next several years.



7.8% in 2014 (8.4% YTD)



6.5% in 2015 and 5.7% in 2016



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# For Additional Information, Please Contact:

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## GENERAL FUND REVENUES - ECONOMIC FORUM MAY 1, 2013 FORECAST

ACTUAL: FY 2010 THROUGH FY 2013 AND FORECAST: FY 2014 AND FY 2015

## ECONOMIC FORUM'S FORECAST APPROVED AT THE MAY 1, 2013, MEETING ADJUSTED FOR ACTIONS APPROVED BY THE 2013 LEGISLATURE (77th SESSION)

DESCRIPTION	ECONOMIC FORUM MAY 1, 2013 FORECAST											
	FY 2010		FY 2011		FY 2012		FY 2013		FY 2014		FY 2015	
	ACTUAL	% Change	ACTUAL	% Change	ACTUAL	% Change	ACTUAL	% Change	FORECAST	% Change	FORECAST	% Change
TAXES												
TOTAL MINING TAXES [3-09][19-10][20-10][1-12][2-12][3-12][1-14][2-14]	\$76,847,872	6.2%	\$129,692,132	68.8%	\$120,425,485	-7.1%	\$111,339,623	-7.5%	\$95,738,000	-14.0%	\$101,072,000	5.6%
TOTAL SALES AND USE TAX [1-04][1A-09][1B-09][1-10][4-12][3-14]	\$784,348,571	-8.7%	\$826,280,591	5.3%	\$875,596,070	6.0%	\$923,198,845	5.4%	\$970,690,600	5.1%	\$1,024,078,100	5.5%
TOTAL GAMING TAXES [2-04][3-04][1-06][1-08][5-12]	\$668,367,995	-3.4%	\$683,716,703	2.3%	\$686,450,412	0.4%	\$710,525,734	3.5%	\$727,181,450	2.3%	\$758,462,350	4.3%
LIVE ENTERTAINMENT TAX [4a-04][4b-04][2-06]	\$119,719,530	-1.5%	\$130,637,622	9.1%	\$136,982,047	4.9%	\$137,416,170	0.3%	\$136,078,000	-1.0%	\$141,142,000	3.7%
TOTAL INSURANCE TAXES [21-10]	\$234,549,230	-1.9%	\$235,792,111	0.5%	\$237,858,943	0.9%	\$249,389,842	4.8%	\$263,239,400	5.6%	\$285,286,400	8.4%
MBT-NONFINANCIAL [10-04][5-06][6-06][2-10][6-12][4-14]	\$363,411,521	43.6%	\$361,355,326	-0.6%	\$348,943,337	-3.4%	\$363,242,006	4.1%	\$359,736,000	-1.0%	\$378,021,000	5.1%
MBT-FINANCIAL [11-04][5-06]	\$21,698,267	-11.1%	\$20,545,331	-5.3%	\$20,717,296	0.8%	\$23,368,075	12.8%	\$23,203,000	-0.7%	\$24,092,000	3.8%
CIGARETTE TAX [6-04][2-09][3-10]	\$88,550,857	-8.7%	\$85,961,100	-2.9%	\$82,974,853	-3.5%	\$83,017,546	0.1%	\$80,428,000	-3.1%	\$79,039,000	-1.7%
REAL PROPERTY TRANSFER TAX [13-04][8-06]	\$53,315,435	-19.1%	\$51,552,368	-3.3%	\$48,373,678	-6.2%	\$54,989,831	13.7%	\$52,227,000	-5.0%	\$55,283,000	1.7%
ROOM TAX [5-09][4-10]	\$97,671,733		\$112,567,350	15.3%								
GOVERNMENTAL SERVICES TAX [5-10][5-14]	\$51,330,663		\$61,537,648	19.9%	\$62,358,153	1.3%	\$63,503,131	1.8%	\$64,224,000	1.1%	\$65,134,000	1.4%
LIQUOR TAX [5-04][2-09][7-10]	\$38,425,078	3.9%	\$39,483,406	2.8%	\$40,649,951	3.0%	\$39,884,376	-1.9%	\$39,814,000	-0.2%	\$40,056,000	0.6%
OTHER TOBACCO TAX [7-04][2-09][8-10]	\$9,574,952	4.8%	\$10,039,228	4.8%	\$8,274,310	-17.6%	\$10,348,437	25.1%	\$9,777,000	-5.5%	\$9,916,000	1.4%
HECC TRANSFER	\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000	
BUSINESS LICENSE FEE [8-04][3-06][4-06][6-10][7-12][6-14]	\$41,940,370	86.3%	\$54,466,138	29.9%	\$64,790,426	19.0%	\$69,010,685	6.5%	\$68,265,000	-1.1%	\$68,891,000	0.9%
BUSINESS LICENSE TAX [9-04]	\$8,381	159.6%	\$13,710	63.6%	\$597	-95.6%	\$2,941	393.0%				
BRANCH BANK EXCISE TAX [12-04][7-06]	\$3,378,900	7.9%	\$3,074,089	-9.0%	\$3,047,528	-0.9%	\$2,996,521	-1.7%	\$3,005,700	0.3%	\$3,006,000	0.0%
TAX AMNESTY [22-10]												
TOTAL TAXES	\$2,658,139,354	6.2%	\$2,811,714,854	5.8%	\$2,742,443,087	-2.5%	\$2,847,233,762	3.8%	\$2,898,607,150	1.8%	\$3,038,478,850	4.8%
LICENSES												
INSURANCE LICENSES	\$15,376,278	4.3%	\$16,542,772	7.6%	\$15,646,219	-5.4%	\$16,625,163	6.3%	\$16,737,000	0.7%	\$17,173,500	2.6%
MARRIAGE LICENSES	\$419,295	-6.1%	\$411,453	-1.9%	\$404,472	-1.7%	\$378,324	-6.5%	\$379,100	0.2%	\$366,100	-3.4%
TOTAL SECRETARY OF STATE [14-04][9-10][23-10]	\$90,962,300	-2.4%	\$100,235,443	10.2%	\$93,679,582	-6.5%	\$91,976,297	-1.8%	\$91,995,000	0.0%	\$92,425,600	0.5%
PRIVATE SCHOOL LICENSES [7-14]	\$207,304	1.1%	\$237,816	14.7%	\$224,140	-5.8%	\$247,504	10.4%	\$283,975	14.7%	\$282,000	-0.7%
PRIVATE EMPLOYMENT AGENCY	\$14,700	-14.5%	\$13,500	-8.2%	\$11,800	-12.6%	\$11,700	-0.8%	\$12,200	4.3%	\$12,000	-1.6%
TOTAL REAL ESTATE [15-04][16-04]	\$2,610,174	-1.2%	\$2,369,931	-9.2%	\$4,009,255	69.2%	\$3,411,539	-14.9%	\$1,430,300	-58.1%	\$1,434,300	0.3%
ATHLETIC COMMISSION FEES [24-10]	\$2,946,092	-14.8%	\$2,927,029	-0.6%	\$5,115,117	74.8%	\$3,867,975	-24.4%	\$4,087,800	5.7%	\$4,087,800	0.0%
TOTAL LICENSES	\$112,536,143	-1.9%	\$122,737,944	9.1%	\$119,090,583	-3.0%	\$116,518,502	-2.2%	\$114,925,375	-1.4%	\$115,781,300	0.7%
FEES AND FINES												
VITAL STATISTICS FEES [17-04][25-10][8-14]	\$791,398	-3.5%	\$1,029,720	30.1%	\$1,024,903	-0.5%	\$1,057,380	3.2%				
DIVORCE FEES	\$187,816	-11.1%	\$190,395	1.4%	\$184,862	-2.9%	\$171,211	-7.4%	\$188,600	10.2%	\$188,600	0.0%
CIVIL ACTION FEES	\$1,438,379	-13.0%	\$1,447,508	0.6%	\$1,389,756	-4.0%	\$1,324,808	-4.7%	\$1,293,000	-2.4%	\$1,292,900	0.0%
INSURANCE FEES	\$816,140	-30.7%	\$565,403	-30.7%	\$1,431,172	153.1%	\$1,208,502	-15.6%	\$1,200,000	-0.7%	\$1,200,000	0.0%
MEDICAL PLAN DISCOUNT REGISTRATION FEES	\$10,500	5.0%	\$10,500		\$9,895	-5.8%	\$2,050	-79.3%	\$7,800	280.5%	\$7,800	0.0%
TOTAL REAL ESTATE FEES	\$687,123	-13.4%	\$634,892	-7.6%	\$718,796	13.2%	\$566,926	-21.1%	\$578,500	2.0%	\$580,500	0.3%
SHORT-TERM CAR LEASE [4-09][10-10][8-12]	\$33,579,292	22.0%	\$38,600,630	15.0%	\$44,499,016	15.3%	\$45,753,454	2.8%	\$45,912,000	0.3%	\$46,976,000	2.3%
ATHLETIC COMMISSION LICENSES/FINES	\$179,125	19.5%	\$135,750	-24.2%	\$231,865	70.8%	\$215,822	-6.9%	\$200,000	-7.3%	\$200,000	0.0%
STATE ENGINEER SALES [11-10][9-14]	\$3,026,422	41.0%	\$2,996,259	-1.0%	\$3,366,568	12.4%	\$2,617,726	-22.2%				
SUPREME COURT FEES	\$202,075	-0.2%	\$206,575	2.2%	\$211,955	2.6%	\$193,275	-8.8%	\$205,300	6.2%	\$213,400	3.9%
NOTICE OF DEFAULT FEES [26-10]	\$2,442,525		\$8,155,391	233.9%	\$2,484,840	-69.5%	\$2,765,325	11.3%	\$2,666,600	-3.6%	\$2,015,100	-24.4%
MISC. FINES/FORFEITURES	\$1,896,987	-69.3%	\$3,315,371	74.8%	\$2,851,838	-14.0%	\$11,162,515	291.4%	\$3,500,000	-68.6%	\$3,500,000	0.0%
TOTAL FEES AND FINES	\$45,257,781	10.7%	\$57,288,396	26.6%	\$58,405,467	1.9%	\$67,038,994	14.8%	\$55,751,800	-16.8%	\$56,174,300	0.8%
USE OF MONEY AND PROPERTY												
OTHER REPAYMENTS [18-04]	\$1,591,661	-65.1%	\$1,097,202	-31.1%	\$363,017	-66.9%	\$453,594	25.0%	\$329,922	-27.3%	\$329,923	0.0%
MARLETTE REPAYMENT	\$10,512		\$9,033	-14.1%			\$633,273	25.4%	\$620,300	-2.0%	\$686,300	10.6%
INTEREST INCOME [9-12]	\$2,386,259	-87.1%	\$1,180,175	-50.5%	\$505,123	-57.2%	\$1,086,867	25.2%	\$950,222	-12.6%	\$1,016,223	5.9%
TOTAL USE OF MONEY AND PROPERTY	\$3,988,432	-87.7%	\$2,286,410	-42.7%	\$868,140	-62.0%	\$1,086,867	25.2%	\$950,222	-12.6%	\$1,016,223	5.9%

**ACTUAL: FY 2010 THROUGH FY 2013 AND FORECAST: FY 2014 AND FY 2015**

**ACTUAL: FY 2010 THROUGH FY 2013 AND FORECAST: FY 2014 AND FY 2015**

ECONOMIC FORUM'S FORECAST APPROVED AT THE MAY 1, 2013, MEETING ADJUSTED FOR ACTIONS APPROVED BY THE 2013 LEGISLATURE (77th SESSION)

	DESCRIPTION	FY 2010	%	FY 2011	%	FY 2012	%	FY 2013	%	ECONOMIC FORUM MAY 1, 2013 FORECAST	
		ACTUAL	Change		ACTUAL		Change		ACTUAL	Change	FORECAST
OTHER REVENUE											
HOOVER DAM REVENUE											
GST COMMISSIONS AND PENALTIES/DMV [10-12][10-14]											
EXPIRED SLOT MACHINE WAGERING VOUCHERS [11-12]											
PROPERTY TAX: 4-CENT OPERATING RATE [13-10]											
PROPERTY TAX: 5-CENT CAPITAL RATE [14-10]											
ROOM TAX: STATE 3/8 OF 1% RATE [15-10]											
INSURANCE VERIFICATION FEES [17-10]											
SUPPL. ACCOUNT FOR MED. ASSIST. TO INDIGENT [18-10][12-12]											
LOBBYIST REGISTRATION FEE [27-10]											
COURT ADMINISTRATIVE ASSESSMENTS [16-10][13-12][11-14]											
COURT ADMINISTRATIVE ASSESSMENT FEE [28-10]											
MISC. SALES AND REFUNDS											
COST RECOVERY PLAN [12-14]											
UNCLAIMED PROPERTY [9-06][5-09][12-10][29-10][30-10][1-11][14-12]											
TOTAL OTHER REVENUE											
TOTAL GENERAL FUND REVENUE											



**GENERAL FUND REVENUES - ECONOMIC FORUM MAY 1, 2013 FORECAST  
ACTUAL: FY 2010 THROUGH FY 2013 AND FORECAST: FY 2014 AND FY 2015**

**ECONOMIC FORUM'S FORECAST APPROVED AT THE MAY 1, 2013, MEETING ADJUSTED FOR ACTIONS APPROVED BY THE 2013 LEGISLATURE (77th SESSION)**

