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# MEETING NOTICE AND AGENDA

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

**Date and Time of Meeting:** May 1, 2017 - 9:00 a.m.

**Place of Meeting:** Legislative Building
Room 4100
401 South Carson Street
Carson City, 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 videoconference conducted at the following location:

Grant Sawyer State Office Building
Room 4412
555 East Washington Avenue
Las Vegas, 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.**

## A G E N D A

**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. APPROVAL OF THE MINUTES OF THE OCTOBER 7, 2016, MEETING.

***For Possible Action***

V. APPROVAL OF THE MINUTES OF THE NOVEMBER 10, 2016, MEETING.

***For Possible Action***

VI. APPROVAL OF THE MINUTES OF THE DECEMBER 6, 2016, MEETING.

***For Possible Action***

VII. PRESENTATION ON THE NATIONAL, REGIONAL AND STATE ECONOMIC OUTLOOK.
*Daniel White, Economist, Moody's Analytics (via teleconference)*

***For Possible Action***

VIII. PRESENTATION ON THE STATE EMPLOYMENT OUTLOOK.
*Bill Anderson, Chief Economist, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation*

***For Possible Action***

IX. PRESENTATION ON HISTORICAL TAXABLE SALES AND GAMING MARKET STATISTICS.
*Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau*

***For Possible Action***

X. REVIEW AND APPROVAL OF FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FY 2017, FY 2018, AND FY 2019.
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
- Mining

F. Real Property Transfer Tax
G. Commerce Tax
H. Cigarette Tax

***For Possible Action***

XI. REVIEW AND APPROVAL OF FORECASTS OF MINOR GENERAL FUND REVENUES AND TAX CREDITS FOR FY 2017, FY 2018, AND FY 2019 APPROVED BY THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) AT ITS APRIL 25, 2017, MEETING.

***For Possible Action***

XII. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

XIII. 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.)

XIV. 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 and Las Vegas, Nevada, locations: Blasdel Building, 209 East Musser Street; City Hall, 201 North Carson Street; Legislative Building, 401 South Carson Street; and Legislative Counsel Bureau, Las Vegas Office, Grant Sawyer State Office Building, 555 East Washington Avenue. Notice of this meeting was faxed, e-mailed, or hand delivered for posting to the following Carson City and Las Vegas, Nevada, locations: Capitol Press Corps, Basement, Capitol Building, 101 North Carson Street; Clark County Government Center, Administrative Services, 500 South Grand Central Parkway; and Capitol Police, 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.

Supporting public material provided to Economic Forum members for this meeting may be requested from Judy Lyons, Committee Secretary, at 775-684-6874 or Linzey O'Brien, 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.

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**MINUTES OF THE MEETING OF THE**
**ECONOMIC FORUM**
**(NRS 353.226 – NRS 353.229)**
**October 7, 2016**

The meeting of the Economic Forum (created by Senate Bill 23, 1993) was held at 9:00 a.m. on Thursday, October 7, 2016, in room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada, with videoconference to room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada.

**ECONOMIC FORUM MEMBERS PRESENT IN LAS VEGAS:**
Ken Wiles, Chairman
Marvin Leavitt
Jennifer Lewis
Linda Rosenthal

**ECONOMIC FORUM MEMBERS PRESENT IN CARSON CITY:**
None.

**ECONOMIC FORUM MEMBERS ABSENT:**
Matt Maddox, Vice Chairman (absent excused)

**STAFF:**
Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division
Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division
Judy Lyons, Committee Secretary, Fiscal Analysis Division

**EXHIBITS:**

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|---|---|
| (Exhibit A) | Meeting Packet and Agenda |
| (Exhibit B) | Presentation by Applied Analysis, Southern Nevada Housing Outlook |
| (Exhibit C) | Presentation by UNR, Center For Regional Studies, Northern Nevada Economic and Housing Outlook |
| (Exhibit D) | Presentation by Department of Business & Industry, Nevada New Market Jobs Act Tax Credit Program |
| (Exhibit E) | Actual Collections for FY 2016 by Business Category, Department of Taxation |

## I. ROLL CALL.

Chairman Wiles called the meeting of the Economic Forum to order at 9:04 a.m., and the secretary called roll.

## II. OPENING REMARKS.

Chairman Wiles stated the purpose of this meeting is to receive updates and review general economic activities from various data sources; therefore, no forecasting will be presented. He confirmed that forecasting meetings will be held in November and December and will include a significant amount of content.

## III. PUBLIC COMMENT.

Chairman Wiles asked if there was public comment in Carson City or Las Vegas. There was no public comment.

## IV. APPROVAL OF THE MINUTES OF THE JUNE 9, 2016, MEETING

MR. LEAVITT MOVED FOR APPROVAL OF THE MINUTES FROM THE JUNE 9, 2016, MEETING.

MS. LEWIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

## V. PRESENTATION ON THE SOUTHERN NEVADA HOUSING OUTLOOK.

*Brian Gordon, Principal, Applied Analysis*

Mr. Gordon said his presentation places focus on Applied Analysis's view of the overall economy, and includes highlights related to Southern Nevada's housing market, its recent trends and his future expectations.

Mr. Gordon stated supply and demand are key components related to the housing market. He said demand is a fundamental component of the economy driven by key elements, such as the housing market, population growth, employment growth and income. As it relates to population, he explained there are over 2.1 million people living in Southern Nevada, and as potential consumers in the housing market trend positive, the demand for housing increases. Mr. Gordon presented animated slides dating back to the 1980's that provided a visual of where development activity was taking place in Southern Nevada. From 2010 and thereafter, new development activity was happening on the periphery of the Las Vegas Valley.

Mr. Gordon stated that population growth in Las Vegas was rated fifth overall in terms of major metro areas across the United States. He pointed out that the prerecession height of the job market peaked in the middle of 2007, and that Southern Nevada's market was up about 150,000 jobs from the low point in early 2011, regaining all jobs lost during the recession.

Mr. Gordon conveyed that Nevada's wage growth is moving in a positive direction, ranking 11th among the nation in terms of average weekly wages. He said wage growth is assessed by average hourly wages (ranked 21st nationally) and by personal income (ranked 4th nationally). He reported that aggregate personal income in Southern Nevada have been on the rise (page 5, Exhibit B).

Mr. Gordon said another key focus is the number of investments that are taking place in Southern Nevada as it relates to potential demand in the housing market. He said there were a number of projects in the prerecession era that continues to drive the market forward, not only from a construction standpoint, but also from a demand standpoint. He directed the members of the Forum to page 6 (Exhibit B) of his presentation that showed the locations of current major projects in Southern Nevada, totaling approximately $18 billion. He noted that not all of the projects would move forward on a scheduled timeframe.

Chairman Wiles asked Mr. Gordon to define "major projects."

Mr. Gordon defined major projects as known projects that are advertised through the media or other sources, ranging from Resorts World on the Las Vegas Strip, a $4 billion project, to major industrial developments that may be taking place throughout the Las Vegas Valley.

Mr. Gordon turned his focus to the resale market and brought attention to the chart on page 7 (Exhibit B), which illustrates long-run trend lines. The chart displays highs and lows labeled with tag lines, such as boom, bust, and recovery, and shows total sales volumes continuing to edge up, referring to the trailing 12 month total identified on the 2016 bar. He said a lot of investor acquisition speculation took place during the 2004-2005 timeframe, as well as in the early recovery phase when resale product was trading at price points below replacement costs.

Relative to resale market price points, Mr. Gordon stated prices were still off from prior peaks. He said Applied Analysis tracks all of the transactions that take place in the Las Vegas Valley, whether they involve realtors or not; therefore, his numbers could differ from data released by the Greater Las Vegas Association of Realtors (GLVR) or other sources. He noted that transactions not involving realtors account for another 15% of market activity. Mr. Gordon stated that resale median home pricing is about 30% off the prior peak in the 2006 timeframe, but the trend line has been positive in terms of the gains seen on pricing. He said in the early recovery phase there were a lot of investor acquisitions that drove prices up, but since then he has seen a much better profile in terms of the buyers and sellers in the market (page 7, Exhibit B).

Mr. Gordon reported that approximately 88% of the transactions taking place in Southern Nevada are non-distressed and the other 12% are contributed to auction sales, real estate owned (REO) sales and short sales at about 4% each. He said non-distressed activity in recent years is dominating the mix of sales compared to prior years where approximately 25% to 30% of the activity was non-distressed and the balance was due to bank sales. He said the profile of the transactions taking place provides increased stability in the housing market (page 8, Exhibit B).