DESCRIPTION	FY 2010 ACTUAL	FY 2010 %	FY 2011 ACTUAL	FY 2011 %	FY 2012 ACTUAL	FY 2012 %	FY 2013 ACTUAL	FY 2013 %	ECONOMIC FORUM MAY 1, 2013 FORECAST		
									FY 2014 FORECAST	FY 2015 FORECAST	% Change
<b>TAXES</b>											
MINING TAX AND MINING CLAIMS FEE											
3064 Net Proceeds of Minerals [3-09][19-10][1-12][2-12][1-14][2-14]	\$76,350,861	5.6%	\$111,534,972	46.1%	\$120,414,858	8.0%	\$111,275,062	-7.6%	\$95,688,000	\$100,972,000	-14.0%
3241 Net Proceeds Penalty	\$301,761		\$1,618	-99.5%						\$50,000	
3245 Centrally Assessed Penalties	\$178,099	258.7%	\$20,461	-88.5%	\$4,327	-78.9%	\$64,561	1392.1%	\$50,000	\$50,000	-22.6%
3116 Mining Claims Fee [20-10][3-12]	\$17,150		\$18,135,082		\$6,300						
TOTAL MINING TAXES AND FEES	<u>\$76,847,872</u>	<u>6.2%</u>	<u>\$129,692,132</u>	<u>68.8%</u>	<u>\$120,425,485</u>	<u>-7.1%</u>	<u>\$111,339,623</u>	<u>-7.5%</u>	<u>\$95,738,000</u>	<u>\$101,072,000</u>	<u>-14.0%</u>
SALES AND USE											
3001 Sales & Use Tax [1-04][1A-09][1-10]	\$755,344,243	-10.3%	\$795,575,210	5.3%	\$842,941,556	6.0%	\$888,658,964	5.4%	\$934,536,000	\$985,935,000	5.2%
3002 State Share - L SST [1-04][1B-09][1-10][4-12][3-14]	\$7,264,043	5.3%	\$7,730,620	6.4%	\$8,309,073	7.5%	\$8,791,462	5.8%	\$9,111,700	\$9,612,900	3.6%
3003 State Share - BCRT [1-04][1B-09][1-10]	\$3,268,705	113.3%	\$3,473,803	6.3%	\$3,682,170	6.0%	\$3,893,046	5.7%	\$4,088,600	\$4,313,500	5.0%
3004 State Share - SCORT [1-04][1B-09][1-10]	\$11,442,957	113.4%	\$12,156,488	6.2%	\$12,884,425	6.0%	\$13,625,039	5.7%	\$14,310,100	\$15,097,100	5.0%
3005 State Share - PTT [1-04][1B-09][1-10]	\$7,028,623	108.9%	\$7,344,471	4.5%	\$7,778,846	5.9%	\$8,230,334	5.8%	\$8,644,200	\$9,119,600	5.0%
TOTAL SALES AND USE	<u>\$784,348,571</u>	<u>-8.7%</u>	<u>\$826,280,591</u>	<u>5.3%</u>	<u>\$875,596,070</u>	<u>6.0%</u>	<u>\$923,198,845</u>	<u>5.4%</u>	<u>\$970,690,600</u>	<u>\$1,024,078,100</u>	<u>5.1%</u>
GAMING - STATE											
3032 Pari-mutuel Tax	\$4,217	5.9%	\$3,652	-13.4%	\$2,113	-42.1%	\$3,069	45.2%	\$3,100	\$3,100	1.0%
3181 Racing Fees	\$13,513	-12.6%	\$11,731	-13.2%	\$11,616	-1.0%	\$8,698	-25.1%	\$11,000	\$11,000	26.5%
3247 Racing Fines/Forfeitures	\$810	-71.0%	\$353	-56.4%			\$350		\$350	\$350	
3041 Percent Fees - Gross Revenue [2-04]	\$630,526,019	-3.8%	\$652,206,230	3.4%	\$653,672,645	0.2%	\$678,852,045	3.9%	\$696,663,000	\$726,777,000	2.6%
3042 Gaming Penalties	\$1,030,064	21.6%	\$1,413,028	37.2%	\$459,560	-67.5%	\$1,456,742	217.0%	\$600,000	\$600,000	-58.8%
3043 Flat Fees-Restricted Slots [3-04][1-06][1-08][5-12]	\$8,578,006	-4.7%	\$8,417,549	-1.9%	\$8,485,702	0.8%	\$8,403,435	-1.0%	\$8,349,900	\$8,374,800	-0.6%
3044 Non-Restricted Slots [1-06][1-08][5-12]	\$12,425,211	-1.9%	\$12,275,845	-1.2%	\$12,628,582	2.9%	\$12,298,703	-2.6%	\$11,757,600	\$11,925,000	-4.4%
3045 Quarterly Fees-Games	\$6,699,150	-3.3%	\$6,673,087	-0.4%	\$6,592,935	-1.2%	\$6,449,658	-2.2%	\$6,442,700	\$6,510,500	1.1%
3046 Advance License Fees	\$8,663,395	26.1%	\$2,229,415	-74.3%	\$3,996,985	79.3%	\$1,340,597	-66.5%	\$1,763,200	\$2,136,500	21.2%
3048 Slot Machine Route Operator	\$37,000		\$36,000	-2.7%	\$36,500	1.4%	\$40,500	11.0%	\$41,500	\$42,500	2.5%
3049 Gaming Info Systems Annual	\$12,000		\$15,124	26.0%	\$18,000	19.0%	\$18,000		\$18,000	\$18,000	
3028 Interactive Gaming Fee - Operator					\$1,000		\$437,500		\$645,800	\$1,250,000	47.6%
3029 Interactive Gaming Fee - Service Provider					\$125,000		\$775,000	520.0%	\$25,000	\$30,000	-7.4%
3030 Interactive Gaming Fee - Manufacturer					\$264,500	-4.9%	\$273,500	3.4%	\$425,000	\$350,000	-45.2%
3033 Equip Mfg. License	\$228,500	4.3%	\$278,000	21.7%	\$38,849	16.3%	\$34,889	-10.2%	\$276,500	\$278,000	0.5%
3034 Race Wire License	\$15,884	-16.4%	\$33,393	110.2%	\$116,425	-5.6%	\$106,046	-8.9%	\$46,500	\$46,500	33.3%
3035 Annual Fees on Games	\$134,225	-2.4%	\$123,296	-8.1%	\$116,425	-5.6%	\$106,046	-8.9%	\$112,300	\$109,100	5.9%
TOTAL GAMING - STATE	<u>\$668,367,995</u>	<u>-3.4%</u>	<u>\$683,716,703</u>	<u>2.3%</u>	<u>\$686,450,412</u>	<u>0.4%</u>	<u>\$710,525,734</u>	<u>3.5%</u>	<u>\$727,181,450</u>	<u>\$758,462,350</u>	<u>2.3%</u>
LIVE ENTERTAINMENT TAX (LET)											
3031G Live Entertainment Tax-Gaming [4b-04]	\$108,244,011	-3.7%	\$118,538,335	9.5%	\$125,337,855	5.7%	\$125,709,500	0.3%	\$124,494,000	\$129,353,000	-1.0%
3031NG Live Entertainment Tax-Nongaming [4b-04][2-06][2-08]	\$11,475,519	25.2%	\$12,099,287	5.4%	\$11,644,191	-3.8%	\$11,706,670	0.5%	\$11,584,000	\$11,789,000	1.8%
TOTAL LET	<u>\$119,719,530</u>	<u>-1.5%</u>	<u>\$130,637,622</u>	<u>9.1%</u>	<u>\$136,982,047</u>	<u>4.9%</u>	<u>\$137,416,170</u>	<u>0.3%</u>	<u>\$136,078,000</u>	<u>\$141,142,000</u>	<u>-1.0%</u>
INSURANCE TAXES											
3061 Insurance Premium Tax [21-10]	\$233,905,463	-1.9%	\$234,830,927	0.4%	\$236,787,376	0.8%	\$248,512,421	5.0%	\$262,247,000	\$284,294,000	5.5%
3062 Insurance Retailatory Tax	\$60,019	-39.1%	\$218,916	264.7%	\$396,380	81.1%	\$242,383	-38.9%	\$335,400	\$335,400	38.4%
3067 Captive Insurer Premium Tax	\$583,747		\$742,267	27.2%	\$675,188	-9.0%	\$635,037	-5.9%	\$657,000	\$657,000	3.5%
TOTAL INSURANCE TAXES	<u>\$234,549,230</u>	<u>-1.9%</u>	<u>\$235,792,111</u>	<u>0.5%</u>	<u>\$237,858,943</u>	<u>0.9%</u>	<u>\$249,389,842</u>	<u>4.8%</u>	<u>\$263,239,400</u>	<u>\$285,286,400</u>	<u>5.6%</u>
MODIFIED BUSINESS TAX (MBT)											
3069 MBT - Nonfinancial [10-04][5-06][6-06][3-08][2-10][6-12][4-14]	\$363,411,521	43.6%	\$361,355,326	-0.6%	\$348,943,337	-3.4%	\$363,242,006	4.1%	\$359,736,000	\$378,021,000	-1.0%
3069 MBT - Financial [11-04][5-06]	\$21,698,267	-11.1%	\$20,545,331	-5.3%	\$20,717,296	0.8%	\$23,368,075	12.8%	\$23,203,000	\$24,092,000	-0.7%
TOTAL MBT	<u>\$385,109,788</u>		<u>\$381,900,657</u>	<u>-0.8%</u>	<u>\$369,660,633</u>	<u>-3.2%</u>	<u>\$386,610,081</u>	<u>4.6%</u>	<u>\$382,939,000</u>	<u>\$402,113,000</u>	<u>-0.9%</u>
CIGARETTE TAX											
3052 Cigarette Tax [6-04][2-09][3-10]	\$88,550,857	-8.7%	\$85,961,100	-2.9%	\$82,974,853	-3.5%	\$83,017,546	0.1%	\$80,428,000	\$79,039,000	-3.1%
REAL PROPERTY TRANSFER TAX (RPTT)											
3055 Real Property Transfer Tax [13-04][8-06]	\$53,315,435	-19.1%	\$51,552,368	-3.3%	\$48,373,678	-6.2%	\$54,989,831	13.7%	\$52,227,000	\$55,283,000	-5.0%
ROOM TAX											
3057 Room Tax [4-10]	\$97,671,733		\$112,567,350	15.3%							
GOVERNMENTAL SERVICES TAX (GST)											
3051 Governmental Services Tax [5-10][5-14]	\$51,330,663		\$61,537,648	19.9%	\$62,358,153	1.3%	\$63,503,131	1.8%	\$64,224,000	\$65,134,000	1.1%

**GENERAL FUND REVENUES - ECONOMIC FORUM MAY 1, 2013 FORECAST  
ACTUAL: FY 2010 THROUGH FY 2013 AND FORECAST: FY 2014 AND FY 2015**

**ECONOMIC FORUM'S FORECAST APPROVED AT THE MAY 1, 2013, MEETING ADJUSTED FOR ACTIONS APPROVED BY THE 2013 LEGISLATURE (77th SESSION)**

DESCRIPTION	FY 2010 ACTUAL	FY 2011 ACTUAL	FY 2012 ACTUAL	FY 2013 ACTUAL	ECONOMIC FORUM MAY 1, 2013 FORECAST	
					FY 2014 FORECAST	FY 2015 FORECAST
	% Change	% Change	% Change	% Change	% Change	% Change
<b>TAXES - CONTINUED</b>						
<b>OTHER TAXES</b>						
3113 Business License Fee [8-04][3-06][4-06][6-10][7-12][6-14]	\$41,940,370	\$54,466,138	\$64,790,426	\$69,010,685	\$68,265,000	\$68,891,000
3050 Liquor Tax [5-04][2-09][7-10]	\$38,425,078	\$39,483,406	\$40,649,951	\$39,884,376	\$39,814,000	\$40,056,000
3053 Other Tobacco Tax [7-04][2-09][8-10]	\$9,574,952	\$10,039,228	\$8,274,310	\$10,348,437	\$9,777,000	\$9,916,000
4862 HECC Transfer	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
3065 Business License Tax [9-04]	\$8,381	\$13,710	\$597	\$2,941	\$3,005,700	\$3,006,000
3068 Branch Bank Excise Tax [12-04][7-06]	\$3,378,900	\$3,074,089	\$3,047,528	\$2,996,521	\$3,005,700	\$3,006,000
<b>TOTAL TAXES</b>	<b>\$2,658,139,354</b>	<b>\$2,811,714,854</b>	<b>\$2,742,443,087</b>	<b>\$2,847,233,762</b>	<b>\$2,898,607,150</b>	<b>\$3,038,478,850</b>
	4.3%	6.2%	5.8%	3.8%	1.8%	4.8%
<b>LICENSES</b>						
3101 Insurance Licenses	\$15,376,278	\$16,542,772	\$15,646,219	\$16,625,163	\$16,737,000	\$17,173,500
3120 Marriage License	\$419,295	\$411,453	\$404,472	\$378,324	\$379,100	\$366,100
<b>SECRETARY OF STATE</b>						
3105 UCC [1-02][14-04][23-10]	\$1,326,105	\$1,837,476	\$1,829,710	\$1,685,928	\$1,668,200	\$1,668,200
3106 Las Vegas Commercial Filings [14-04][9-10][23-10]	\$3,487,231	\$2,720,100	\$579,228	\$571,626	\$590,000	\$600,000
3129 Notary Fees [23-10]	\$573,417	\$767,795	\$66,693,331	\$65,062,391	\$64,480,000	\$64,503,000
3130 Commercial Recordings [14-04][9-10][23-10]	\$65,197,355	\$70,844,590	\$8,425	\$7,075	\$25,215,000	\$25,608,000
3131 Video Service Franchise	\$28,500	\$23,855	\$33,891	\$43,956	\$41,800	\$46,400
3121 Domestic Partnership Registry Fee [23-10]	\$20,349,692	\$24,041,627	\$24,534,996	\$24,605,322	\$25,199,500	\$25,608,000
3152 Securities [14-04][23-10]	\$90,962,300	\$100,235,443	\$93,679,582	\$91,976,297	\$91,995,000	\$92,425,600
<b>TOTAL SECRETARY OF STATE</b>	<b>\$207,304</b>	<b>\$237,816</b>	<b>\$224,140</b>	<b>\$247,504</b>	<b>\$283,975</b>	<b>\$282,000</b>
3172 Private School Licenses [7-14]	\$14,700	\$13,500	\$11,800	\$11,700	\$12,200	\$12,000
3173 Private Employment Agency						
<b>REAL ESTATE</b>						
3161 Real Estate License [15-04]	\$2,605,804	\$2,365,131	\$4,005,955	\$3,408,649	\$1,427,000	\$1,431,000
3162 Real Estate Fees	\$4,370	\$4,800	\$3,300	\$2,890	\$3,300	\$3,300
<b>TOTAL REAL ESTATE</b>	<b>\$2,610,174</b>	<b>\$2,369,931</b>	<b>\$4,009,255</b>	<b>\$3,411,539</b>	<b>\$1,430,300</b>	<b>\$1,434,300</b>
3102 Athletic Commission Fees [24-10]	\$2,946,092	\$2,927,029	\$5,115,117	\$3,867,975	\$4,087,800	\$4,087,800
<b>TOTAL LICENSES</b>	<b>\$112,536,143</b>	<b>\$122,737,944</b>	<b>\$119,090,583</b>	<b>\$116,518,502</b>	<b>\$114,925,375</b>	<b>\$115,781,300</b>
	-1.9%	9.1%	-3.0%	-2.2%	-1.4%	0.7%
<b>FEES AND FINES</b>						
3200 Vital Statistics Fees [17-04][25-10][8-14]	\$791,398	\$1,029,720	\$1,024,903	\$1,057,380	\$188,600	\$188,600
3203 Divorce Fees	\$187,816	\$190,395	\$184,862	\$171,211	\$129,300	\$129,900
3204 Civil Action Fees	\$1,438,379	\$1,447,508	\$1,389,756	\$1,324,808	\$1,200,000	\$1,200,000
3242 Insurance Fines	\$816,140	\$565,403	\$1,431,172	\$1,208,502	\$7,800	\$7,800
3103MD Medical Plan Discount Reg. Fees	\$10,500	\$10,500	\$9,895	\$2,050	\$280,500	\$280,500
<b>REAL ESTATE FEES</b>						
3107IOS IOS Application Fees	\$11,100	\$7,440	\$9,800	\$8,794	\$10,000	\$10,000
3165 Land Co Filing Fees	\$133,270	\$122,325	\$140,650	\$131,320	\$128,000	\$130,000
3167 Real Estate Adver Fees	\$4,115	\$5,715	\$4,115	\$2,745	\$4,500	\$4,500
3169 Real Estate Reg Fees	\$14,920	\$13,050	\$15,725	\$18,000	\$15,000	\$15,000
4741 Real Estate Exam Fees [19-04]	\$234,133	\$215,220	\$218,816	\$171,144	\$200,000	\$200,000
3171 CAM Certification Fee	\$57,645	\$65,672	\$86,040	\$171,144	\$200,000	\$200,000
3178 Real Estate Accred Fees	\$89,650	\$86,050	\$79,050	\$80,108	\$67,000	\$67,000
3254 Real Estate Penalties	\$83,320	\$76,636	\$101,285	\$104,165	\$100,000	\$100,000
3190 A.B. 165, Real Estate Inspectors	\$58,970	\$42,785	\$63,250	\$50,650	\$54,000	\$54,000
<b>TOTAL REAL ESTATE FEES</b>	<b>\$687,123</b>	<b>\$634,892</b>	<b>\$718,736</b>	<b>\$566,926</b>	<b>\$578,500</b>	<b>\$580,500</b>
3066 Short Term Car Lease [4-09][10-10][8-12]	\$33,579,292	\$38,600,630	\$44,499,016	\$45,753,454	\$45,912,000	\$46,976,000
3103AC Athletic Commission Licenses/Fines	\$179,125	\$135,750	\$231,865	\$215,822	\$200,000	\$200,000
3205 State Engineer Sales [11-10][9-14]	\$3,026,422	\$2,996,259	\$3,366,568	\$2,617,726	\$2,600,000	\$2,600,000
3206 Supreme Court Fees	\$202,075	\$206,575	\$211,955	\$193,275	\$205,300	\$213,400
3115 Notice of Default Fee [26-10]	\$2,442,525	\$8,155,391	\$22,484,840	\$2,765,325	\$2,666,600	\$2,015,100
3271 Misc Fines/Forfeitures	\$1,896,987	\$3,315,371	\$2,851,838	\$11,162,515	\$3,500,000	\$3,500,000
<b>TOTAL FEES AND FINES</b>	<b>\$45,257,781</b>	<b>\$57,288,396</b>	<b>\$58,405,467</b>	<b>\$67,038,994</b>	<b>\$55,751,800</b>	<b>\$56,174,300</b>
	10.7%	26.6%	1.9%	14.8%	-16.8%	0.8%