Switching over to the supply side of the market, Mr. Gordon referred to resale listings, Multiple Listing Service (MLS) inventory, distressed assets that may potentially come to the market, and new construction. He said when calculating inventory in Southern Nevada's resale market, he looks at the number of sales relative to the amount of inventory that is listed as "available" in the MLS, which currently reflects about 2.4 months of effective inventory. He considered that a modest amount of inventory, but fairly limited depending on the specific market being searched.

To better explain the resale market inventory, Mr. Gordon referred to the chart on page 10 (Exhibit B) of his presentation. He explained that resale homes under $300,000 is much tighter in terms of availability, averaging an effective inventory of about 1.7 months. The $300,000 plus range homes have more capacity in the market, averaging about 4.7 months of effective inventory. Mr. Gordon emphasized that availability can fluctuate depending on individual market conditions within any particular area of the Las Vegas Valley.

Mr. Gordon said he is frequently asked about the number of bank-owned homes in the Southern Nevada market. He said although some people sense that a significant amount of inventory is being held by banks, Applied Analysis did not concur. An extensive search through the Clark County Assessor's files revealed that about 1,400 homes were actively owned by lenders, which equated to approximately 11 to 12 days of inventory. Mr. Gordon noted that his analysis did not include homes that were currently in the foreclosure process, rather they were homes acquired by people at the height of the market, ultimately turned over, and were yet to be released. He introduced a map on the top of page 12 (Exhibit B) of his presentation that showed the location of these homes in the Las Vegas Valley and a list of the title holders relative to that inventory. He noted there was not one particular lender that cannibalized the inventory.

Mr. Gordon gave credit to the New York Times for a recent article about underwater homes, which created interest in regard to negative equity in the Southern Nevada market. Mr. Gordon's presentation included data from CoreLogic to help explain Southern Nevada's history as it relates to negative equity. He said in 2009, approximately one quarter of the homes had positive equity and three quarters were underwater, meaning mortgage holders owed more than the house was worth. Positive trending started in 2010, and by 2012, the region approached about a 50:50 ratio in terms of the number of borrowers that were underwater. He said nearly 30.4% of borrowers were underwater in 2013; 24% were underwater in 2014; 18.7% in 2015; and at the mid-point of 2016, about 15.3% of borrowers were underwater on their homes. He said about 84,000 homes statewide are reporting negative equity overall, and in Southern Nevada, there are about 71,000 homes with negative equity.

Touching on past due mortgages and foreclosures, Mr. Gordon turned to page 14 of his meeting materials (Exhibit B) to provide a feel for the distress in the housing market. He said by the fourth quarter of 2009, there were approximately 134,000 homes that were either past due on their mortgage or in foreclosure, whereas today there are about 26,000 homes in that current state. He said the trend lines do not suggest there is a substantial overage of inventory that has the potential to flood the market on the supply side, which gives comfort in likely seeing increased stability going forward. The table at the bottom of page 14 shows a breakdown of the default status for those distressed mortgages and foreclosures.

Relative to the new home market, Mr. Gordon discussed the annual closings between 2004 and 2006; the overheated speculation going on in the market; the contraction that took place post-recession; and annual closings today. He said far fewer homes are being developed today than in the 1990's and the mid-2000's; nonetheless, sales volumes increased approximately 14% on the year.

Mr. Gordon said permit activity for new construction trended upward approximately 11% in the last twelve months and is likely to increase over the next year at the rate of approximately 8% to 12% overall. He reported that median new home prices elevated to prior peaks, and the size of homes shifted along with increased land costs, valley-wide. Mr. Gordon relayed that Applied Analysis is tracking approximately 250 new-home subdivisions that are actively selling in Southern Nevada, which are mostly located on the periphery of the Las Vegas Valley (see map on page 17, Exhibit B), such as Cadence, Inspirada, Mountain's Edge, Summerlin Paseos Village, Providence and Sky Canyon. He noted the next major Master Plan coming to the market is the Villages at Tule Springs.

Mr. Gordon stated the land market is a key factor relating to new construction; therefore, Applied Analysis tracks it annually (page 18, Exhibit B). He said land transactions are occurring at a fairly modest rate, but some land owners are still holding on to their previously purchased inventory. Mr. Gordon stated land sales take place in major master-planned communities at an average of approximately $500,000 per acre in some instances, which ultimately is reflected in the retail sales price of homes and puts upward pressure on price points in the resale market.

In closing, Mr. Gordon noted some potential challenges on the horizon, including land availability and land pricing; overall development costs, which he believes is impacted by the multi-family apartment sector; and tourism-driven economy, which is subject to local, national and global events. He said stability has been the key theme over the last 12 months, and should be kept in mind going forward. Mr. Gordon summarized the following: housing costs will track closer with gains and incomes, income is expected to grow in the low to mid-single-digit range; buyer and seller profiles are expected to improve in the near term; and capital investments taking place locally are positive and should translate into incremental demand in the housing market.

Chairman Wiles inquired about the condo market.

Mr. Gordon replied there were a number of condo developments in Southern Nevada during the economic boom, but no activity since. He said a lot of those buildings turned over in a distressed situation and sold at a reduced price, some selling below today's replacement cost. He did not expect to see a significant amount of high-rise condo development, but believes there are still opportunistic buyers in the market that are targeting some of those existing buildings. Mr. Gordon stated that some of the existing high-rise buildings are the greatest assets in Southern Nevada's housing market; however, those products came to market at the exact time the economy was shifting.

Mr. Leavitt asked about the availability of financing for the aforementioned housing projects.

Mr. Gordon made it clear that he was not a financing or lending expert, but indicated that Applied Analysis has clients whose pro forma continue to be scrutinized, depending on the deal and on a case-by-case basis. He said the majority of newer development is targeting high-end products, simply because land development costs are driving a premium product in the market, which is causing lenders to examine pro forma with a fine-tooth comb. He believes there is funding for the right projects at the right locations, but thought other projects that are more aggressive or in emerging markets, where there may not be a proven track record, would find funding more difficult.

## VI. PRESENTATION ON THE NORTHERN NEVADA ECONOMIC AND HOUSING OUTLOOK.

*Brian Bonnenfant, Project Manager, Center for Regional Studies, University of Nevada, Reno*

Mr. Bonnenfant explained that his presentation would target the Reno-Sparks Metropolitan Statistical Area (MSA), which includes Storey County, home of the Tahoe Reno Industrial Center (TRIC), Tesla, and other large footprint industrial and manufacturing facilities. He said the MSA numbers in his presentation include Current Employment Statistics (CES) program data, which signifies employment by place of work.

Mr. Bonnenfant referred to employment statistics on page 2 (Exhibit C) of his meeting material, and stated that in August of 2016 there were 221,800 jobs in the Reno-Sparks MSA, 3,600 jobs below the August peak in 2006 of 225,400 jobs. He indicated the August 2016 number was a preliminary number received from the Department of Employment, Training and Rehabilitation (DETR), but was quick to point out that it was an 11,000 job jump, or 5.3% increase, from August of 2015, the largest jump seen since February 2006. He said, looking at this data calendar year-to-date, and averaging jobs from January 2016 through August of 2016, 8,600 jobs were added in the Reno-Sparks MSA, a 4.2% jump. Job growth occurred in the following industries: Professional and Business Services, Transportation and Warehousing, Government, Construction, Education and Health Services, and Retail. He said 6% of total employment is in construction jobs compared to 11% in 2006. Leisure and Hospitality makes up 17% of employment in the Reno-Sparks MSA compared to 32% in the Las Vegas Valley and 32% in Elko, which reflects the diversification efforts in Northern Nevada. Mr. Bonnenfant said there is a lot of hype in Northern Nevada in regard to Tesla and the fear of too much growth. He acknowledged the table on page 4 (Exhibit C) that centers on employment by place of work, employment change, and the percentage of change since 1990. He said the growth was not unprecedented, pointing to the higher growth rates in the Reno-Sparks MSA in the 1990's and early 2000's.

Mr. Bonnenfant explained that Southern and Northwestern Nevada have been recovering employment, but mining counties are in a downward mining cycle again. He attributed the decline to the drop in gold prices. He said the big counties in

Northeastern Nevada lost between 6% to 7% employment between 2012 and 2015. DETR's most recent Quarterly Census of Employment and Wages (QCEW) data comprising rural counties shows that Elko and Eureka counties have stabilized in employment in 2016, but Humboldt County was still bleeding employment in significant numbers (page 5, Exhibit C).

Mr. Bonnenfant moved to the chart on page 6 (Exhibit C) of his presentation, Percent Change in Quarterly Taxable Sales Year-Over-Year, 2010 to 2016. He reported that both Southern and Northern Nevada have set a good pace for the last three years in taxable sales increases, and that taxable sales contributes to 70% of Northern Nevada's economy, which has seen 9% increases in taxable sales in the last four quarters. The second quarter in 2016 registered a 15% increase in taxable sales in Washoe County, its highest increase in 20 years. Referring to the chart, Mr. Bonnenfant explained that the green bars represent the balance of counties outside Washoe and Clark counties, which encompass a lot of mining activity. He said, although the population of those counties is over 100,000 persons less than Washoe County, they exceed Washoe County's taxable sales between 2010 and 2013 because of the mining boom. Those counties are flat, and are still trying to recover from the drop in gold prices. He said Washoe County taxable sales revenue is led by bars and restaurants, followed by auto sales and general merchandise, which surprised him because they are discretionary sectors.

Mr. Leavitt commented on Washoe County's 15% increase in taxable sales, and stated it seemed out of line with everything else that was happening in the economy.

Mr. Bonnenfant replied that Northern Nevada's economy has seen a lot of job growth and increases in household incomes, reported by the American Community Survey (ACS), and wages reported by DETR. Mr. Bonnenfant could not explain if the bump in taxable sales was related to pent-up demand or job growth. He noted the bars and restaurants sector added jobs during the recession and led taxable sales in post-recession. He suspected that people were not traveling out of the area as much and were spending their money locally.

Mr. Bonnenfant said that Washoe County struggled with gaming for many years, but reported seven straight quarters of taxable gaming revenue increases since the third quarter of 2014, the longest streak since 2000, prior to the legalization of Indian gaming in California. He reported that calendar year-to-date, taxable gaming revenue was at its highest since 2009; however, it was still only 71% of what we it was during the peak year of 2000. Mr. Bonnenfant said most of the gaming in Northern Nevada was driven by locals, and stated that gaming used to be a 60:40 visitors/locals split, but now reflects closer to a 60:40 locals/visitors split.

Mr. Bonnenfant referred to the chart on page 8 (Exhibit C), and stated that visitation has returned to Northern Nevada. He clarified that the red bars on the chart represent the number of visitors in a calendar year; therefore, 2016 was yet to be identified. The cash-occupied rooms represented by the blue line is charted by fiscal year; therefore, FY 2016 data was incorporated in the chart. He said approximately

4.9 million visitors are expected to visit Washoe County by the end of 2016, and prerecession visitor levels are expected in 2017.

Mr. Bonnenfant reported that new single-family home sales have been very slow to recover with only 1,600 sales projected by the end of 2016, which is considerably low compared to employment gains, and compared to the 1997 to 2006 timeframe when 3,000 to 5,000 single-family units were added per year in Washoe County. Additionally, based off decent employment growth, Washoe County is very disconnected with the number of new single-family construction. He said anecdotal comments from his clients imply there are issues with skilled labor in the construction industry; government inefficiencies associated with permitting (delays); tired lending rules that damper buyers from obtaining mortgages; and limited lending to developers, to avoid too much standing inventory. He said banks will lend on demand, but not let developers build 100 standing inventory units like they did in 2005 and 2006. He reiterated that these were comments coming from the trenches.

Per Mr. Bonnenfant, the lack of new single-family housing is being backfilled by apartments to accommodate the 8,000 new employees coming to Washoe County every year. He reported that halfway through calendar year 2016, 613 units were built, which was more than each of the previous seven years, another 600 units were under construction, and plenty of additional units are approved in the pipeline (page 11, Exhibit C). He said backfilling has been so successful that apartment vacancies are down to 2% overall, which is driving rent rates to peak levels at above $1,000 per month. He indicated that nearly $45,000 in household income is needed to afford that rent rate, which equates to 33% of household income. He noted that affordable housing is a huge issue in Northern Nevada based on all the issues discussed.

Mr. Bonnenfant directed the members to the single-family home bubble graph on page 13 (Exhibit C) that compared single-family home median prices to the average annual appreciation rate. The graph represented existing single-family sales in the greater Reno-Sparks region, but did not include any million dollar homes in Lake Tahoe that could skew the data. The average annual appreciation rate was calculated using statistics from 1990 to 2001, which averaged approximately 1% per quarter or 4% per year. He pointed out that the appreciation rate between the beginning of the 2005 bubble and the end of the inverse bubble was also 1% per quarter, 4% per year. Also drawing attention was the second quarter of 2016 when the median price of existing single-family homes (red line) rose above the annual appreciation rate. He reported that in July 2016, the median value went to $318,000 before cooling off in August 2016 to $309,000. He said a 3% to 4% quarter-to-quarter increase is expected in the third quarter of 2016.

Mr. Bonnenfant stated that the existing single-family home market under $200,000 has drastically almost disappeared in Washoe County since 2011. More importantly, there are more sales in the $400,000 to $500,000 price range than there are in the below $200,000 range, and almost the same amount of sales in the $500,000 to $749,9990 range than there are in the $200,000 range. He said if new home sales were included in the graph on page 14 (Exhibit C), the $500,000 to $749,9990 product would exceed the under $200,000 product.

Mr. Bonnenfant reported that new single-family home median values in Washoe County peaked in April 2016 at $400,000 and has flattened since. The appreciation rate has been 9% per year over the last five years (page 15, Exhibit C).

Based on reportings through the second quarter of 2016, the Housing Opportunity Index (HOI) for the Reno-Sparks MSA shows 56% of families can afford a median-value home of $289,000 with a qualifying family income of $67,000 per year. However, Mr. Bonnenfant was quick to point out that the median home price is actually well north of $300,000, not $289,000, and that the latest ACS shows the median family income for the Reno-Sparks MSA is $65,000. He said incorporating those corrections into this graph would produce a HOI of around 50%, meaning half can afford a median-value home and half cannot (page 16, Exhibit C).

Mr. Bonnenfant turned the presentation over to Eugenia Larmore, a recent graduate from the University of Nevada, Reno, with a Ph.D. in Economics, to share her self-generated economic indices to help put an overall feel on the economic trends.

Ms. Larmore, President, EKay Economic Consultants, Inc. stated her concentration was on the Reno-Sparks MSA, which included Storey County, home of TRIC and the Tesla Gigafactory. She referred to the leading index, explaining that it is a combination of composite and econometric techniques that combines various local and state level data and national series into a single number that produces a historic trend, which helps to forecast the trends in the local economy by about six to twelve months. She said the data received from Washoe County, with some input from Storey County, includes taxable sales, taxable gaming revenue, single-family homes, airport passengers and cargo, and gallons of gasoline. Additionally, she incorporates initial claims of unemployment at the Nevada level and national series, such as the S&P 500 Index, stock market representation, interest rate spread for investment input, and the money supply. The leading index is then compared to a coincident index. Ms. Larmore indicated that, because there is nothing that represents the Reno-Sparks MSA economy or a MSA-level GDP that is updated frequently enough, a proxy index was created to represent the aggregate economy. She said the coincident index is a combination of two employments statistics, the Current Employment Statistics (CES), which tracks employment by place of work, and the Local Area Unemployment Statistics (LAUS) that tracks employment by place of residence. Ms. Larmore referred to the graph on page 17 (Exhibit C) and pointed out that the changes in the leading index are occurring about six to twelve months ahead of the coincident index, and that both indices are showing a strong upward growth and recovery. She noted there are two bars on the graph that are relative to the recent recessions, and that the appropriate declines in both indices occurred during those recessions.

Ms. Larmore explained that in order to look deeper into the Reno area, the following three industry indices were created:

1. Business Activity Index: This index takes a lot of the national series out of the leading index to get down to the local business practices and trends in the area. The index shows a healthy upward growth in business activity in the Reno MSA (page 18, Exhibit C).

2. Construction Index: This index focuses on the construction industry in the Reno MSA, and is a combination of construction employment and commercial and residential building, both number of units and valuation of units. She explained that by considering the number and valuation of units, the size of the projects being permitted is also captured. She mentioned there were declines in the index in the late 2015-2016 timeframe, mostly because of the higher volume of construction and permit activity going on in 2015 versus the construction and permit activity going on prior to that timeframe (page 19, Exhibit C).

3. Single-Family Housing Index: This index is a combination of employment, home sales, values of homes, and the HOI. This index saw positive growth over the last few years.

Mr. Leavitt acknowledged the amazing growth in the Reno-Sparks MSA, and asked about its outlook over the next few years, considering the underlying situations and statistics relative to the area.

Mr. Bonnenfant replied that 2017 is believed to be the peak employment year because of Tesla going into full operation. He said initial reports projected 7,500 jobs would come from the Tesla project along with the ancillary effects. He reported the Economic Development Authority of Western Nevada (EDAWN) was driving a significant amount of other businesses into the region, and that much of the influx of companies are pre-Tesla agreements. He said Mr. Stan Thomas, Executive Vice President of Marketing and Competitive Expansion of EDAWN stated that EDAWN is running 10 to 14 site visits per month, which exceeds all historical site visits on their behalf, and does not see site activity slowing down come winter or the holidays. Mr. Bonnenfant reiterated that he sees 2017 as a very hot year for the region.