**ACTUAL: FY 2010 THROUGH FY 2013 AND FORECAST: FY 2014 AND FY 2015**

DESCRIPTION	ECONOMIC FORUM MAY 1, 2013 FORECAST												
	FY 2010		FY 2011		FY 2012		FY 2013		FY 2014		FY 2015		
	ACTUAL	% Change	ACTUAL	% Change	ACTUAL	% Change	ACTUAL	% Change	FORECAST	% Change	FORECAST	% Change	
USE OF MONEY AND PROP	OTHER REPAYMENTS												
	4403 Forestry Nurseries Fund Repayment (05-M27)	\$20,670		\$20,670		\$20,670		\$20,670		\$20,670		\$20,670	
	4408 Comp/Fac Repayment	\$23,744		\$23,744		\$23,744		\$23,744		\$23,744		\$23,744	
	4408 CIP 95-M1, Security Alarm	\$2,998		\$2,998		\$2,998		\$2,998		\$2,998		\$2,998	
	4408 CIP 95-M5, Facility Generator	\$6,874		\$6,874		\$6,874		\$6,874		\$6,874		\$6,874	
	4408 CIP 95-S4F, Advance Planning	\$1,000		\$1,000		\$1,000		\$1,000		\$1,000		\$1,000	
	4408 CIP 97-C26, Capitol Complex Conduit System, Phase I	\$62,542		\$62,542		\$62,542		\$62,542		\$62,542		\$62,542	
	4408 CIP 97-S4H, Advance Planning Addition to Computer Facility	\$9,107		\$9,107		\$9,107		\$9,107		\$9,107		\$9,107	
	4408 A.B. 576-Virtual Tape Storage	\$463,444											
	4409 Motor Pool Repay - Reno	\$24,385											
	4409 Motor Pool Repay - LV	\$6,630											
	4402 State Personnel IFS Repayment; S.B. 201, 1997 Legislature	\$970,267		\$970,267		\$970,267		\$970,267		\$970,267		\$970,267	
	4406 Mariette Repayment	\$1,591,661	-65.1%	\$1,097,202	-31.1%	\$363,017	-66.9%	\$326,659	25.0%	\$202,987	-27.3%	\$202,988	0.0%
	INTEREST INCOME	\$10,512		\$9,033	-14.1%					\$329,922		\$329,923	
	3290 Treasurer [9-12]	\$2,373,219	-87.1%	\$1,096,923	-53.8%	\$522,729	-52.3%	\$625,550	19.7%	\$612,000	-2.2%	\$678,000	10.8%
3291 Other	\$13,041	-90.8%	\$83,252	538.4%	(\$17,606)	-121.1%	\$7,723		\$8,300	7.5%	\$8,300		
TOTAL INTEREST INCOME	\$2,386,259	-87.1%	\$1,180,175	-50.5%	\$505,123	-57.2%	\$633,273	25.4%	\$620,300	-2.0%	\$686,300	10.6%	
TOTAL USE OF MONEY & PROP	\$3,988,432	-82.7%	\$2,286,410	-42.7%	\$868,140	-62.0%	\$1,086,867	25.2%	\$950,222	-12.6%	\$1,016,223	6.9%	
OTHER REVENUE	OTHER REVENUE												
	3059 Hoover Dam Revenue	\$300,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000	
	MISC SALES AND REFUNDS												
	4794 GST Commissions and Penalties / DMV [10-12][10-14]												
	3047 Expired Slot Machine Wagering Vouchers [1-1-12]												
	3071 Property Tax: 4-cent operating rate (Clark & Washoe) [13-10]	\$36,448,071		\$29,295,778	-19.6%	\$24,678,398	-40.8%	\$305,387	21.5%	\$262,500	-14.0%	\$262,700	0.1%
	3070 Property Tax: 5-cent capital rate (Clark & Washoe) [14-10]	\$34,690,823		\$23,365,976	-32.6%	\$4,434,259	-13.5%	\$4,118,579	-7.1%	\$2,621,200	-36.4%	\$2,759,200	5.3%
	4792 Room Tax: State 3/8 of 1% Rate [15-10]	\$2,334,563		\$3,265,434	39.9%	\$22		\$2,509,553	-1.1%	\$2,571,000	2.4%	\$2,604,000	1.3%
	4791 Insurance Verification Fees [17-10]	\$7,000,000		\$1,732,513	-75.2%	\$11		\$37,937	-44.7%	\$65,000	71.3%	\$31,000	-52.3%
	4790 Suppl. Account for Med. Assist. to Indigent [18-10][12-12]	\$25,199,365		\$21,889,136	-13.1%	\$19,112,621	-12.7%	\$19,218,718	0.6%	\$2,700	3.6%	\$2,800	3.7%
	4793 Lobbyist Registration Fee [27-10]			\$100,000						\$6,000		\$6,000	
	3107 Misc Fees	\$252,176	38.3%	\$424,845	68.5%	\$251,299	-40.8%	\$305,387	21.5%	\$262,500	-14.0%	\$262,700	0.1%
	3109 Court Admin Assessments [16-10][13-12][11-14]	\$4,580,172		\$5,126,625	11.9%	\$4,434,259	-13.5%	\$4,118,579	-7.1%	\$2,621,200	-36.4%	\$2,759,200	5.3%
	3114 Court Administrative Assessment Fee [28-10]	\$271,461		\$2,381,634	777.3%	\$22		\$2,509,553	-1.1%	\$2,571,000	2.4%	\$2,604,000	1.3%
	3168 Declare of Candidacy Filing Fee	\$63,767	97.6%	\$31,854	-50.0%	\$88,541	115.2%	\$37,937	-44.7%	\$65,000	71.3%	\$31,000	-52.3%
	3202 Fees & Wrts of Garnishments	\$3,130	15.3%	\$2,845	-9.1%	\$2,255	-20.7%	\$2,605	15.5%	\$2,700	3.6%	\$2,800	3.7%
	3220 Nevada Report Sales	\$9,335	-27.1%	\$9,050	-3.								

**GENERAL FUND REVENUES - ECONOMIC FORUM MAY 1, 2013 FORECAST**  
**ACTUAL: FY 2010 THROUGH FY 2013 AND FORECAST: FY 2014 AND FY 2015**  
**ECONOMIC FORUM'S FORECAST APPROVED AT THE MAY 1, 2013, MEETING ADJUSTED FOR ACTIONS APPROVED BY THE 2013 LEGISLATURE (77th SESSION)**

**NOTES:**

**FY 2004 (Actual collections are not displayed in the table for FY 2004, but notes were retained as they reflect the tax changes approved by the Legislature during the 2003 Regular and Special Sessions.**

**FY 2004**

[1-04] A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the sales tax to the state from 1.25% to 0.5%, effective July 1, 2003.  
 [2-04] S.B. 8 (20th S.S.) increased gross gaming tax rates by 0.5%: 3.0% to 3.5% on monthly revenue up to \$50,000; 4.0% to 4.5% on monthly revenue over \$50,000 and up to \$134,000; 6.25% to 6.75% on revenue exceeding \$134,000, effective August 1, 2003.  
 [3-04] S.B. 8 (20th S.S.) increased quarterly restricted slot fees by 33%: from \$61 to \$81 per machine, up to 5 machines; from \$106 to \$141 for each machine over 5, up to 15 machines, effective July 22, 2003.  
 [4a-04] S.B. 8 (20th S.S.) modified types of establishments and entertainment subject to the 10% Casino Entertainment Tax (CET), effective September 1 to December 31, 2003 [Estimated to generate \$4,982,000 additional collections during 4-month period].  
 [4b-04] S.B. 8 (20th S.S.) repealed CET and replaced by Live Entertainment Tax (LET): 5% of admissions price, if entertainment is in facility with 7,500 or more seats; 10% of admissions price & food, beverage, and merchandise purchased, if facility has more than 300 and up to 7,500 seats; exempt from the tax if facility is a non-gaming establishment with less than 300 seats or is gaming establishment with less than 300 seats and less than 51 slot machines, 6 games, or any combination thereof, effective January 1, 2004.

## [5-04]

S.B. 8 (20th S.S.) increased liquor taxes by 75%: beer from 9 cents to 16 cents per gallon; liquor up to 14% alcohol from 40 cents to 70 cents per gallon; liquor over 14% and up to 22% alcohol from 75 cents to \$1.30 per gallon; liquor over 22% alcohol from \$2.05 (15 cents for alcohol abuse program, 50 cents to local government, and \$1.40 to State General Fund) to \$3.60 per gallon (15 cents for alcohol abuse program, 50 cents to local government, and \$2.95 to State General Fund), effective August 1, 2003. [Estimated to generate \$13,873,000 in FY 2004 and \$15,536,000 in FY 2005]. A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the liquor tax to the state from 3% to 0.5%, effective August 1, 2003.

## [6-04]

S.B. 8 (20th S.S.) increased cigarette tax per pack of 20 by 45 cents: from 35 cents per pack (10 cents to Local Government Distribution Fund, 25 cents to State General Fund) to 80 cents per pack (10 cents to Local Government Distribution Fund, 70 cents to State General Fund), effective July 22, 2003. [Estimated to generate \$63,268,000 in FY 2004 and \$70,047,000 in FY 2005]. A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the cigarette tax to the state from 3% to 0.5%, effective August 1, 2003. [Estimated to generate \$2,538,000 in FY 2004 and \$2,884,000 in FY 2005]

## [7-04]

A.B. 4 (20th S.S.) reduced collection allowance provided to taxpayer for collecting and remitting tax on other tobacco items from 2.0% to 0.5%, effective August 1, 2003.  
 S.B. 4 (20th S.S.) changed the \$25 one-time annual Business License Fee to an annual fee of \$100, effective July 22, 2003.

## [8-04]

S.B. 8 (20th S.S.) repealed the current quarterly \$25 per employee tax when the Modified Business Tax comes online, effective October 1, 2003. [See Notes 10 and 11]

## [9-04]

S.B. 8 (20th S.S.) imposes tax on gross payroll of a business less a deduction for health care provided to employees, effective October 1, 2003. Tax rate is 0.70% in FY 2004 and 0.65% in FY 2005.

## [10-04]

S.B. 8 (20th S.S.) imposes tax of 2.0% on gross payroll of a financial institution less a deduction for health care provided to employees, effective October 1, 2003.

## [11-04]

S.B. 8 (20th S.S.) imposes excise tax on each bank of \$7,000 per year (\$1,750 per quarter) on each branch office, effective January 1, 2004.

## [12-04]

S.B. 8 (20th S.S.) imposes tax of 1.30% on the transfers of real property, effective October 1, 2003.

## [13-04]

S.B. 8 (20th S.S.) imposes tax of \$1.30 per \$500 of value on the transfers of real property, effective October 1, 2003.

## [14-04]

S.B.2 and A.B. 4 (20th S.S.) makes changes to the rates and structure of the fees collected from entities filing with the Secretary of State's office, effective September 1, 2003, for Securities and UCC fee increases and November 1, 2003 for changes to commercial recording fees.

## [15-04]

S.B. 428 (2003 Session) increases real estate salesman, broker-salesman, & broker licensing fees by \$20 for an original license and \$10 for renewal of license (original & renewal license fee varies depending on type of license), effective July 1, 2003.

## [16-04]

A.B. 493 (2003 Session) established that revenues from fees collected by the Division of Financial Institutions of the Department of Business & Industry will be deposited in a separate fund to pay the expenses related to the operations of the Commissioner of Financial Institutions and the Division of Financial Institutions, effective January 1, 2004. Previously, the revenues from the fees were deposited in the State General Fund.

## [17-04]

A.B. 550 (2003 Session) increased state's portion of the fee for issuing copy of a birth certificate by \$1, effective October 1, 2003.

## [18-04]

S.B. 504 (2003 Session) transferred the State Printing Division of the Department of Administration to the Legislative Counsel Bureau and all debt to the State General Fund was forgiven, effective July 1, 2003.

## [19-04]

Beginning in FY 2004, the portion of the fees collected by the Real Estate Division for Real Estate Testing Fees that belong to the general fund are transferred from Category 28 in BA 3823 to GL 4741 in the General Fund. Previously, the revenue from these fees were reverted to the General Fund at the end of the fiscal year.

**FY 2006**

## [1-06]

S.B. 357 (2005 Session) allocates \$1 per slot machine per quarter in FY 2006 and \$2 per slot machine per quarter in FY 2007 from the quarterly fee imposed on restricted and nonrestricted slot machines and sunsets effective June 30, 2007. A total of \$822,000 in FY 2006 and \$1,678,000 is projected to be deposited in the Account to Support Programs for the Prevention and Treatment of Problem Gambling. (FY 2006: \$84,666 - Restricted; \$737,334 - Nonrestricted and FY 2007: \$172,834 - Restricted; \$1,505,166 - Nonrestricted)

## [2-06]

A.B. 554 (2005 Session) lowers the occupancy threshold from 300 to 200, effective July 1, 2005. Estimated to generate \$3,600,000 in FY 2006 and FY 2007.

## [3-06]

S.B. 3 (22nd S.S.) provides an exemption for entities that have four or fewer rental dwelling units. Estimated to reduce collections by \$2,975,000 in FY 2006 and \$3,060,000 in FY 2007.

## [4-06]

S.B. 3 (22nd S.S.) allows an entity operating a facility where craft shows, exhibitions, trade shows, conventions, or sporting events to pay the Business License Fee for entities not having a business license as an annual flat fee of \$5,000 or on a \$1.25 times the number entities without a business license times the number days of the show basis. Estimated to generate \$134,420 in FY 2006 and \$158,884 in FY 2007.

## [5-06]

S.B. 391 (2005 Session) replaces the NAICS-based approach for defining a financial institution with a structure based on a state or federal licensing or regulatory requirement for conducting financial activities. Collection agencies and pawn shops are not included as financial institutions, but as nonfinancial businesses. The changes are estimated to reduce MBT-Financial collections by \$1,801,800 in FY 2006 and \$2,047,500 in FY 2007 and increase MBT-Nonfinancial collections by \$584,168 in FY 2006 and \$621,237 in FY 2007. Net effect is a reduction in total MBT collections of \$1,217,632 in FY 2006 and \$1,426,263 in FY 2007.

## [6-06]

S.B. 523 (2005 Session) reduces the MBT-Nonfinancial institutions tax rate from 0.65% to 0.63% from July 1, 2005 to June 30, 2007. Estimated to reduce collections by \$6,978,000 in FY 2006 and \$7,450,000 in FY 2007.

## [7-06]

S.B. 3 (22nd S.S.) provides an exemption for the first branch bank operated by a bank in each county, replacing the previous exemption for one branch bank only. Estimated to reduce collections by \$441,000 in FY 2006 and FY 2007.

## [8-06]

S.B. 390 (2005 Session) increases the collection allowance provided to Clark County and Washoe County from 0.2% to 1.0%, effective July 1, 2005, which makes the collection allowance 1.0% in all 17 counties. Estimated to reduce collections by \$1,056,292 in FY 2006 and \$1,022,504 in FY 2007.

## [9-06]

S.B. 4 (22nd S.S.) allocates \$7,600,000 of the Unclaimed Property revenues collected by the State Treasurer to the Millennium Scholarship Trust Fund in FY 2006 and FY 2007.

**FY 2008**

## [1-08]

Per the June 30, 2007, sunset provision of S.B. 357 (2005 Session), the \$2 per slot machine per quarter allocated from the quarterly license fee imposed on restricted and nonrestricted slot machines to the Account to Support Programs for the Prevention and Treatment of Problem Gambling ceases and the full amount collected from the quarterly slot fees remains in the General Fund.

## [2-08]

Per the A.B. 554 (2005 Session), race events that are part of the National Association of Stock Car Auto Racing (NASCAR) Nextel Cup series and all races associated with such an event are exempt from the LET, effective July 1, 2007.

## [3-08]

Per the sunset provision of S.B. 523 (2005 Session), the MBT-Nonfinancial institutions tax rate increases to 0.65% from 0.63%, effective July 1, 2007.

## [4-08]

S.B. 165 (2005 Session) requires the State General Fund portion of the petroleum inspection fees imposed pursuant to NRS 590.120 to be deposited into a separate account for use by the Department of Agriculture, effective July 1, 2007.



**GENERAL FUND REVENUES - ECONOMIC FORUM MAY 1, 2013 FORECAST  
ACTUAL: FY 2010 THROUGH FY 2013 AND FORECAST: FY 2014 AND FY 2015**

**ECONOMIC FORUM'S FORECAST APPROVED AT THE MAY 1, 2013, MEETING ADJUSTED FOR ACTIONS APPROVED BY THE 2013 LEGISLATURE (77th SESSION)**

<b>FY 2009</b> [1A-09]	S.B. 2 (25th S.S.) reduced the collection allowance provided to taxpayer for collecting and remitting sales and use taxes to the State from 0.5% to 0.25% effective January 1, 2009, and ending on June 30, 2009. During the six months the reduction in the collection allowance is effective in FY 2009, it is estimated that the change will generate \$1,087,145 for the State 2% Sales Tax.
[1B-09]	S.B. 2 (25th S.S.) reduced the collection allowance provided to taxpayer for collecting and remitting sales and use taxes from 0.5% to 0.25% effective January 1, 2009, and ending on June 30, 2009. During the six months the reduction in the collection allowance is effective in FY 2009, it is estimated that the General Fund commission of 0.75% retained by the state for collecting and distributing the LSST, BCCRT, SCCRT, and Local Option taxes (LOPT) will generate the following additional General Fund revenue: LSST - \$8,859; BCCRT - \$1,968; SCCRT - \$6,893; and LOPT - \$4,275.
[2-09]	S.B. 2 (25th S.S.) reduced the collection allowance provided to taxpayer for collecting and remitting cigarette taxes, liquor taxes, and other tobacco taxes to the state from 0.5% to 0.25% effective January 1, 2009 and ending on June 30, 2009. During the six months the reduction in the collection allowance is effective in FY 2009, it is estimated to generate the following additional General Fund revenue: Cigarette Tax - \$125,955; Liquor Tax - \$50,412, and Other Tobacco Tax - \$11,209.
[3-09]	S.B. 2 (25th S.S.) requires the advance payment on the Net Proceeds of Minerals Tax in FY 2009 based upon estimated net proceeds for the current calendar year. The provisions of S.B. 2 also apply to FY 2010 and FY 2011, but the Net Proceeds of Minerals Tax reverts back to the former method (based on previous calendar year) of taxing net proceeds on July 1, 2011. Based on S.B. 2, the Economic Forum's December 1 estimates for Net Proceeds of Minerals Tax for FY 2010 will be collected in FY 2009 and FY 2011 will be collected in FY 2010. Thus, S.B. 2 is estimated to increase FY 2009 Net Proceeds of Minerals Tax collections by \$28,000,000 and decrease FY 2010 collections by \$1,500,000 (\$26,500,000 - \$28,000,000). There is no revenue impact on FY 2011 as the Net Proceeds of Minerals Tax is estimated to remain at \$26,500,000 in FY 2011.
[4-09]	S.B. 2 (25th S.S.) requires that 1% of the 4% recovery surcharge retained by short-term car rental companies as reimbursement for costs of vehicles licensing fees and taxes to be deposited in the State General Fund effective January 1, 2009, and ending June 30, 2009. During the six months that the transfer of 1% of the 4% recovery surcharge to the General Fund is effective in FY 2009, it is estimated that it will generate additional General Fund revenue of \$1,779,910.
[5-09]	A.B. 549 redirects \$7,600,000 to the General Fund of the Unclaimed Property revenues collected by the State Treasurer from the Millennium Scholarship Trust Fund in FY 2009.
<b>FY 2010</b>	
<b>NOTE: Revenue amounts listed in the footnotes for FY 2010 based on legislative actions during the 2009 Session were prepared by the Fiscal Analysis Division using the Economic Forum's forecasts for FY 2010 and FY 2011 produced at its May 1, 2010, meeting. For those revenues for which revised forecasts were produced during January 2010, the effect of the legislative adjustment is included into the revised forecasts for the major General Fund revenue forecasts approved by the Economic Forum at its January 22, 2010, meeting, and the consensus General Fund revenue forecasts for minor revenue sources prepared by the Fiscal Analysis Division and the Budget Division.</b>	
[1-10]	A.B. 552 lowered the collection allowance provided to a taxpayer for collecting and remitting sales and use taxes from 0.5% to 0.25%, effective July 1, 2009. A.B. 552 also increased the General Fund commission retained by the Department of Taxation for collecting and distributing the sales and use taxes generated by the BCCRT, SCCRT, and local option taxes (did not apply to the LSST) from 0.75% to 1.75%, effective July 1, 2009. Collectively, these changes are estimated to generate an additional \$16,031,800 in FY 2010 and \$16,679,000 in FY 2011. [FY 2010 - State 2%: \$2,007,000 (TCA); LSST: \$1,037,700 (TCA); BCCRT: \$1,946,000 (GFC) + \$3,700 (TCA); SCCRT: \$6,806,700 (GFC) + \$12,800 (TCA); LOPT: \$4,210,000 (GFC) + \$7,900 (TCA) and FY 2011 - State 2%: \$2,049,700 (TCA); LSST: \$1,081,400 (TCA); BCCRT: \$2,028,000 (GFC) + \$3,800 (TCA); SCCRT: \$7,093,600 (GFC) + \$13,300 (TCA); LOPT: \$4,400,900 (GFC) + \$8,300 (TCA) where GFC represents amount due to General Fund Commission rate change and TCA represents amount due to Taxpayer Collection Allowance change.]
[2-10]	S.B. 429 changed the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) by creating a two-tiered tax rate in lieu of the single rate of 0.63%, effective July 1, 2009. Under S.B. 429, a nonfinancial business pays a tax rate of 0.5% on all taxable wages (gross wages less allowable health care expenses) up to \$62,500 per quarter, and a rate of 1.17% on taxable wages exceeding \$62,500 per quarter. Estimated to generate an additional \$173,330,000 in FY 2010 and \$172,393,400 in FY 2011. The change to the MBT-General Business sunsets effective June 30, 2011.
[3-10]	A.B. 552 lowered the collection allowance provided to a taxpayer for collecting & remitting cigarette taxes from 0.5% to 0.25%, effective July 1, 2009. This change is estimated to generate an additional \$236,200 in FY 2010 and \$237,300 in FY 2011.
[4-10]	Initiative Petition 1 (IP1) approved by the 2009 Legislature and allowed to become law by the Governor imposes up to an additional 3% room tax in Clark and Washoe counties but not to exceed a total combined rate of 13% in any area of each county, effective July 1, 2009. Under IP1, the revenue from the room tax is deposited in the State General Fund for FY 2010 and FY 2011 and is dedicated to K-12 education beginning in FY 2012.
[5-10]	S.B. 429 increases the depreciation rates for autos and trucks by 10% in the schedules used to determine the value of a vehicle for the purposes of calculating the Governmental Services Tax (GST) due, effective September 1, 2009. The portion of the GST generated from the depreciation schedule change is allocated to the State General Fund, which is estimated to generate \$42,842,800 in FY 2010 and \$51,411,300 in FY 2011. Under S.B. 429, additional revenue generated from the GST is deposited in the General Fund until FY 2013 and then deposited in the State Highway Fund beginning in FY 2014.
[6-10]	S.B. 429 increases the Business License Fee (BLF) by \$100 to \$200 for initial and annual renewals, effective July 1, 2009. Effective October 1, 2009, A.B. 146 transfers the BLF to the Secretary of State from the Department of Taxation as part of the business portal program and requires all entities filing with the Secretary of State under Title 7 to pay the initial and annual renewal \$200 BLF. It is estimated to generate an additional \$38,254,800 in FY 2010 and \$44,802,600 in FY 2011.
[7-10]	Under S.B. 429, the \$100 increase in the BLF sunsets effective June 30, 2011.
[8-10]	A.B. 552 lowered the collection allowance provided to a taxpayer for collecting and remitting liquor taxes from 0.5% to 0.25%, effective July 1, 2009. Estimated to generate an additional \$100,400 in FY 2010 and \$102,800 in FY 2011.
[9-10]	A.B. 552 lowered the collection allowance provided to a taxpayer for collecting and remitting other tobacco taxes from 0.5% to 0.25%, effective July 1, 2009. Estimated to generate an additional \$23,560 in FY 2010 and \$24,270 in FY 2011.
[10-10]	Effective July 1, 2009, S.B. 53 requires fees collected for expedite services provided by the Secretary of State to business entities to be deposited in the State General Fund. Estimated to generate \$2,272,569 in FY 2010 and \$1,818,056 in FY 2011. Effective October 1, 2009, S.B. 234 increases the state rate imposed on the short-term rental of a vehicle from 6.0% to 10.0% with the proceeds equivalent to 9.0% deposited in the General Fund and 1.0% deposited in the Highway Fund (maintains provisions of A.B. 595 from the 2007 Session). S.B. 234 eliminates the 4.0% recovery surcharge and allows short-term car rental companies to impose a surcharge to recover their vehicle licensing and registration costs. Estimated to generate an additional \$9,883,900 in FY 2010 and \$13,565,000 in FY 2011.
[11-10]	A.B. 480 increases various fees collected by the State Engineer for examining and filing applications and issuing and recording permits, effective July 1, 2009. Estimated to generate an additional \$900,000 in FY 2010 and FY 2011.
[12-10]	A.B. 562 redirects \$3,800,000 to the General Fund of the Unclaimed Property revenues collected by the State Treasurer to the Millennium Scholarship Trust Fund in FY 2010 and FY 2011.
[13-10]	A.B. 543 requires Clark County and Washoe County to allocate the equivalent of 4-cents worth of property tax generated from their operating rate to the State General Fund in FY 2010 and FY 2011. Estimated to generate \$36,010,800 in FY 2010 and \$32,446,600 in FY 2011. (Clark County: \$30,380,500 - FY 2010 and \$27,329,100 - FY 2011) (Washoe County: \$5,630,300 - FY 2010 and \$5,117,500 - FY 2011)
[14-10]	A.B. 543 requires Clark County and Washoe County to allocate the equivalent of 3.8 cents in FY 2010 and 3.2 cents in FY 2011 worth of property tax generated from the capital rate imposed pursuant to NRS 354.59815 to the State General Fund in FY 2010 and FY 2011. [Estimated to generate \$34,210,300 in FY 2010 and \$25,957,300 in FY 2011.] (Clark County: \$28,861,500 - FY 2010 and \$21,863,300 - FY 2011) (Washoe County: \$5,348,800 - FY 2010 and \$4,094,000 - FY 2011)
[15-10]	S.B. 431 requires a portion of the revenue generated from the state 3/8 of 1% room tax revenue provided to the Nevada Commission on Tourism to be allocated to the State General Fund in FY 2010 and FY 2011. Estimated to generate \$2,334,563 in FY 2010 and \$3,265,434 in FY 2011.
[16-10]	A.B. 531 requires the portion of the revenue generated from Court Administrative Assessment Fees to be deposited in the State General Fund, effective July 1, 2009. Estimated to generate \$4,763,532 in FY 2010 and \$6,133,023 in FY 2011.
[17-10]	S.B. 431 requires the transfer of the estimated residual amount of revenue generated from Insurance Verification Fees to the State General Fund in FY 2010 and FY 2011. Estimated to generate \$7,000,000 in FY 2010 and \$6,000,000 in FY 2011.
[18-10]	S.B. 431 requires the transfer of \$25,199,365 in FY 2010 and \$22,970,977 in FY 2011 from the Supplemental Account for Medical Assistance to Indigent Persons created in the Fund for Hospital Care to Indigent Persons to the State General Fund.