Mr. Bonnenfant redirected his focus to retail sales. He said non-wage income, which is rents, interest, dividends, etc., is very high in Northern Nevada compared to the approximately 3,100 counties in the U.S.; Douglas County is ranked in the top 20, Washoe County is ranked number 50, and Carson City follows closely behind that. He said, drawn by the Sierra Mountains and the proximity to California and Lake Tahoe, many wealthy people are parking their taxes in this region. He said there is a lot of wealth that you do not see in the employment numbers or in the income numbers, but you see it in taxable sales.

Ms. Rosenthal asked how the job growth peak in 2017, considering the jobs added by Tesla and all the ancillary business, will impact taxable sales in 2017 versus where it stands today.

Mr. Bonnenfant replied that employment growth is projected to hit the 5% mark for a couple of years, whereas previous years (mid-1990's and mid-2000's) employment grew in the 3% to 4% range. He said starting in 2005 and 2006, there was a movement to purchase homes in Fernley, Dayton and Lyon County, because homes were not affordable in Carson City, Douglas County or Washoe County, but has yet to see that movement reoccur. However, businesses are reopening again and are showing interest in places such as Dayton and Fernley. He said the USA Parkway that comes out of

TRIC and connects to Hwy 50 will be complete by the end of 2017, which will open up a whole new region of economy reaching out to Dayton, Yerington, and the Silver Springs airport. He said big movements are expected in Lyon County, the Dayton and Fernley regions, as industrial centers fill up. He said development is expected to push east of the Reno-Sparks MSA in 2017, 2018, 2019 and 2020 because of housing price points and the lack of available land for industrial growth in North Valleys and Spanish Springs.

Ms. Rosenthal inquired about the balance of Tesla jobs that were yet to be filled out of the 7,500 reported.

Mr. Bonnenfant said he was not privy to Tesla numbers, and recommended that Mr. Bob Potts from the Governor's Office of Economic Development answer that question during his presentation.

## VII. PRESENTATION ON NEW AND EXPANDING BUSINESS DEVELOPMENT IN THE STATE BASED ON ECONOMIC DEVELOPMENT ACTIVITIES OF THE GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT.

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

Mr. Potts communicated that he intended to discuss activity related to the Governor's Office of Economic Development (GOED) and economic development across the state; the history of development in the state; and where things stood year-to-date.

Mr. Potts directed the Forum to page 44 (Exhibit A) of the meeting packet, and clarified that the data entered in the table for 2016 year-to-date was inclusive of January through September 2016 only. He explained the table reflects data that represents companies that receive incentives and abatements; however, the table lacked information pertinent to the companies that did not receive incentives, yet were assisted by economic development in the state, due to the October 20, 2016, reporting deadline.

Mr. Potts reported that, as of 2016 year-to-date (YTD), there are 41 assisted companies across the state, of which 29 receive abatements and 12 that do not. There were roughly 65 companies assisted by economic development agencies across the state through the first three quarters of 2016. Mr. Potts conveyed that GOED tracks the number of initial jobs that are either expanded or relocated to the state via these assisted companies, which averages approximately 45 employees, and then follow-up tracking is done a year or two later, and again after five years as these companies reach their build-out stage, which at that point averages approximately 119 employees.

Turning to page 45 (Exhibit A), Jobs Announced by Assisted Companies, Mr. Potts emphasized that the chart represented the initial job count number, not the build-out number, for assisted companies. He said the actual build-out number for assisted jobs from economic development across the state totaled 2,500 jobs in 2012; 10,200 in 2013; 14,300 in 2014; 7,300 in 2015, and about 9,300 for the first nine months of 2016.

Mr. Potts discussed the wage differential between what incentivized and non-incentivized companies pay their employees per the table on page 46 (Exhibit A). He brought attention to the wages paid by incentivized companies, and stated the long-run average totaled approximately $21 per hour, which was very close to the state average wage in May of 2016, published by DETR. However, he noted that wages paid by incentivized companies in 2015 were somewhat slanted by a law firm that only had 20 employees, of which some were paid $300 per hour. Mr. Potts reminded the members that companies expanding or relocating to counties where the unemployment rate is less than 5% must meet a higher level of requirements in order to receive incentives, which is also based off whether the county is rural or urban. These requirements were incorporated in an effort to try to raise the quality of jobs being brought to the state.

Mr. Potts said capital investment made by assisted companies for 2014, 2015, and 2016 totaled $12.9 billion (page 47, Exhibit A). He stated that capital investment on the incentivized side is written into company contracts and covers all capital investment for the entire period of those contracts. The healthy investments made in 2014 are attributed to Tesla; 2015 reflects $800 million from aviation abatements and $3.2 billion from data centers; and 2016 YTD through September represents what Faraday Future has on the books at $1.4 billion, along with some data center and aviation abatement.

Mr. Potts indicated that contracts are audited on a 2 year and 5-year basis by the Department of Taxation (Taxation). The results of the 2-year audit (2012) revealed that 23 companies were approved for incentives, of which 18 moved forward. Three companies chose not to participate and two companies were determined to be noncompliant; therefore, their taxes were repaid in full. Of the 18 companies, it was projected that 782 jobs would be added with an average wage of $19.31 per hour; however, the audit showed that actual jobs added exceeded the projection by 123 jobs, and average wages outperformed the contracted average rate by approximately $2.80.

Mr. Potts said he worked with DETR's Research and Analysis Bureau to determine actual job counts brought forward by companies that received abatements, to compare to the audits performed by Taxation. He clarified that he could only assess new companies that relocated to the state because DETR does not delineate between existing jobs and new jobs, which can be detected through company Federal Tax Identification numbers. Mr. Potts turned to the chart on page 49 (Exhibit A) and conveyed that company performance of those that received abatements from 2009 through 2014 created more jobs than what was contracted. As of the first quarter of 2016, actual jobs created in 2015 was less than what was contracted, which was attributed to the amount of time it takes to staff up.

Lastly, Mr. Potts directed the Forum to the table on page 50 (Exhibit A) that showed accumulative job growth over time by assisted companies as they ramped up their staffing. He said when a company receives abatement or gets assistance, they do not immediately put employees to work; therefore, GOED makes short-term projections, starting with initial job counts with one-year and five-year (final build-out) projections. For example, looking at all assisted companies, going back to the first quarter of 2013, the initial job count accounted for roughly 21,100 jobs that were assisted by economic development in the state with a build-out number of roughly 43,600 jobs. Mr. Potts said if the performance holds up, many jobs will be added due to economic development efforts in this state.

Mr. Potts turned the presentation over to Mr. Steve Hill to provide status on the Tesla and Faraday Future projects.

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

Mr. Hill communicated that Faraday Future is located about 20 miles north of the Grant Sawyer Office Building, and that they broke ground on their construction project approximately two months ago. He said about 3 million cubic yards (cy) of dirt needed to be moved in order to level the pad for what will ultimately be the location of Faraday Future, a 3 million square foot (sf) facility that will employ approximately 4,500 people. He said Faraday Future is working to attract their supply chain to that site, which has brought some initial success with a couple of company commitments to either move to the site or move to the region, bringing in additional jobs. He said North Las Vegas is working on a plan to expand the infrastructure on the site in order to make other sites available, because there are very few locations of any size for manufacturing operations in Southern Nevada. Mr. Hill said that site availability is a major focus in economic development right now, and that the Apex Industrial Park will be making available approximately 6,000 acres, with Faraday Future in control of 700 of those acres. Mr. Hill noted that currently 100-acre parcels are not available to companies in Southern Nevada.

Relative to tax credits, Mr. Hill stated that Faraday Future is eligible for $7.6 million of transferrable tax credits each year, for five years, beginning in FY 2018. They will be eligible for $15.2 million in transferrable tax credits in the next biennium. The tax credits are all employment based and can be earned at the rate of $9,500 for each employee hired. He said if Faraday Future stays on their scheduled pace, they will hire the employees during the next biennium, which would allow them to earn the $15.2 million in tax credits.

Before continuing, and for the record, Mr. Hill testified that the information he presents is based on his personal comments and thoughts, and is a reflection of what Tesla has already announced publicly. He said Tesla has the responsibility to report publicly and provide projections of what they will do in the future.