**GENERAL FUND REVENUES - ECONOMIC FORUM MAY 1, 2013 FORECAST  
ACTUAL: FY 2010 THROUGH FY 2013 AND FORECAST: FY 2014 AND FY 2015  
ECONOMIC FORUM'S FORECAST APPROVED AT THE MAY 1, 2013, MEETING ADJUSTED FOR ACTIONS APPROVED BY THE 2013 LEGISLATURE (77th SESSION)**

**FY 2010 - Continued: Notes 19 to 30 represent legislative actions approved during the 26th Special Session in February 2010.**

[19-10]	Based on information provided to the Fiscal Analysis Division regarding the amount of net proceeds that would be reported to the Department of Taxation on March 1, 2010, pursuant to NRS 362.115 for calendar year 2009 for FY 2010 and information on estimated mining operations for calendar year 2010 and 2011, the Fiscal Analysis Division produced a revised estimate for FY 2010 and FY 2011 for Net Proceeds of Minerals Tax of \$71,700,000 and \$62,100,000, respectively. These revised estimates were \$31,700,000 and \$27,100,000 higher than the consensus forecast prepared by the Budget Division/Fiscal Analysis Division on February 1, 2010, of \$40,000,000 for FY 2010 and \$35,000,000 for FY 2011.
[20-10]	Section 47 of A.B. 6 (26th S.S.) creates a new annual Mining Claims Fee based on a progressive graduated fee per mining claim associated with the total number of mining claims held by an entity in Nevada. This new Mining Claims Fee is estimated to generate \$25,700,000 in FY 2011 only as the fee is scheduled to sunset effective June 30, 2011.
[21-10]	The Division of Insurance of the Department of Business and Industry is required to implement a program to perform desk audits of tax returns submitted by insurance companies when filing for the Insurance Premium Tax. This program is estimated to generate an additional \$10,000,000 in Insurance Premium Tax collections in FY 2011.
[22-10]	Section 64 of A.B. 6 (26th S.S.) requires the Department of Taxation to conduct a tax amnesty program from July 1, 2010, to September 30, 2010, for all taxes that are required to be reported and paid to the Department. It is estimated that the tax amnesty program will generate \$10,000,000 in FY 2011 from all the different applicable taxes, but an estimate of additional revenue expected from each individual revenue source was not prepared.
[23-10]	A.B. 6 (26th S.S.) increased various fees authorized or imposed in NRS associated with activities of the Secretary of State's Office related to securities, commercial recordings, & UCC filing requirements as well as changed the allocation of the portion to the State General Fund for fees associated with notary training and domestic partnerships. The changes were estimated to generate the following amounts in FY 2010 and FY 2011: UCC: \$155,200 - FY 2010 and \$465,600 - FY 2011; Commercial Recordings: \$354,342 - FY 2010 and \$1,063,027 - FY 2011; Notary Fees: \$0 - FY 2010 and \$153,600 - FY 2011; Securities: \$855,314 - FY 2010 and \$4,860,193 - FY 2011; and Domestic Partnerships: \$0 - FY 2010 and \$50,000 - FY 2011.
[24-10]	Section 45 of A.B. 6 (26th S.S.) increases the license fee from 4% to 6% on the gross receipts from admission fees to a live contest or exhibition of unarmed combat, effective July 1, 2010. This fee increase is estimated to generate \$1,250,000 in additional revenue for FY 2011.
[25-10]	A.B. 6 (26th S.S.) requires the current fees specified in NRS 440.700 associated with birth and death certificates to continue to be collected by the State Registrar until the State Registrar establishes new higher fees through regulation. The higher fees imposed through regulation are expected to be effective July 1, 2010, and are estimated to generate an additional \$368,511 in revenue for FY 2011.
[26-10]	Section 37 of A.B. 6 (26th S.S.) imposes a new fee of \$150 per notice of default or election to sell with the proceeds deposited in the State General Fund, effective April 1, 2010. This new notice of default fee is estimated to generate additional General Fund revenue of \$2,760,000 in FY 2010 and \$11,040,000 in FY 2011.
[27-10]	Section 36 of A.B. 6 (26th S.S.) requires the Legislative Commission to transfer the first \$100,000 in revenue collected from lobbyist registration fees imposed pursuant to NRS 218H.500 to the State General Fund. The \$100,000 transfer to the General Fund is for FY 2011 only as the provisions sunset on June 30, 2011.
[28-10]	Section 34 of A.B. 6 (26th S.S.) increases the administrative assessment amount associated with misdemeanor violation fines by \$5 effective upon passage and approval of A.B. 6 (March 12, 2010). The proceeds from the additional \$5 administrative assessment as part of the sentence for a violation of a misdemeanor are deposited in the State General Fund and is estimated to generate an additional \$192,544 in FY 2010 and \$2,310,530 in FY 2011.
[29-10]	Based on information provided by the Treasurer's Office, the Fiscal Analysis Division revised the estimate for unclaimed property collections to be deposited in the State General Fund to \$52,000,000 in FY 2010 and \$58,081,000 in FY 2011. This revised forecast for unclaimed property proceeds yields an additional \$4,018,000 in FY 2010 and \$15,000,000 in FY 2011 above the February 1, 2010, consensus forecast of \$47,919,000 for FY 2010 and \$43,081,000 for FY 2011 prepared by the Budget Division/Fiscal Analysis Division based on information provided by the Treasurer's Office.
[30-10]	Section 1 of A.B. 3 (26th S.S.) redirects the full \$7,600,000 to the General Fund of the Unclaimed Property revenues collected by the State Treasurer to the Millennium Scholarship Trust Fund in FY 2010 and FY 2011. A.B. 562 (75th Session) redirected \$3,800,000 to the General Fund of the Unclaimed Property revenues collected by the State Treasurer to the Millennium Scholarship Trust Fund in FY 2010 and FY 2011. The net effect of the provisions of A.B. 3 is an additional \$3,800,000 in General Fund revenue in FY 2010 and FY 2011 from unclaimed property proceeds.
<b>FY 2011:</b>	<b>Represents legislative actions approved during the 2011 Legislative Session.</b>
[1-11]	The Treasurer's Office provided the Budget Division of the Department of Administration and the Fiscal Analysis Division of the Legislative Counsel Bureau with information on additional unclaimed property for FY 2011, based on more complete information that became available after the Economic Forum May 2, 2011, meeting on actual unclaimed property remitted to the Treasurer's Office. Treasurer's Office estimated an additional \$13,630,561 for FY 2011.
<b>FY 2012:</b>	<b>Represents legislative actions approved during the 2011 Legislative Session.</b>
[1-12]	S.B. 493 clarifies and eliminates certain deductions allowed against gross proceeds to determine net proceeds for the purpose of calculating the Net Proceeds of Minerals (NPM) Tax liability. All of the deduction changes are effective beginning with the NPM tax payments due in FY 2012 based on calendar year 2012 mining activity and are permanent, except for the elimination of the deduction for health and industrial insurance expenses, which are effective for FY 2012 and FY 2013 only. Deduction changes are estimated to generate \$11,919,643 in additional revenue in both FY 2012 and FY 2013.
[2-12]	A.B. 561 extends the June 30, 2011, sunset (approved in S.B. 429 (2009)) to June 30, 2013, on the Net Proceeds of Minerals Tax, which continues the payment of taxes in the current fiscal year based on the estimated net proceeds for the current calendar year with a true-up against actual net proceeds for the calendar year in the next fiscal year. The two-year extension of the sunset is estimated to yield \$69,000,000 in FY 2012 only as tax payments are required in FY 2013 with or without the extension of the sunset.
[3-12]	S.B. 493 repeals the Mining Claims Fee, approved in A.B. 6 (26th Special Session), requiring payment of the fee in FY 2011 only with the June 30, 2011, sunset. S.B. 493 establishes provisions for entities that paid the Mining Claims Fee to apply to the Department of Taxation for a credit against their Modified Business Tax (MBT) liability or for a refund. No estimate of the impact in FY 2012 and FY 2013 from Mining Claims Fee credits was prepared so no adjustment was made to the Economic Forum May 2, 2011 forecast for MBT - Nonfinancial tax collections.
[4-12]	Extension of the sunset on the 0.35% increase in the Local School Support Tax (LSST) in A.B. 561 from June 30, 2011, to June 30, 2013, generates additional revenue from the 0.75% General Fund Commission assessed against LSST proceeds before distribution to school districts in each county. Estimated to generate \$1,062,720 in FY 2012 and \$1,084,301 in FY 2013.
[5-12]	A.B. 500 reduces the portion of the quarterly licensing fees imposed on restricted and non-restricted slot machines from \$2 to \$1 per slot machine that is dedicated to the Account to Support Programs for the Prevention and Treatment of Problem Gambling. The other \$1 is deposited in the State General Fund in FY 2012 and FY 2013, due to the June 30, 2013, sunset in A.B. 500. Estimated to generate \$682,982 in FY 2012 and \$692,929 in FY 2013 from non-restricted slot machines and \$75,970 in FY 2012 and \$77,175 in FY 2013 from restricted slot machines.
[6-12]	A.B. 561 changes the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) for FY 2012 and FY 2013 by exempting taxable wages (gross wages less allowable health care expenses) paid by an employer to employees up to and including \$62,500 per quarter and taxable wages exceeding \$62,500 per quarter are taxed at 1.17%, effective July 1, 2011. These provisions for the MBT-General Business sunset effective June 30, 2013, at which time the tax rate will be 0.63% on all taxable wages per quarter. Estimated to generate an additional \$117,981,497 in FY 2012 and \$119,161,117 in FY 2013.
[7-12]	A.B. 561 extends the sunset from June 30, 2011, (approved in S.B. 429 (2009 Session)) to June 30, 2013, on the \$100 increase in the Business License Fee (BLF) from \$100 to \$200 for the initial and annual renewal. Estimated to generate an additional \$29,949,000 in FY 2012 and \$30,100,000 in FY 2013.
[8-12]	A.B. 561 requires the 1% portion of the 10% Short-term Car Rental Tax, currently dedicated to the State Highway Fund based on A.B. 595 (2007 Session), to be deposited in the State General Fund along with the other 9%. This change is effective July 1, 2011, and is permanent. Estimated to generate \$4,402,222 in FY 2012 and \$4,457,778 in FY 2013.

**GENERAL FUND REVENUES - ECONOMIC FORUM MAY 1, 2013 FORECAST  
ACTUAL: FY 2010 THROUGH FY 2013 AND FORECAST: FY 2014 AND FY 2015**

**ECONOMIC FORUM'S FORECAST APPROVED AT THE MAY 1, 2013, MEETING ADJUSTED FOR ACTIONS APPROVED BY THE 2013 LEGISLATURE (77th SESSION)**

**FY 2012 (continued)**

[9-12]	The Legislature approved funding for the State Treasurer's Office to use a subscription rating service to allow for more effective investment in corporate securities, which is anticipated to generate additional interest income from the Treasurer's Office investment of the State General Fund. [Estimated to generate \$105,313 in FY 2012 and \$244,750 in FY 2013].
[10-12]	S.B. 503 requires the proceeds from the commission retained by the Department of Motor Vehicles from the amount of Governmental Services Tax (GST) collected and any penalties for delinquent payment of the GST to be transferred to the State General Fund in FY 2012 and FY 2013. S.B. 503 specifies that the amount transferred shall not exceed \$20,894,228 from commissions and \$4,672,213 from penalties in both FY 2012 and FY 2013.
[11-12]	A.B. 219 requires 75 percent of the value of expired slot machine wagering vouchers retained by nonrestricted gaming licensees to be remitted to the Gaming Commission for deposit in the State General Fund on a quarterly basis. Based on the expiration period of 180 days for slot machine wagering vouchers and the effective date of July 1, 2011, only one quarterly payment will be made in FY 2012 with four quarterly payments made in FY 2013 and going forward. Estimated to generate \$3,332,750 in FY 2012 and \$13,331,000 in FY 2013.
[12-12]	A.B. 529 requires transfer of \$19,112,621 in FY 2012 and \$19,218,718 in FY 2013 from the Supplemental Account for Medical Assistance to Indigent Persons in the Fund for Hospital Care to Indigent Persons to the State General Fund.
[13-12]	A.B. 531 (2009 Session) requires the deposit of the portion of the revenue generated from Court Administrative Assessment Fees to be deposited in the State General Fund.
[14-12]	S.B. 136 reduces the period from 3 to 2 years after which certain types of unclaimed property is presumed to be abandoned if the holder of the property reported holding more than \$10 million in property presumed to be abandoned for the most recent report filed with the Treasurer's Office. Based on the Treasurer's Office analysis of the entities subject to this change, it was estimated that there would be net gain in unclaimed property receipts in FY 2012 of \$30,594,750, but a net loss in FY 2013 of \$33,669,923.
<b>FY 2014: Represents legislative actions approved during the 2013 Legislative Session.</b>	
[1-14]	S.B. 475 extends the June 30, 2013, sunset (approved in A.B. 561 (2011)) to June 30, 2015, on the Net Proceeds of Minerals Tax, which continues the payment of taxes in the current fiscal year based on the estimated net proceeds for the current calendar year with a true-up against actual net proceeds for the calendar year in the next fiscal year. The two-year extension of the sunset is estimated to yield \$88,295,000 in FY 2014 as tax payments are required in FY 2015 with or without the extension of the sunset. The extension of the sunset is also estimated to generate an additional \$2,936,000 in FY 2015 as the difference between Economic Forum forecast for FY 2015, based on elimination of the sunset, and the estimate based on the extension of the sunset approved in S.B. 475.
[2-14]	S.B. 475 extends the June 30, 2013, sunset (approved in S.B. 493 (2011)) to June 30, 2015, that eliminates health and industrial insurance deductions allowed against gross proceeds to determine net proceeds for the purpose of calculating the Net Proceeds of Minerals (NPM) tax liability. These deduction changes are effective for the NPM tax payments due in FY 2014 and FY 2015. The health and industrial insurance deduction changes are estimated to generate \$7,393,000 in additional revenue in FY 2014 and \$9,741,000 in FY 2015.
[3-14]	Extension of the sunset on the 0.35% increase in the Local School Support Tax (LSST) in S.B. 475 from June 30, 2013, to June 30, 2015, generates additional revenue from the 0.75% General Fund Commission assessed against LSST proceeds before distribution to school districts in each county. Estimated to generate \$1,226,600 in FY 2014 and \$1,294,100 in FY 2015.
[4-14]	S.B. 475 changes the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) for FY 2014 and FY 2015 by exempting taxable wages (gross wages less allowable health care expenses) paid by an employer to employees up to and including \$85,000 per quarter and taxable wages exceeding \$85,000 per quarter are taxed at 1.17%, effective July 1, 2013. The taxable wages exemption threshold was \$62,500 per quarter for FY 2012 and FY 2013, based on A.B. 561 (2011). These provisions in S.B. 475 for the MBT-General Business sunset effective June 30, 2015, at which time the tax rate will be 0.63% on all taxable wages per quarter. Estimated to generate an additional \$113,501,000 in FY 2014 and \$120,572,000 in FY 2015.
[5-14]	A.B. 491 requires the portion of the Governmental Services Tax (GST) generated from the 10% depreciation schedule change, approved in S.B. 429 (2009), to continue to be allocated to the State General Fund for FY 2014 and FY 2015, instead of the State Highway Fund as approved in S.B. 429 (2009). Under A.B. 491, the additional revenue generated from the GST depreciation schedule change is required to be deposited in the State Highway Fund beginning in FY 2016. The GST depreciation schedule change is estimated to generate \$64,224,000 in FY 2014 and \$65,134,000 in FY 2015.
[6-14]	S.B. 475 extends the sunset from June 30, 2013, (approved in A.B. 561 (2011)) to June 30, 2015, on the \$100 increase in the Business License Fee (BLF) from \$100 to \$200 for the initial and annual renewal. Estimated to generate an additional \$31,273,000 in FY 2014 and \$31,587,000 in FY 2015.
[7-14]	S.B. 470 increases certain existing fees and imposes a new fee collected by the Commission on Postsecondary Education from certain private postsecondary educational institutions. The fee changes are estimated to generate an additional \$86,675 in FY 2014 and \$80,700 in FY 2015.
[8-14]	A.B. 449 requires revenue from fees for vital statistics collected by the Health Division of the Department of Health and Human Services to be retained by the division and not deposited in the State General Fund, beginning in FY 2014. Estimated to result in a reduction of General Fund revenue of \$1,027,500 in FY 2014 and \$1,007,300 in FY 2015.
[9-14]	S.B. 468 increases various fees and requires the revenue from the fees collected by the State Water Engineer of the Department of Conservation and Natural Resources (DCNR) to be deposited in the Water Distribution Revolving Account for use by the Division of Water Resources of DCNR and not deposited in the State General Fund, beginning in FY 2014. Estimated to result in a reduction of General Fund revenue of \$2,600,000 in FY 2014 and FY 2015.
[10-14]	A.B. 491 requires the proceeds from the commission retained by the Department of Motor Vehicles from the amount of Governmental Services Tax (GST) collected and any penalties for delinquent payment of the GST to be transferred to the State General Fund in FY 2015 only. A.B. 491 specifies that the amount transferred shall not exceed \$20,813,716 from commissions and \$4,097,964 from penalties in FY 2015.
[11-14]	Estimated portion of the revenue generated from Court Administrative Assessment Fees to be deposited in the State General Fund (pursuant to subsection 9 of NRS 176.059), based on the legislatively approved budget for the Court Administrative Assessment Fee revenues (pursuant to subsection 8 of NRS 176.059).
[12-14]	Adjustment to the Statewide Cost Allocation amount included in the Legislature Approves budget after the May 1, 2013, approval of the General Fund revenue forecast by the Economic Forum.





**ADJUSTMENTS TO THE ECONOMIC FORUM MAY 1, 2013, FORECAST FOR THE 2013-15 BIENNIUM  
BASED ON MEASURES APPROVED BY THE 2013 LEGISLATURE (77th SESSION)**

DESCRIPTION	ESTIMATED REVENUE IMPACT FROM LEGISLATIVE ACTIONS						
	FY 2013	% Change	FY 2014	% Change	FY 2015	% Change	2013-2015 BIENNIUM*
<b>Economic Forum May 1, 2013, Forecast Without Measures Approved by the 2013 Legislature</b>	<b>\$3,086,745,344</b>	<b>0.2%</b>	<b>\$2,818,522,472</b>	<b>-8.7%</b>	<b>\$3,035,822,473</b>	<b>7.7%</b>	<b>\$5,854,344,945</b>
<b>TAXES</b>							
NET PROCEEDS OF MINERALS TAX - PREPAYMENT (S.B. 475)							
S.B. 475 extends the June 30, 2013, sunset (approved in A.B. 561 (2011 Session)) to June 30, 2015, on the Net Proceeds of Minerals (NPM) tax. This extends the payment of taxes in the current fiscal year based on the estimated net proceeds for the current calendar year with a true-up against actual net proceeds for the calendar year in the next fiscal year. The two-year extension of the sunset yields NPM tax in FY 2014 as tax payments are required in FY 2015 with or without the extension of the sunset. Additional revenue is estimated for FY 2015 as the difference between the Economic Forum forecast, based on elimination of the sunset, and the estimate for FY 2015, based on the extension of the sunset. (This item was included in the Governor's Executive Budget.)			\$88,295,000		\$2,936,000		\$91,231,000
NET PROCEEDS OF MINERALS TAX - HEALTH AND INSURANCE DEDUCTION (S.B. 475)							
S.B. 475 extends the June 30, 2013, sunset (approved in S.B. 493 (2011)) to June 30, 2015, that eliminates health and industrial insurance deductions allowed against gross proceeds to determine net proceeds for the purpose of calculating the Net Proceeds of Minerals (NPM) tax liability. (This item was included in the Governor's Executive Budget.)			\$7,393,000		\$9,741,000		\$17,134,000
BUSINESS LICENSE FEES (S.B. 475)							
S.B. 475 extends the sunset from June 30, 2013, (approved in A.B. 561 (2011 Session)) to June 30, 2015, on the \$100 increase in the Business License Fee (BLF) from \$100 to \$200 for the initial and annual renewal.			\$31,273,000		\$31,587,000		\$62,860,000
MODIFIED BUSINESS TAX - NON-FINANCIAL INSTITUTIONS (S.B. 475)							
S.B. 475 changes the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) for FY 2014 and FY 2015 by exempting taxable wages (gross wages less allowable health care expenses) paid by an employer to employees up to and including \$85,000 per quarter and taxable wages exceeding \$85,000 per quarter are taxed at 1.17%, effective July 1, 2013. The taxable wages exemption threshold was \$62,500 per quarter for FY 2012 and FY 2013, based on A.B. 561 (2011). These provisions in S.B. 475 for the MBT-General Business sunset effective June 30, 2015, at which time the tax rate will be 0.63% on all taxable wages per quarter. (This item was included in the Governor's Executive Budget.)			\$113,501,000		\$120,572,000		\$234,073,000
SALES AND USE TAX - GENERAL FUND COMMISSIONS (S.B. 475)							
Extension of the sunset on the 0.35% increase in the Local School Support Tax (LSST) in S.B. 475 from June 30, 2013, to June 30, 2015 generates additional revenue from the 0.75% General Fund Commission assessed against LSST proceeds before distribution to school districts in each county.			\$1,226,600		\$1,294,100		\$2,520,700
GOVERNMENTAL SERVICES TAX - GST (A.B. 491)							
A.B. 491 requires the portion of the Governmental Services Tax (GST) generated from the 10% depreciation schedule change, approved in S.B. 429 (2009), to continue to be allocated to the State General Fund for FY 2014 and FY 2015, instead of the State Highway Fund as approved in S.B. 429 (2009). Under A.B. 491, the additional revenue generated from the GST depreciation schedule change is required to be deposited in the State Highway Fund beginning in FY 2016. (This item was included in the Governor's Executive Budget.)			\$64,224,000		\$65,134,000		\$129,358,000
NET IMPACT - TOTAL TAXES			\$305,912,600		\$231,264,100		\$537,176,700

**ADJUSTMENTS TO THE ECONOMIC FORUM MAY 1, 2013, FORECAST FOR THE 2013-15 BIENNIUM  
BASED ON MEASURES APPROVED BY THE 2013 LEGISLATURE (77th SESSION)**

DESCRIPTION	ESTIMATED REVENUE IMPACT FROM LEGISLATIVE ACTIONS			
	FY 2013 % Change	FY 2014 % Change	FY 2015 % Change	2013-2015 BIENNIUM*
<b>LICENSES</b>				
PRIVATE SCHOOL LICENSE FEES (S.B. 470) S.B. 470 increases certain existing fees and imposes a new fee collected by the Commission on Postsecondary Education from certain private postsecondary educational institutions. (This item was included in the Governor's Executive Budget.)		\$86,675	\$80,700	\$167,375
<b>FEES AND FINES</b>				
NET IMPACT - LICENSES		<u>\$86,675</u>	<u>\$80,700</u>	<u>\$167,375</u>
VITAL STATISTICS FEES (A.B. 449) A.B. 449 requires revenue from fees for vital statistics collected by the Health Division of the Department of Health and Human Services to be retained by the division and not deposited in the State General Fund, beginning in FY 2014. (This item was included in the Governor's Executive Budget.)		(\$1,027,500)	(\$1,007,300)	(\$2,034,800)
STATE ENGINEER FEES (S.B. 468) S.B. 468 increases various fees and requires the revenue from the fees collected by the State Water Engineer of the Department of Conservation and Natural Resources (DCNR) to be deposited in the Water Distribution Revolving Account for use by the Division of Water Resources of DCNR and not deposited in the State General Fund, beginning in FY 2014. (This item was included in the Governor's Executive Budget.)		(\$2,600,000)	(\$2,600,000)	(\$5,200,000)
<b>OTHER REVENUE</b>				
NET IMPACT - FEES AND FINES		<u>(\$3,627,500)</u>	<u>(\$3,607,300)</u>	<u>(\$7,234,800)</u>
GST COMMISSIONS AND PENALTIES COLLECTED BY THE DMV (A.B. 491) A.B. 491 requires the proceeds from the commission retained by the Department of Motor Vehicles from the amount of Governmental Services Tax (GST) collected and any penalties for delinquent payment of the GST to be transferred to the State General Fund in FY 2015 only. A.B. 491 specifies that the amount transferred shall not exceed \$20,813,716 from commissions and \$4,097,964 from penalties in FY 2015. (This item was included in the Governor's Executive Budget.)			\$24,911,680	\$24,911,680
COURT ADMINISTRATIVE ASSESSMENTS Estimated portion of the revenue generated from Court Administrative Assessment Fees to be deposited in the State General Fund (pursuant to subsection 9 of NRS 176.059), based on the legislatively approved budget for the Court Administrative Assessment Fee revenues (pursuant to subsection 8 of NRS 176.059). (This item was included in the Governor's Executive Budget.)		\$2,621,200	\$2,759,200	\$5,380,400
COST RECOVERY PLAN Adjustment to the Statewide Cost Allocation amount included in the Legislature Approves budget after the May 1, 2013, approval of the General Fund revenue forecast by the Economic Forum.		\$2,122,819	\$1,024,915	\$3,147,734
NET IMPACT - OTHER REVENUE		<u>\$4,744,019</u>	<u>\$28,695,795</u>	<u>\$33,439,814</u>
<b>NET IMPACT - TOTAL GENERAL FUND</b>		<u>\$307,115,794</u>	<u>\$256,433,295</u>	<u>\$563,549,089</u>
<b>ECONOMIC FORUM MAY 1, 2013, FORECAST AFTER ADJUSTMENTS BASED ON MEASURES APPROVED BY THE 2013 LEGISLATURE</b>	<u>\$3,086,745,344</u>	<u>\$3,125,638,266</u>	<u>\$3,292,255,768</u>	<u>\$6,417,894,034</u>

\* The amounts shown in the 2013-2015 Biennium column represent the sum of the FY 2014 and FY 2015 amounts and do not include any amounts shown for FY 2013.