Turning to the aerial view of the Tesla site on page 52 of the meeting packet (Exhibit A), Mr. Hill identified the white building, stating it has been constructed for over a year and represents 14% of what the full building will be once everything is constructed. He said the area outlined in red represents an additional 16% of what is currently under construction. He described the white building, stating it is approximately 1 million square feet, 90 feet tall, and fluctuates between two and four stories. Mr. Hill explained that Tesla is building batteries similar to the structure of a semiconductor chip, where in order to save space they are stacking the process in different layers of the building rather than expanding the footprint. He said Tesla has been working on the design of the building so as they grow they become more efficient.

Mr. Hill voiced that the number of employees is somewhat correlated to the energy output in battery storage of the factory. He said the factory was originally designed to provide 35 gigawatt hours per year of battery storage capacity. The 6,500 employees that were originally projected on the site was related to the number of employees needed in order to produce that 35 gigawatt hours of capacity. As the factory has become more efficient, the efficiency of what is there may allow them to grow the output in terms of gigawatt hours, which would in turn require more employees on the site. He noted that Mr. Elon Musk commented several months ago that there may be 10,000 onsite employees at some time.

Mr. Hill reported that through the end of FY 2016, Tesla earned $27 million in transferrable tax credits; however, they were only awarded $21 million in tax credits. He intended to discuss how the transferrable tax process works, how they are earned, and the timing issues that will play into how they are budgeted.

Mr. Hill stated that Tesla has the ability to earn transferable tax credits two different ways: 1) By hiring permanent employees at a rate of $12,500 per job, up to 6,000 employees, for a total potential transferable tax credit program of $75 million for the employment side of their agreement, and 2) Make investments on the site at a rate of 5% of their first billion dollars ($50 million in potential tax credits) and 2.8% of the next $2.5 billion ($70 million in potential tax credits). Mr. Hill said, from an employment standpoint, transferrable tax credits are only awarded at the end of each fiscal year and after an audit is performed. In the case of investment, the law allows investments to be measured on a quarterly basis, so the investment that is earned by the March quarter of a fiscal year will likely be awarded and taken by the end of that fiscal year. He said whatever Tesla earns from an investment standpoint between now and the end of March 2019 will need to be budgeted for the next biennium.

Mr. Hill reported that through the end of FY 2016, Tesla was awarded $21 million in tax credits. Tesla earned and was subsequently awarded an additional $6 million in the third quarter of calendar year 2016. He said Tesla has the right to earn a total of $180 million in transferrable tax credits by the end of the next biennium or through FY 2019; therefore, Tesla would need to earn $159 million of those credits in a short period of time. He said Tesla announced that they are looking to be operationally capable of supplying 500,000 cars by the end of 2018, which means the Gigafactory needs to be able to produce batteries for 500,000 cars by the end of 2018, roughly the capacity of the initial design of the facility. Mr. Hill shared that he reached out to Tesla representatives and asked how they planned to budget their transferrable tax credits over the next biennium in an effort to help the Economic Forum get a clear picture leading into their December forecast meeting. He said GOED will reach out to Tesla again in anticipation of the May 2017 forecast meeting, which at that point will be within 10 or 11 months from when Tesla can earn transferrable tax credits relative to employment. Mr. Hill said if Tesla were to earn the entire $120 million on the investment side of the transferrable tax credit equation, they would need to invest roughly $3 billion on the site between July of 2016 and March of 2019. In that 33-month timeframe, they would need to invest approximately $100 million per month in order to earn the entire $120 million, which is a significant investment at a significant pace. He noted that GOED would work with Tesla to try and determine how that relates to a dollar of investment projection over the next 33 months.

Mr. Hill said in order to earn the entire amount of the transferrable tax credits for the employment side, Tesla would need to hire 6,000 people, 5,500 new people, in the next 18 months, which he did not think was likely. He reported there is $15 million remaining in the program that is available in the 2019-21 biennium, which is a portion of either the investment or the employment that could not be earned prior to the end of the 2017-19 biennium. If Tesla hires 3,000 people in the next 18 months there would be a $16 million savings to the state versus the full tax credit program in the 2017-19 biennium, assuming that they earned all of the tax credits that were available on the investment side. Mr. Hill thought there will be some probable savings in the transferrable tax credit program in the 2017-19 biennium, and reiterated his attempt to provide better clarity to the Forum for their December forecast meeting.

In consideration of the Forum's December forecast meeting, Ms. Rosenthal stated that assumptions going into Tesla's transferrable tax credits allocated for employment need to be consistent with the assumptions going into employment that feeds into taxable sales, home sales, etc.

Ms. Lewis asked if other companies were showing interest in Southern Nevada because of Faraday Future expanding to the area, similar to the Tesla effect.

Mr. Hill replied that GOED has seen increased interest, and praised North Las Vegas for their marketing efforts in that area. Although he could not release names, he revealed that two different companies committed over the last two days to the region that will bring over 1,400 jobs. He said there has been increased interest in activity because of Faraday Future and HyperLoop, and their cutting-edge research in development. He said both companies have attracted global visibility.

Ms. Lewis asked what the timeline was for Faraday Future to start releasing cars to the market.

Mr. Hill said that Faraday Future has not announced a date, but thought they were looking to start car production and delivery approximately two to two and one-half years after breaking ground.

Ms. Lewis sought clarification, asking if cars would be released in the 2017-19 biennium, and Mr. Hill stated they would not.

Chairman Wiles stated how remarkable it was to see the progress in attracting companies to Nevada, and gave credit to Mr. Hill and his team, the Governor, and everyone else involved. He said it was exciting to see both Southern and Northern Nevada be on the short list of so many globally interesting companies making a global impact.

Mr. Hill brought attention to the Switch site of nearly 6 million square feet, which is under construction near the Tesla facility and will be home to the largest data center complex in the world. He noted that Northern Nevada will have two of the largest projects in the world within 1.5 miles of each other.

Mr. Hill mentioned that prior to his position at GOED, he was a founder of the largest concrete supplier to the residential industry in Las Vegas. He asked to speak briefly in regard to the housing industry, because of its significance to tax revenue in Nevada. He said the sustainable pace of housing growth to support both the Reno-Sparks MSA and the Las Vegas MSA markets is approximately double the housing starts that are occurring now. Mr. Hill said housing permits peaked in Southern Nevada at 40,000 in 2006, whereas current permits totaled 7,500 to 7,800, which he considered surprisingly low given the recovery; the Reno-Sparks MSA mirrored those numbers on a smaller scale. He said he expected a pop to occur in the housing market over the next couple of years, because the current level of availability is unsustainably low due to vacant homes that are filling and the number of people who are living in each home. Mr. Hill indicated that a sustainable level of home building in Las Vegas is in the 18,000 to 20,000 home range per year; however, Las Vegas is building less than 50% of that now. He noted at some point housing growth will have to pop because of pent-up demand.

Chairman Wiles said it is interesting to see actual data and the growth in forward forecasting versus speaking to people in the marketplace where there is a feeling that things are getting frothy, which can be a reaction to what happened seven years ago when it was frothy and we pulled back. He said there are real fundamental demand drivers that can help sustain this growth, and not just tourist traffic. He said clearly construction is still the major portion of the state's economic base, but the diversification is going to help us through our next process, with more long-term demand drivers.

Mr. Hill agreed, and stated that construction makes up 6% employment in Nevada whereas 10 years ago, during the housing bubble, it made up 11% in Northern Nevada and 12.5% in Southern Nevada. He said the market can get frothy both from a volume of construction standpoint as well as a price standpoint, but warned that increasing land prices could lead to another bubble. He indicated that from 2003 to 2005, the price of residential acreage in Southern Nevada jumped from 200,000 an acre to $800,000 an acre, which is an unsustainable price to pay given the state's wages. He noted the current price of land is approximately $400,000 per acre, which is sustainably solid if it stays in that range. He reiterated that significant growth in cost is a sign of another bubble, and a problem.

## VII. PRESENTATION ON THE NEVADA NEW MARKETS JOBS ACT (CHAPTER 231A OF NRS).

*Terry Reynolds, Deputy Director, Department of Business and Industry, Office of Building and Planning*
*Karen Schnog, Management Analyst, Department of Business and Industry, Office of Building and Planning*

Mr. Reynolds stated that the Department of Business and Industry (B&I) will complete a final report relative to the Nevada New Markets Jobs Act (NMJA) before the Forum's December 2016 meeting. He summarized there are approximately $193,953,000 worth of investments with the NMJA that will translate into a deduction of approximately $116 million in Insurance Premium Tax credits from the General Fund over the next five years. He said the program resulted in $79,700,000 worth of federal new market tax credits coming into the state whereas over the last 10 years there was only about $26 million worth of federal tax credits or about $8 million worth of direct investment. He clarified that currently there is about $26 million worth of federal direct investment stacked along with the NMJA tax credit program in Nevada. The MNJA tax credit program has resulted in 33 business investments in 22 qualified low-income businesses. In 9 of these 22 businesses, multiple community development entities CDEs) invested in the same business.