**ADJUSTMENTS TO THE ECONOMIC FORUM MAY 1, 2013, FORECAST FOR THE 2013-15 BIENNIUM  
ADJUSTMENTS TO THE DISTRIBUTIVE SCHOOL ACCOUNT (DSA) FOR THE 2013-15 BIENNIUM  
BASED ON MEASURES APPROVED BY THE 2013 LEGISLATURE (77th SESSION)**

DESCRIPTION	ESTIMATED REVENUE IMPACT FROM LEGISLATIVE ACTIONS				2013-2015 BIENNIUM*
	FY 2013 % Change	FY 2014 % Change	FY 2015 % Change		
STATE 3% ROOM TAX- I.P. 1 (S.B. 522) S.B. 522 requires the proceeds generated from the State 3% Room Tax deposited in the State Supplemental School Support Fund, pursuant to I.P. 1 (2009 Session), to be transferred to the Distributive School Account (DSA) for FY 2014 and FY 2015. The transfer of the room tax proceeds to the DSA provides a State General Fund offset in FY 2014 and FY 2015. Beginning in FY 2016, the proceeds from the State 3% Room Tax will remain in the State Supplemental School Support Fund and will be used to provide funding for K-12 education as intended under I.P. 1.		\$131,932,800	\$136,653,300		\$288,586,100
LOCAL SCHOOL SUPPORT TAX (S.B. 475) S.B. 475 extends the sunset on the 0.35% increase in the Local School Support Tax (LSST) rate from 2.25% to 2.60%, approved in A.B. 561 (2011 Session), from June 30, 2013, to June 30, 2015. The proceeds from the LSST provide revenue for K-12 education and provide a State General Fund offset for FY 2014 and FY 2015 through the Nevada Plan funding mechanism.		\$162,317,200	\$171,244,600		\$333,561,800
NET PROCEEDS OF MINERALS TAX (S.B. 475) - PREPAYMENT The extension of the prepayment sunset for the Net Proceeds of Minerals (NPM) tax in S.B. 475, discussed in the General Fund revenue table, yields revenue for those school districts with mining activity in FY 2015. The extension of the prepayment sunset actually requires a NPM tax payment for FY 2014, but the NPM tax revenue budgeted by the school districts each fiscal year is based on NPM tax paid in the prior fiscal year. The amount represents the estimate of the additional NPM revenue that is considered as local funds available under the Nevada Plan funding formula for K-12 education and provides a State General Fund offset.			\$28,175,600		\$28,175,600
NET PROCEEDS OF MINERALS TAX (S.B. 475) - HEALTH & INDUSTRIAL INSURANCE DEDUCTION The changes to health and industrial insurance deductions for the Net Proceeds of Minerals (NPM) Tax in S.B. 475, discussed in the General Fund revenue table, also generate additional NPM revenue for those school districts with mining activity. The amount represents the estimate of the additional NPM revenue that is considered as local funds available under the Nevada Plan funding formula for K-12 education and provides a State General Fund offset.			\$2,852,800		\$2,852,800
<b>NET IMPACT - DSA</b>		<b>\$294,250,000</b>	<b>\$338,926,300</b>		<b>\$633,176,300</b>

**GENERAL FUND AND DISTRIBUTIVE SCHOOL ACCOUNT (DSA)  
ADJUSTMENTS TO THE GENERAL FUND AND DSA FOR THE 2013-15 BIENNIUM  
BASED ON MEASURES APPROVED BY THE 2013 LEGISLATURE (77th SESSION)**

DESCRIPTION	ESTIMATED REVENUE IMPACT FROM LEGISLATIVE ACTIONS				2013-2015 BIENNIUM*
	FY 2013 % Change	FY 2014 % Change	FY 2015 % Change		
GENERAL FUND		\$307,115,794	\$256,433,295		\$563,549,089
DISTRIBUTIVE SCHOOL ACCOUNT (DSA)		\$294,250,000	\$338,926,300		\$633,176,300
<b>NET IMPACT - GENERAL FUND AND DSA</b>		<b>\$601,365,794</b>	<b>\$595,359,595</b>		<b>\$1,196,725,389</b>

\* The amounts shown in the 2013-2015 Biennium column represent the sum of the FY 2014 and FY 2015 amounts and do not include any amounts shown for FY 2013.



FY 2014 General Fund Revenue Status Report – May 2014 Update  
Actual Collections Compared to the Economic Forum May 1, 2013 Forecast  
Fiscal Year-to-Date Collections Available through April 30, 2014

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The Economic Forum directed staff to update and distribute tables on a monthly basis that display the status of actual fiscal year-to-date collections compared to the Economic Forum's May 2013 forecast for the State General Fund revenue sources for FY 2014. The Economic Forum's forecast for FY 2014 has been adjusted to reflect actions approved during the 77<sup>th</sup> Legislative Session (2013) that impacted General Fund revenue sources. These tables provide information for the six major General Fund revenue sources, nine of the selected non-major revenue sources, and an All Other General Fund revenue category. Attached to this report are three tables, which have been updated by the Fiscal Analysis Division, based on General Fund revenue collection information for FY 2014 through April 2014 available in the State Controller's system from May 9, 2014.

**Fiscal Year 2014 Actual Collections Compared to the Economic Forum May 2013 Forecast Adjusted for Legislative Actions Approved during the 2013 Session: Updated based on Revenue Collection Information Available through April 2014 based on information in Controller's System from May 9, 2014**

Based on the information presented in Table 2, actual total General Fund revenue collections fiscal year-to-date for FY 2014 of \$2,051.6 million are **\$2.9 million or 0.1 percent above** the estimated fiscal year-to-date total General Fund revenue forecast of \$2,048.7 million based on the Economic Forum's May 1, 2013, forecast adjusted for legislative actions approved during the 2013 Session. The amount of fiscal year-to-date collections based on this May 2014 update represents approximately 65.6 percent of the total fiscal year revenue for FY 2014. Due to the monthly and quarterly collection cycle of the individual State General Fund revenue sources, the actual fiscal year-to-date collections represent from 8 to 10 months for the monthly revenue sources and the second quarter for the quarterly revenue sources. The third quarter of collections for the quarterly revenue sources will not be reported by the Department of Taxation until the end of May and will be included in the FY 2014 General Fund Revenue Status Report published in June. The following provides the information based on this May 2014 update for the six major General Fund revenue sources:

State 2% Sales Tax: Actual fiscal year-to-date collections of \$602.9 million through 8 months of FY 2014 are **\$6.5 million or 1.1 percent below** the estimated fiscal year-to-date forecast of \$609.4 million.

Gaming Percentage Fees Tax: Actual fiscal year-to-date collections of \$577.3 million through 10 months of FY 2014 are **\$11.7 million or 2.0 percent below** the estimated fiscal year-to-date forecast of \$589.0 million.

Insurance Premium Tax: Actual fiscal year-to-date collections of \$133.9 million through the second quarter of FY 2014 are **\$3.6 million or 2.8 percent above** the estimated fiscal year-to-date forecast of \$130.3 million.

FY 2014 General Fund Revenue Status Report – May 2014 Update  
Actual Collections Compared to the Economic Forum May 1, 2013 Forecast  
Fiscal Year-to-Date Collections Available through April 30, 2014

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Modified Business Tax (Non-Financial and Financial Combined): Actual fiscal year-to-date collections of \$193.0 million through the second quarter of FY 2014 are **\$1.0 million or 0.5 percent above** the estimated fiscal year-to-date forecast of \$192.0 million.

Live Entertainment Tax (Gaming): Actual fiscal year-to-date collections of \$103.5 million through 10 months of FY 2014 are **\$13.1 million or 14.5 percent above** the estimated fiscal year-to-date forecast of \$90.4 million.

Real Property Transfer Tax: Actual fiscal year-to-date collections of \$31.1 million through the second quarter of FY 2014 are **\$5.7 million or 22.3 percent above** the estimated fiscal year to-date forecast of \$25.4 million.

The actual fiscal year-to-date collections for FY 2014 for these six major General Fund revenue sources of \$1,641.8 million are approximately **\$5.2 million or 0.3 percent above** the estimated fiscal year-to-date forecast for these six revenue sources of \$1,636.6 million.

Actual fiscal year-to-date collections for FY 2014 for the nine selected non-major General Fund revenues, as shown in Table 2, of \$305.1 million are **\$9.5 million or 3.2 percent above** the estimated fiscal year-to-date forecast for these nine revenue sources of \$295.6 million.

Actual fiscal year-to-date collections for FY 2014 for All Other General Fund revenue sources, as shown in Table 2, of \$104.7 million are **\$11.8 million or 10.1 percent below** the estimated fiscal year-to-date forecast of \$116.5 million.



TABLE 1

State General Fund Revenues: FY 2013 Actual and FY 2014 Forecast  
 FY 2014 Forecast is the Economic Forum (EF) May 1, 2013, Forecast Adjusted Based on Measures Approved by the 2013 Legislature (77th Session)

Revenue Source	FY 2013 Actual			FY 2014 Forecast			Percent of Total General Fund	
	Fiscal Year Actual	FY Actual % Change	EF May 2013 FY Forecast % Change	Fiscal Year Forecast	EF May 2013 FY Forecast % Change	FY Forecast % Change Based on FY 2013 Actual	FY 2013 Actual Percent of Total General Fund	FY 2014 Forecast Percent of Total General Fund
<b>Major General Fund Revenues</b>								
Sales and Use Tax	\$888,658,964	5.4%	5.1%	\$934,536,000	5.5%	5.2%	28.4%	29.9%
Percentage Fees Tax	\$678,852,045	3.9%	2.9%	\$696,663,000	3.6%	2.6%	21.7%	22.3%
Insurance Premium Tax	\$248,512,421	5.0%	4.0%	\$262,247,000	6.5%	5.5%	7.9%	8.4%
Total Modified Business Tax (MBT)	\$386,610,081	4.6%	4.3%	\$382,939,000	-0.7%	-0.9%	12.3%	12.3%
MBT-Nonfinancial [1.]	\$363,242,006	4.1%	4.1%	\$359,736,000	-1.0%	-1.0%	11.6%	11.5%
MBT-Financial	\$23,368,075	12.8%	7.5%	\$23,203,000	4.2%	-0.7%	0.7%	0.7%
Live Entertainment Tax (Gaming)	\$125,709,500	0.3%	-3.0%	\$124,494,000	2.4%	-1.0%	4.0%	4.0%
Real Property Transfer Tax	\$54,989,831	13.7%	6.9%	\$52,227,000	1.0%	-5.0%	1.8%	1.7%
<b>Total: Major General Fund Revenues</b>	<b>\$2,383,332,842</b>	<b>4.7%</b>	<b>3.8%</b>	<b>\$2,453,106,000</b>	<b>3.8%</b>	<b>2.9%</b>	<b>76.1%</b>	<b>78.5%</b>
<b>Select Non-Major General Fund Revenues</b>								
Live Entertainment Tax (Non-Gaming)	\$11,706,670	0.5%	-2.2%	\$11,584,000	1.7%	-1.0%	0.4%	0.4%
Cigarette Tax	\$83,017,546	0.1%	-1.3%	\$80,428,000	-1.8%	-3.1%	2.7%	2.6%
Governmental Services Tax [2.]	\$63,503,131	1.8%	1.7%	\$64,224,000	1.2%	1.1%	2.0%	2.1%
Business License Fee [3.]	\$69,010,685	6.5%	5.5%	\$68,265,000	-0.1%	-1.1%	2.2%	2.2%
Liquor Tax	\$39,884,376	-1.9%	-2.3%	\$39,814,000	0.3%	-0.2%	1.3%	1.3%
Other Tobacco Tax	\$10,348,437	25.1%	16.1%	\$9,777,000	1.7%	-5.5%	0.3%	0.3%
SOS Commercial Filings	\$65,062,391	-2.4%	-2.9%	\$64,480,000	-0.4%	-0.9%	2.1%	2.1%
SOS Securities	\$24,605,322	0.3%	1.4%	\$25,215,000	1.4%	2.5%	0.8%	0.8%
Short-Term Car Rental Tax	\$45,753,454	2.8%	1.6%	\$45,912,000	1.5%	0.3%	1.5%	1.5%
<b>Total: Select Non-Major General Fund Revenues</b>	<b>\$412,892,012</b>	<b>1.6%</b>	<b>0.7%</b>	<b>\$409,699,000</b>	<b>0.1%</b>	<b>-0.8%</b>	<b>13.2%</b>	<b>13.1%</b>
<b>Total: All Other General Fund Revenues [4.]</b>	<b>\$336,376,907</b>	<b>-15.6%</b>	<b>-21.1%</b>	<b>\$262,833,266</b>	<b>-16.4%</b>	<b>-21.9%</b>	<b>10.7%</b>	<b>8.4%</b>
<b>Total General Fund Revenues</b>	<b>\$3,132,601,761</b>	<b>1.6%</b>	<b>0.2%</b>	<b>\$3,125,638,266</b>	<b>1.3%</b>	<b>-0.2%</b>	<b>100.0%</b>	<b>100.0%</b>

TABLE 2

**State General Fund Revenues: FY 2014 - Actual Compared to Forecast [a.][b.]**  
**FY 2014 Forecast Year-to-Date Based on the Economic Forum FY 2014 Forecast Percent Change Based on FY 2013 Actual from Table 1**

Revenue Source (Number of Periods Reported Fiscal YTD)	FY 2013 Actual Year-to-Date			FY 2014 Actual Year-to-Date			FY 2014 Forecast Year-to-Date				
	Fiscal YTD Actual	Fiscal YTD Actual % Change	Fiscal YTD as a % of Fiscal Year Actual Total*	Fiscal YTD Actual	Fiscal YTD Actual % Change	Fiscal YTD as a % of Fiscal Year Forecast Total*	Fiscal YTD Forecast	Fiscal YTD Forecast % Change	Fiscal YTD Forecast Total*	Dollar Difference: Actual less Forecast	Percent Difference Relative to Forecast
Major General Fund Revenues											
Sales and Use Tax (8 Months)	\$579,497,505	5.2%	65.2%	\$602,929,620	4.0%	64.5%	\$609,414,075	5.2%	65.2%	-\$6,484,455	-1.1%
Percentage Fees Tax (10 Months)	\$573,928,183	3.8%	84.5%	\$577,291,966	0.6%	82.9%	\$588,986,264	2.6%	84.5%	-\$11,694,298	-2.0%
Insurance Premium Tax (2 Quarters)	\$123,518,842	2.1%	49.7%	\$133,955,718	8.4%	51.1%	\$130,345,379	5.5%	49.7%	\$3,610,339	2.8%
Total Modified Business Tax (MBT) (2 Quarters)	\$193,877,003	6.1%	50.1%	\$193,004,069	-0.5%	50.4%	\$192,036,032	-0.9%	50.1%	\$968,038	0.5%
MBT-Nonfinancial (2 Quarters) [1.]	\$182,575,071	5.4%	50.3%	\$182,197,443	-0.2%	50.6%	\$180,812,860	-1.0%	50.3%	\$1,384,584	0.8%
MBT-Financial (2 Quarters)	\$11,301,932	19.1%	48.4%	\$10,806,626	-4.4%	46.6%	\$11,222,094	-0.7%	48.4%	-\$415,468	-3.7%
Live Entertainment Tax (Gaming) (10 Months)	\$91,245,980	-3.6%	72.6%	\$103,468,499	13.4%	83.1%	\$90,363,712	-1.0%	72.6%	\$13,104,787	14.5%
Real Property Transfer Tax (2 Quarters)	\$26,787,069	3.4%	48.7%	\$31,122,722	16.2%	59.6%	\$25,441,218	-5.0%	48.7%	\$5,681,504	22.3%
Total: Major General Fund Revenues	\$1,588,854,582	4.0%	66.7%	\$1,641,772,594	3.3%	66.9%	\$1,636,585,600	3.0%	66.7%	\$5,186,994	0.3%
Select Non-Major General Fund Revenues											
Live Entertainment Tax (Non-Gaming) (8 Months)	\$7,487,653	-2.1%	64.0%	\$8,739,676	16.7%	75.4%	\$7,409,193	-1.0%	64.0%	\$1,330,483	18.0%
Cigarette Tax (8 Months)	\$55,054,568	0.9%	66.3%	\$52,165,366	-5.2%	64.9%	\$53,337,264	-3.1%	66.3%	-\$1,171,898	-2.2%
Governmental Services Tax (10 Months) [2.]	\$47,450,611	1.7%	74.7%	\$46,560,153	-1.9%	72.5%	\$47,989,256	1.1%	74.7%	-\$1,429,103	-3.0%
Business License Fee (10 Months) [3.]	\$55,474,396	5.4%	80.4%	\$59,840,301	7.9%	87.7%	\$54,874,976	-1.1%	80.4%	\$4,965,325	9.0%
Liquor Tax (8 Months)	\$25,578,062	-2.6%	64.1%	\$26,654,715	4.2%	66.9%	\$25,532,929	-0.2%	64.1%	\$1,121,786	4.4%
Other Tobacco Tax (8 Months)	\$6,667,804	3.0%	64.4%	\$7,519,799	12.8%	76.9%	\$6,299,610	-5.5%	64.4%	\$1,220,189	19.4%
SOS Commercial Filings (10 Months)	\$52,924,230	-4.5%	81.3%	\$55,524,674	4.9%	86.1%	\$52,450,491	-0.9%	81.3%	\$3,074,183	5.9%
SOS Securities (10 Months)	\$23,284,571	0.1%	94.6%	\$24,543,039	5.4%	97.3%	\$23,861,523	2.5%	94.6%	\$681,516	2.9%
Short-Term Car Rental Tax (2 Quarters)	\$23,758,550	2.6%	51.9%	\$23,572,384	-0.8%	51.3%	\$23,840,879	0.3%	51.9%	-\$268,495	-1.1%
Total: Select Non-Major General Fund Revenues	\$297,680,445	0.6%	72.1%	\$305,120,107	2.5%	74.5%	\$295,596,122	-0.7%	72.1%	\$9,523,985	3.2%
Total: All Other General Fund Revenues [4.]	\$146,500,923	11.8%	43.6%	\$104,762,697	-28.5%	39.9%	\$116,544,915	-20.4%	44.3%	-\$11,782,218	-10.1%
Total General Fund Revenues	\$2,033,035,951	4.0%	64.9%	\$2,051,655,398	0.9%	65.6%	\$2,048,726,637	0.8%	65.5%	\$2,928,761	0.1%

\* Fiscal YTD as a % of Fiscal Year (Actual or Forecast) Total: Represents the fiscal year-to-date percentage for each revenue source compared to the fiscal year total for that revenue source.

[a.] The fiscal year-to-date amounts for the Major General Fund Revenues and Select Non-Major General Fund Revenues except for the Governmental Services Tax are based on the number of reporting periods identified in Table 5 as reported by the Department of Taxation, Gaming Control Board or Secretary of State, as applicable. The fiscal year-to-date amounts for the Governmental Services Tax and All Other General Fund Revenues represent figures obtained from the State Controller through April 30, 2013, and April 30, 2014.

[b.] Due to the monthly and quarterly collection cycle of the individual State General Fund revenue sources, the actual fiscal year-to-date collections shown in Table 5 represent from 7 to 9 months for the monthly revenue sources and the second quarter for the quarterly revenue sources. The third quarter of collections for the quarterly revenue sources will not be reported by the Department of Taxation until the end of May and will be included in the General Fund Revenue Status Report published in June 2014.



TABLE 3

**State General Fund Revenues: FY 2014 Remainder of Fiscal Year - Actual Compared to Forecast  
FY 2014 Remainder of Fiscal Year Equals Fiscal Year Forecast less Fiscal YTD Actual**

Revenue Source (Number of Periods Remaining in Fiscal Year)	FY 2013 Actual Remainder of Fiscal Year			FY 2014 Forecast Remainder of Fiscal Year		
	Remainder of Fiscal Year Actual	Remainder of Fiscal Year Actual % Change	Remainder of Fiscal Year as a % of Fiscal Year Actual Total*	Remainder of Fiscal Year Forecast	Remainder of Fiscal Year Forecast % Change	Remainder of Fiscal Year as a % of Fiscal Year Forecast Total*
<b>Major General Fund Revenues</b>						
Sales and Use Tax (4 Months)	\$309,161,459	5.8%	34.8%	\$331,606,380	7.3%	35.5%
Percentage Fees Tax (2 Months)	\$104,923,862	4.2%	15.5%	\$119,371,034	13.8%	17.1%
Insurance Premium Tax (2 Quarters)	\$124,993,579	7.9%	50.3%	\$128,291,282	2.6%	48.9%
Total Modified Business Tax (MBT) (2 Quarters)	\$192,733,078	3.1%	49.9%	\$189,934,931	-1.5%	49.6%
MBT-Nonfinancial (2 Quarters) [1.]	\$180,666,935	2.8%	49.7%	\$177,538,557	-1.7%	49.4%
MBT-Financial (2 Quarters)	\$12,066,143	7.5%	51.6%	\$12,396,374	2.7%	53.4%
Live Entertainment Tax (Gaming) (2 Months)	\$34,463,520	12.2%	27.4%	\$21,025,501	-39.0%	16.9%
Real Property Transfer Tax (2 Quarters)	\$28,202,762	25.6%	51.3%	\$21,104,278	-25.2%	40.4%
<b>Total: Major General Fund Revenues</b>	<b>\$794,478,260</b>	<b>6.1%</b>	<b>33.3%</b>	<b>\$811,333,406</b>	<b>2.1%</b>	<b>33.1%</b>
<b>Select Non-Major General Fund Revenues</b>						
Live Entertainment Tax (Non-Gaming) (4 Months)	\$4,219,017	5.5%	36.0%	\$2,844,324	-32.6%	24.6%
Cigarette Tax (4 Months)	\$27,962,978	-1.6%	33.7%	\$28,262,634	1.1%	35.1%
Governmental Services Tax (2 Months) [2.]	\$16,052,520	2.1%	25.3%	\$17,663,847	10.0%	27.5%
Business License Fee (2 Months) [3.]	\$13,536,289	11.5%	19.6%	\$8,424,699	-37.8%	12.3%
Liquor Tax (4 Months)	\$14,306,314	-0.7%	35.9%	\$13,159,285	-8.0%	33.1%
Other Tobacco Tax (4 Months)	\$3,680,633	104.6%	35.6%	\$2,257,201	-38.7%	23.1%
SOS Commercial Filings (2 Months)	\$12,138,161	7.4%	18.7%	\$8,955,326	-26.2%	13.9%
SOS Securities (2 Months)	\$1,320,751	2.8%	5.4%	\$671,961	-49.1%	2.7%
Short-Term Car Rental Tax (2 Quarters)	\$21,994,904	3.1%	48.1%	\$22,339,616	1.6%	48.7%
<b>Total: Select Non-Major General Fund Revenues</b>	<b>\$115,211,567</b>	<b>4.4%</b>	<b>27.9%</b>	<b>\$104,578,893</b>	<b>-9.2%</b>	<b>25.5%</b>
<b>Total: All Other General Fund Revenues [4.]</b>	<b>\$189,875,984</b>	<b>-29.0%</b>	<b>56.4%</b>	<b>\$158,070,569</b>	<b>-16.8%</b>	<b>60.1%</b>
<b>Total General Fund Revenues</b>	<b>\$1,099,565,810</b>	<b>-2.4%</b>	<b>35.1%</b>	<b>\$1,073,982,868</b>	<b>-2.3%</b>	<b>34.4%</b>

\* Remainder of Fiscal Year as a % of Fiscal Year (Actual or Forecast) Total: Represents the percentage for each revenue source that remains to be collected during each fiscal year compared to the fiscal year total for that revenue source.

## Notes for Tables 1, 2 and 3:

The Economic Forum's forecast shown in Tables 1, 2 and 3 reflect the forecast approved at the May 1, 2013, meeting adjusted based on the following measures approved by the 2013 Legislature (77th Session):

- [1.] Modified Business Tax (MBT-Nonfinancial): S.B. 475 changes the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) for FY 2014 and FY 2015 by exempting taxable wages (gross wages less allowable health care expenses) paid by an employer to employees up to and including \$85,000 per quarter and taxable wages exceeding \$85,000 per quarter are taxed at 1.17%, effective July 1, 2013. The taxable wages exemption threshold was \$62,500 per quarter for FY 2012 and FY 2013, based on A.B. 561 (2011). These provisions in S.B. 475 for the MBT-General Business sunset effective June 30, 2015, at which time the tax rate will be 0.63% on all taxable wages per quarter. Estimated to generate an additional \$113,501,000 in FY 2014 and \$120,572,000 in FY 2015.
- [2.] Governmental Services Tax: A.B. 491 requires the portion of the Governmental Services Tax (GST) generated from the 10% depreciation schedule change, approved in S.B. 429 (2009), to continue to be allocated to the State General Fund for FY 2014 and FY 2015, instead of the State Highway Fund as approved in S.B. 429 (2009). Under A.B. 491, the additional revenue generated from the GST depreciation schedule change is required to be deposited in the State Highway Fund beginning in FY 2016. The GST depreciation schedule change is estimated to generate \$64,224,000 in FY 2014 and \$65,134,000 in FY 2015.
- [3.] Business License Fee: S.B. 475 extends the sunset from June 30, 2013, (approved in A.B. 561 [2011]) to June 30, 2015, on the \$100 increase in the Business License Fee (BLF) from \$100 to \$200 for the initial and annual renewal. Estimated to generate an additional \$31,273,000 in FY 2014 and \$31,587,000 in FY 2015.
- [4.] Total All Other General Fund Revenues: Includes all General Fund revenue sources not specifically listed under Major General Fund Revenues and Select Non-Major General Fund Revenues that were authorized in statute to be collected in FY 2014 or FY 2015.
- [4.1] S.B. 475 extends the June 30, 2013, sunset (approved in A.B. 561 [2011]) to June 30, 2015, on the Net Proceeds of Minerals Tax, which continues the payment of taxes in the current fiscal year based on the estimated net proceeds for the current calendar year with a true-up against actual net proceeds for the calendar year in the next fiscal year. The two-year extension of the sunset is estimated to yield \$88,295,000 in FY 2014 as tax payments are required in FY 2015 with or without the extension of the sunset. The extension of the sunset is also estimated to generate an additional \$2,936,000 in FY 2015 as the difference between Economic Forum forecast for FY 2015, based on elimination of the sunset, and the estimate based on the extension of the sunset approved in S.B. 475.
- [4.2] S.B. 475 extends the June 30, 2013, sunset (approved in S.B. 493 [2011]) to June 30, 2015, that eliminates health and industrial insurance deductions allowed against gross proceeds to determine net proceeds for the purpose of calculating the Net Proceeds of Minerals (NPM) tax liability. These deduction changes are effective for the NPM tax payments due in FY 2014 and FY 2015. The health and industrial insurance deduction changes are estimated to generate \$7,393,000 in additional revenue in FY 2014 and \$9,741,000 in FY 2015.
- [4.3] Extension of the sunset on the 0.35% increase in the Local School Support Tax (LSST) in S.B. 475 from June 30, 2013, to June 30, 2015, generates additional revenue from the 0.75% General Fund Commission assessed against LSST proceeds before distribution to school districts in each county. Estimated to generate \$1,226,600 in FY 2014 and \$1,294,100 in FY 2015.
- [4.4] S.B. 470 increases certain existing fees and imposes a new fee collected by the Commission on Postsecondary Education from certain private postsecondary educational institutions. The fee changes are estimated to generate an additional \$86,675 in FY 2014 and \$80,700 in FY 2015.
- [4.5] A.B. 449 requires revenue from fees for vital statistics collected by the Health Division of the Department of Health and Human Services to be retained by the division and not deposited in the State General Fund, beginning in FY 2014. Estimated to result in a reduction of General Fund revenue of \$1,027,500 in FY 2014 and \$1,007,300 in FY 2015.
- [4.6] S.B. 468 increases various fees and requires the revenue from the fees collected by the State Water Engineer of the Department of Conservation and Natural Resources (DCNR) to be deposited in the Water Distribution Revolving Account for use by the Division of Water Resources of DCNR and not deposited in the State General Fund, beginning in FY 2014. Estimated to result in a reduction of General Fund revenue of \$2,600,000 in FY 2014 and FY 2015.
- [4.7] A.B. 491 requires the proceeds from the commission retained by the Department of Motor Vehicles from the amount of Governmental Services Tax (GST) collected and any penalties for delinquent payment of the GST to be transferred to the State General Fund in FY 2015 only. A.B. 491 specifies that the amount transferred shall not exceed \$20,813,716 from commissions and \$4,097,964 from penalties in FY 2015.
- [4.8] Estimated portion of the revenue generated from Court Administrative Assessment Fees to be deposited in the State General Fund (pursuant to subsection 9 of NRS 176.059), based on the legislatively approved budget for the Court Administrative Assessment Fee revenues (pursuant to subsection 8 of NRS 176.059).
- [4.9] Adjustment to the Statewide Cost Allocation amount included in the Legislature Approves budget after the May 1, 2013, approval of the General Fund revenue forecast by the Economic Forum.