Mr. Reynolds reported that the CDE investors plan on taking full tax credits from 2015 to 2020. He said approximately $13.9 million actual adjusted tax credits were taken in FY 2015 and approximately $25.9 million were taken in FY 2016, leaving $76,105,668 to be taken through 2020 (page 3, Exhibit D). He noted the NMJA tax credit program is awarded on a state fiscal year basis; however, those tax credits can be carried into the next fiscal year.

Mr. Reynolds said the majority of the qualified low-income businesses have been in the program just over a year. He said two new businesses will open in the next two months, the Eclipse Theater project in downtown Las Vegas and Rising Star Ranch in Mesquite (youth sports center), and three businesses were still in the process of building their manufacturing lines. Total program results to date include 627 newly created full-time equivalent jobs; an estimated $65 million in current and future earnings impact; $68 million estimated in capital expenditures, such as equipment and land construction. He said future earnings plus the capital investment totals approximately $133,556,517 based on activity to date. The program results do not take into effect plan growth, reinvestments, or additional capital that may be invested in these projects. He said about 50% of the projects were doing very well and exceeding expectations, and gave special recognition to Northern NV Hopes, Tortillas Incorporated, Superior Linen and PLI Las Vegas.

Mr. Reynolds stated that because most businesses are in their first year of operations; the percentage of economic impact to the state is all over the map. He said some CDE percentages of impact increased from 55% to 179%, and from a business standpoint, from 4% to 429%, based on capital expenditures. He said he expected the percentage of economic impact to stabilize after the first year of operations (page 5, Exhibit D).

Mr. Reynolds indicated that B&I's annual report relative to the NMJA would be available by year-end, and would include the assessment of taxes paid by the businesses to state and local governments and additional impact assessment. He noted that his slides displayed figures from 2015 and the early part of 2016, so the numbers for the full year were not captured.

Mr. Reynolds introduced Ms. Karen Schnog, Management Analyst, Department of Business and Industry, and stated she would speak to the calculations that were run to determine the economic impact from these businesses.

***Karen Schnog, Management Analyst***
***Department of Business and Industry, Office of Building and Planning***

Ms. Schnog explained that Emsi's Earnings Output model was used to run data on each business, and focused on future income earnings based on the current increase in employment, which included multipliers related to direct, indirect and induced employment. She referred to the example on page 63 (Exhibit A), which represented PLI Las Vegas, LLC. After running an earnings output for each business, she produced results that showed what industries would be affected by new jobs produced from the NMJA (pages 65 - 67, Exhibit A). She said the demographic data shows the majority of the hiring is relatively even across males and females, and across the age groups that tend to show unemployment (page 68, Exhibit A).

Mr. Reynolds stated it was important to note that the businesses going into these low income areas typically hired people who had been unemployed and who fell in the 40-60-year-old age bracket. He noted the average earnings per job at PLI Las Vegas, LLC is approximately $50,000 per year, which is a substantial impact on the community, especially when reviving a company and the jobs within that area. He said it is difficult to show immediate impact, but expects substantial impact going forward by the jobs these businesses are creating and the workforce impact they are having in specialty areas. Mr. Reynolds stated that B&I is planning on highlighting individual businesses in their year-end report. He said he has some very exciting examples of companies that have done extremely well by picking up a substantial amount of contracts within this area and nationally.

Mr. Leavitt referred to the scenario results on page 68 (Exhibit A), specifically the change in jobs in female and male groups age 65 to 99. He stated that was a positive statistic for those people that find it difficult to find employment.

Mr. Reynolds stated the impact affects many occupations, thus the data distributes the way it shows on page 68. He said statistics in terms of what was initially classified as unemployable typically pointed to older employees. He said B&I is seeing the result of businesses coming back into these low-income areas and hiring more experienced people, which seem to be older citizens.

Chairman Wiles stated it was challenging at this early stage of the NMJA program to know if the program is producing a return, or the amount of return, and that other objectives exist that cause secondary effects, which makes the success of the program more difficult to measure. He noted the numbers presented were helpful, but the impacts of the program needed to be figured out.

Mr. Reynolds said the program is looking at running a positive impact of about 19% over the investment and is expected to grow. He said the calculation of wages in the employment sector tend to be very healthy right now, and that B&I is watching the trend. Additionally, with some businesses approaching the two-year mark, there should be enough data to determine the taxes being paid and the amount of revenue going back to local governments. Mr. Reynolds stated that B&I will be more concise in the future regarding the actual local fiscal impact that some of these businesses are having. He acknowledged the social impacts made by these businesses.

Chairman Wiles said another area that is hard to measure is whether the program helps to stabilize an employment base in a particular community. He said without that employment base there could be higher crime rates, higher insurance costs, etc, which also cannot be measured. He said the hope is to show there is a 19% return plus additional positive aspects to what the program provides.

Mr. Reynolds noted that the businesses in the NMJA program are typically located in low-income areas within the core of a community or downtown area, which typically suffers when communities grow and expand outside the core. Mr. Reynolds stated the NMJA program shows reinvestment back into the core area of a community.

**IX. 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.**

*Heather Korbulic, Executive Director, Silver State Health Insurance Exchange*
*Janel Davis, Communications Officer, Silver State Health Insurance Exchange*
*Nicholas Stosic, Insurance Regulation Liaison, Department of Business and Industry, Insurance Division*
*Glenn Shippey, Actuarial Analyst, Department of Business and Industry, Insurance Division*

Ms. Korbulic summarized the subject matter relative to her presentation per the agenda on page 70 (Exhibit A). She said in 2016, open enrollment ran from November 1, 2015, to January 31, 2016. The Silver State Health Insurance Exchange (Exchange) was in its second year of utilizing Healthcare.gov as its enrollment and eligibility platform, and it was the first year that the Centers for Medicare and Medicaid Services (CMS) and Healthcare.gov offered auto reenrollment for consumers. Ms. Korbulic said leveraged relationships with brokers and agents for enrollment assistance increased enrollment dramatically, not to mention improved consumer experience during the signup process on the NeavadaHealthLink.com and Healthcare.gov websites. Additionally, the Exchange implemented a robust marketing and outreach campaign that focused strongly on social and digital media presence, along with the traditional direct and digital mailers. She said the campaign was designed for under-insured populations. She said the Exchange was able to development community partner and stakeholder lists, which were able to generate more interest and engagement at the events held through consumer outreach (page 71, Exhibit A).

Ms. Korbulic stated that enrollment through the Exchange grew 20% in Plan Year 2016 compared to Plan Year 2015. She said the Exchange had a very good understanding of their consumers; therefore, they were able to design messaging and outreach specific to them. There was collaboration between state agencies, including the Division of Insurance, the Division of Welfare and Supportive Services, and the Medicaid agency, along with community stakeholders, which helped to align the same message and unified goal to provide access to health insurance for uninsured Nevadans. Ms. Korbulic said the Exchange was able to certify health care plans in state, which offered more flexibility and better communication than those states ran through federally facilitated marketplaces.

Ms. Korbulic provided a snapshot of Plan Year 2016, which included the following:

- 88,145 individuals selected a marketplace plan.
- 74,804 enrollees as of September 2016, down from 78,258 enrollees in March of 2016, a 15.7% decrease. This trend is in line with previous erosion trends and national Affordable Care Act (ACA) erosion trends
- 65,555 consumers (87.6%) received advanced premium tax credits.
- 43,685 consumers receive cost savings reductions of approximately 58.3%.

Ms. Korbulic said the landscape for plan year 2017 open enrollment includes three qualified health plan carriers, including Anthem (health maintenance organization [HMO], preferred provider organization [PPO] and small business shop plans); Prominence, formerly known as St. Mary's; and Health Plan of Nevada. Plans through the Exchange will average a rate increase of 11.93%, and will have four dental carriers, down from the previous year, including Alpha Dental, Delta Dental, Best Life, and Rocky Mountain (Anthem).

The Exchange was able to leverage offseason grant funds to create an offseason marketing campaign, allowing the Exchange to engage in underinsured and uninsured populations, defined as tribal, Hispanic, millennials, self-employed, 50+ and rural populations. Ms. Korbulic reported that consumer education was targeted toward those populations over the last year and will continue through open enrollment 2017. Face-to-face enrollment assistance with brokers, agents navigators and in-person assistors, who receive grant funds from the Exchange, will be encouraged. Ms. Korbulic stated the Exchange is working on grassroots, data-driven marketing through digital modeling, and is closely working with their advertiser vendor on social media. Additionally, inter-agency cooperation through WARN, DETR, and JobConnect has been established to reach out to individuals who may be losing their jobs, thus losing their insurance.

Chairman Wiles asked Ms. Korbulic to define "erosion trend," referenced on page 73 (Exhibit A).

Ms. Korbulic replied that erosion trend means an enrollee through the Exchange rolls off their plan into either Medicaid or a different QHP or stops paying their premium and loses coverage.

Chairman Wiles asked what the penalty was for not carrying insurance.

Ms. Korbulic said the current penalty is equal to either 2.5% of the individual's income or a flat rate amount of $695, whichever is greater.

Chairman Wiles referred to page 74 (Exhibit A), quoting the average rate increase on the Exchange for 2017 is approximately 12%, which is substantially higher than the inflation rate. He asked if the Exchange measures increases in average deductibles and copays.

Ms. Korbulic replied that the Exchange did not, but could research his request and provide the results to the Forum.

Chairman Wiles remarked that the average rate increase of the premium is only part of the cost, and that increased deductibles and co-pays can mask the true increase in the cost of these plans. He asked how sustainable the three carriers are in terms of their commitment to remaining in the state.

Ms. Korbulic said she is constantly assessing the sustainability of the health plan carriers. She relayed that contracted insurance companies that offer Medicaid Managed Care plans are required to sell them on the Exchange. She noted that Anthem and Health Plan of Nevada are both managed care contractors.

Chairman Wiles sought clarification as to whether Prominence was a managed care contractor, and Ms. Korbulic confirmed they are not.

Mr. Leavitt asked how the 11.93% rate increase compared to the total increase of health insurance in Nevada.

Ms. Korbulic deferred the question to the Division of Insurance.

Glenn Shippey, Actuarial Analyst, Division of Insurance, stated the Commissioner of Insurance approved an overall average rate increase of approximately 10.7% for the individual market.

Mr. Leavitt acknowledged that the Exchange's average rate increase was a little higher, and wondered if it was because the Exchange was enrolling people who could not otherwise get insurance.

***Nicholas Stosic, Insurance Regulation Liaison***
***Department of Business and Industry, Insurance Division***

Mr. Stosic relayed that he would define the regulatory role of the Division of Insurance (DOI) in the state of Nevada, and discuss economic impacts of the insurance industry relative to the state.

Beginning on page 78 (Exhibit A), Mr. Stosic explained that the gross domestic product (GDP) in Nevada is generated by financial institutions. The major sectors of the financial institutions in Nevada are banking and the securities industries, which are both regulated by the federal government, and the insurance industry, which is regulated by the state. He said the insurance industry in Nevada represents and produces approximately 30% of the GDP in Nevada, whereas nationally the insurance industry produces 7% of the nation's GDP. Mr. Stosic indicated that historically insurance was regulated at a state level, going back to the mid-1800's, because of the assumption of uniqueness in risks, such as hazards related to weather or risk in unique industries, such as gaming and mining.

Mr. Stosic said the DOI has two primary regulatory functions: 1) To monitor the solvency of licensed insurance carriers doing business in Nevada, and 2) To regulate the insurance market to insure that Nevada has a healthy and competitive marketplace for its citizens, in all lines of insurance, and to make sure that carriers are treating policyholders and claimants fairly. He explained that the state regulates insurance products for auto, home, life and commercial needs, but also regulates the sale of certain goods or services, such as home service contracts, warranties, and prepaid funeral and cemetery contracts.

Mr. Stosic summarized the following information relative to Nevada's insurance industry:

- Insurance carriers and their related activities employ approximately 11,500 Nevadans. He noted the U.S. Department of Labor estimates that number at over 18,000 Nevadans.
- The DOI has offices in Carson City and Las Vegas, and currently employs 85 full-time staff.
- The DOI investigates consumer complaints through its Compliance and Enforcement unit in Las Vegas, where approximately 3,300 complaints by Nevada consumers were handled in the past 12 months.
- There are 58 insurance companies in Nevada, licensed and domiciled, that currently have 1,544 licensed insurers doing business in the state.
- The insurance industry paid over $31 million to the state in fees, licenses, assessments and fines in FY 2016.
- $13 billion in insurance premiums were sold in Nevada.

Mr. Stosic reported the Insurance Premium Tax (IPT) is the fourth largest State General Fund revenue source. The DOI saw a drop in premiums, written in Nevada, of approximately $600 million in 2009 and another drop of $100 million in 2010. He said, looking back at the recession, the industry remained relatively recession-proof with only a 5% drop in premiums and revenue collected. In the five-year period from FY 2012 through FY 2016, the IPT grew 6.8%, with three years reporting growth of 5.4%. Mr. Stosic stated the IPT is comprised of the following insurance products sold in the state: property and casualty insurance (30%); life insurance and annuities (24%); and health insurance premiums (44%).

***Glenn Shippey, Actuarial Analyst***
***Department of Business and Industry, Insurance Division***

Mr. Shippey reported that health insurance premiums for all markets combined has grown about 8% per year since 2012, while the number of Nevadans covered under commercial market health benefit plans has risen only slightly during that time. He said most of the growth occurred in the individual market, a direct result of the Affordable Care Act (ACA), due to the elimination of medical underwriting, effective January 1, 2014, and because subsidies were made available through the Silver State Health Insurance Exchange. He noted the Individual Market loss ratios from 2013 through 2015 showed deterioration (page 84, Exhibit A).

Mr. Shippey mentioned there was some contraction in the small group market due to the ACA. He said a principle reason was because there is no tax penalty on small employers for not providing health insurance benefits to employees. He said prior to 2014, some businesses opted to provide coverage because employees or dependents of employees with medical conditions had no other option, but because individuals now have options, they can purchase through the Exchange or outside the Exchange for themselves and their families.

Relative to the large group market, Mr. Shippey said most people with large group health plans are covered under self-funded plans that are regulated by the U.S. Department of Labor. Large group market plans are regulated by the DOI; however, by statute, the rates are not regulated by the DOI. He said the large group market has stability in terms of the number of covered lives and loss ratio results, and that premium growth since 2013 was due mostly to medical inflation. Mr. Shippey reported that medical inflation compounded with utilization generates the medical trend, which is running between 6% and 8% increases per year, depending on the plan type.

Mr. Shippey brought attention to some market trends, including increasing health care and pharmacy costs; shifting of cost share to the individual, such as increased deductibles, copays, coinsurance, and maximum out of pockets; growth in the individual market; and a decline in the small group market. He said the American Community Survey (ACS) results recently released by the U.S. Census Bureau show that in 2015, the uninsured rate in Nevada has decreased to 12.3%, down significantly from in excess of 20% just a few years ago. Consolidation in the industry has been recognized in both Nevada and nationwide, which could impact competition and premium rates.

In closing, Mr. Shippey highlighted the following details relative to estimating enrollment and premium for 2016 and 2017:

- The individual market grew to 142,000 covered lives as of March 31, 2016.
- The ACA penalty will be at its maximum point, starting calendar year 2016 at 2.5% of household income. Additional individual market growth is expected as a result of this penalty in 2017 and into 2018.

- The Commissioner of Insurance approved a 10.7% rate increase; therefore, premiums are expected to increase, but will be partially offset by a decrease in benefits (referring to the cost shift to the individual, including the increase in deductibles and other cost-sharing components within a plan).
- The Commissioner of Insurance approved a 4.48% premium increase for the small group market effective January 1, 2017. Growth in this market is not expected.
- Improving economic conditions and business growth is expected to result in some enrollment growth in the large group market for 2016 and 2017.
- A national survey done by the Kaiser Family Foundation showed the average premium for large group policies rose approximately 3% for 2016 compared to 4% for 2015. Nevada observed a premium increase slightly above 4% for 2015.

Chairman Wiles stated that in terms of the Forum's forecasting objectives, attention is applied toward disruptions or possible exogenous or endogenous disruptions to markets, and ultimately to what might follow after those disruptions occur. He questioned whether the current insurance market, and the structure that is currently in place, is sustainable with the increasing costs, higher deductibles, and term ratios. He noted that other states are losing insurance companies, and that Nevada plans are subject to an approximate 12% premium increase, whereas nationally increases are reported as high as 50%.

Mr. Shippey said changes occurred in the individual market as a direct result of losses sustained by the carriers. Prior to 2014, the individual market was dominated by PPO plans, but PPO carriers have since scaled back. He reported that Anthem pulled its PPO plans off the Exchange in Southern Nevada for 2016 and that the largest PPO writer in the individual market, Sierra Health, is not going to be selling new plans off of the Exchange. Other PPO carriers are pulling out for 2017. Mr. Shippey relayed that managed care plans with tighter provider networks are performing better in Nevada, and nationally, so carriers are adjusting to that. He said this means networks are narrower, individuals and family members will endure a higher cost share, and there will likely be a more aggressive level of managed care to deal with.

Chairman Wiles thanked Mr. Shippey for his outlook on insurance trends in the marketplace. He reiterated his concern regarding higher deductibles, copays, and cost shares, and referred to them as hidden increases in the cost of health care that could ultimately impact economic development growth in the state. He said high premiums and high deductibles are not the health benefit that consumers were expecting, and that many consumers feel they are double paying. He noted that hidden costs are also reflected in delays that occur in the appointment scheduling process.

Chairman Wiles called a recess at 11:28 AM.

The meeting reconvened at 11:39 AM

**X. PRESENTATION ON THE COMMERCE TAX APPROVED BY THE LEGISLATURE IN THE 78TH REGULAR SESSION (CHAPTER 363C OF NRS).**

**A. Structure of the Tax**

**B. Actual Collections for FY 2016 by Business Category**

**C. Modified Business Tax Rate Reduction Provisions in NRS 360.203**

*Deonne Contine, Director, Department of Taxation*
*Jeremey Hays, Economist, Department of Taxation*

Ms. Contine stated that the 2015 Legislature enacted, and the Governor signed, a tax on commerce in Nevada known as the Commerce Tax. She explained that the Commerce Tax is a tax on business entities in Nevada, and certain requirements under the statute will determine which entities must file the tax. A business entity is defined as an entity that is incorporated with the Secretary of State; or is either a limited liability company (LLC), a corporation, or some other incorporation with the Secretary of State; or the entity is engaged in business and doing business in the state; and not be one of the exemptions from the statute. She said it also includes natural persons who conduct some type of business activity or file some type of return with the federal government for income. There are exempt entities, including a natural person not engaged in business, governmental entities, non-profits, and credit unions. Additionally, there are unique exempt entities from the Commerce Tax modeled on federal income tax, and entities that are not considered businesses; therefore, do not have to report income tax.

Ms. Contine reported that relative to the implementation of the Commerce Tax, an issue arose with an entity that was subject to the Commerce Tax, but did not have any revenue. Statute states that each entity is required to file a return whether it has $4 million in revenue or not, which is due on August 15, 45 days after the end of the state's fiscal year. She said a 30-day extension was offered for good cause, for which several thousand requests were received. There is also a waiver of interest and penalty for the failure to file a return timely, specifically written into S.B. 483, which was the bill that enacted the Commerce Tax. Ms. Contine noted the waiver is a general provision offered for other taxes administered by the Department of Taxation (Taxation), as well when the tax payer does not file timely, using ordinary care, without intent or will.

Ms. Contine explained the $4 million threshold relative to the Commerce Tax, stating the tax payer calculates its revenue and then deducts $4 million. She said if the entity has no revenue or limited revenue, or revenue less than $4 million, the entity is required to check a box on the return that denotes their revenue is less than $4 million, which is ultimately submitted to Taxation. She said the revenue is situs to Nevada, stated specifically in the bill, and includes the full market value of property or services received, and debt transfers are forgiven. A detailed list of the revenue that is not included on the return can be found in the instructions for the return, and is mirrored from the statute. She noted the term "situsing" is in section 22 of S.B. 483, which is used to calculate Nevada gross revenue. She noted there were regulations enacted in the last year that flushed out some of the requirements.

Ms. Contine relayed that the Commerce Tax has several deductions associated with it, which are listed on the return. However the return does not list a deduction for cost of goods sold or other business expenses, or state anywhere that the deductions are allowed only to the extent that they are included in the gross revenue. She said Taxation has conducted numerous trainings and presentations over the last year, and recommended training to those entities that have questions or are confused about the Commerce Tax.

Ms. Contine communicated that the Commerce Tax rate is based on an industry code and a classification code issued by the North American Industry Classification System (NAICS), which is determined by the taxpayer on the first tax return they file for the Commerce Tax. There is a regulation that provides a process for a taxpayer to change its NAICS code, if needed.

Ms. Contine referred to page 99 (Exhibit A), Commerce Tax Credit against Modified Business Tax (MBT). She explained that Commerce Tax taxpayers can receive a credit towards their MBT up to 50% of their Commerce Tax liability. She said an issue surfaced during the regulatory process with an entity that has multiple entities, with one entity designated specifically as the group's payroll provider; therefore, regulations were adopted by the Nevada Tax Commission for a process to allow those types of groups to apply to Taxation to have their entity designated as their payroll provider, and then take the credit to the extent that they would have MBT liability for the entities that also had gross revenue. Additional regulation that was adopted clarified that if an entity has a Commerce Tax liability, and does not pay the tax, then that entity cannot receive the credit until the liability is paid. Ms. Contine said the Commerce Tax credit that can be applied to the MBT can be carried forward to the following quarter, so Taxation expects to see the first credit toward the MBT when the entities file their first FY 2017 MBT tax return in November of 2016. She said Taxation reported Commerce Tax collections of $143,507,592 for FY 2016, which was up 19.76%, or $23.6 million, from the May 2015 forecast of approximately $119 million.

Ms. Contine acknowledged a document that she submitted outside the meeting packet in regard to the NAICS codes and their tax rates and collections (Exhibit E). She said the codes are listed in statute, and are organized by how they appear in statute. She summarized that the larger business sectors within Nevada's economy, such as Retail and Food Services and Accommodations, provides a large amount of the Commerce Tax revenue, which is consistent with what Taxation sees in other tax types collected by the their department.

Mr. Leavitt asked if Taxation experienced any problems with the tax returns filed by the businesses, and if there were many outstanding returns.

Ms. Contine stated the process went smoothly. She accredited her team at Taxation for their efforts in informing and educating the taxpayers. She said the call center lit up as the return deadline approached, but all hands were on deck to manage the volume. She said Taxation has an online filing system, which worked well, and an e-mail system that allowed taxpayers to submit questions relative to the Commerce Tax. From July 1, 2016, through the Commerce Tax deadline of August 15, 2016, Taxation responded to 5,000 e-mails. She said there are approximately 333,000 incorporated entities at the Secretary of State's Office; however, Taxation did not have 333,000 returns, so Taxation was still analyzing filing status records. Taxation suspects there are many entities that have no revenue or very limited revenue; therefore, they may have not have filed or known about the tax. She said based on collections and the data reviewed so far, Taxation believes they have received returns from a decent majority of the entities required to file the Commerce Tax.

Mr. Leavitt asked Ms. Contine why actual Commerce Tax collections for FY 2016 were greater than the estimate made in May of 2015.

Ms. Contine stated the data was being analyzed; however, she was not involved in projecting the estimate; therefore, did not have any insight.

Mr. Russell Guindon, Principal Deputy Fiscal Analyst, Legislative Counsel Bureau stated that the forecast was based on analysis done by Jeremy Aguero, Applied Analysis, and without having a lot of real world data for Nevada, data was used from other states (Texas and Ohio) that have a similar tax. Mr. Guindon speculated that the data available at that time, which was recalibrated into Nevada's economy, was probably dated in relation to the economic recovery that was actually occurring in Nevada. He also admitted that the forecast may have just been missed.

Mr. Leavitt said it was hard to project potential revenue when the Modified Business Tax first took effect. He remarked it was fortunate that Commerce Tax collections were on the high side given a couple of other taxes were underperforming.

Chairman Wiles asked where gaming fell in relation to the Commerce Tax distribution by NAICS schedule, provided by Taxation.

Ms. Contine replied there are various gaming categories in the NAICS schedule (722, 721 and 71). She said if the gaming occurred at a hotel/casino, it would fall under accommodations, but if the gaming occurred at a place where you go to only play slots, then it would fall in a different category.

Mr. Guindon pointed out that the Commerce Tax excludes gaming revenues that are subject to the Gaming Percentage Fee Tax. He said a non-restricted gaming entity, such as casinos, is subject to the Gaming Percentage Fee Tax under the law, so those entities do not count that revenue in calculating their Commerce Tax gross revenue. An entity in a restricted gaming location, where the revenue coming from gaming operations is not subject to the Gaming Percentage Fee Tax, would include their gaming revenue in the Commerce Tax calculation.

Ms. Rosenthal asked if mining was structured similarly.

Ms. Contine concurred, stating there are several deductions that can be applied, if applicable, to determine gross revenue. She said the industry category assigned to the business entity governs the rate and calculation of payroll taxes. She noted the Insurance Premium Tax (IPT) is another tax that is excluded from a business entity's revenue when calculating their Commerce Tax.

Mr. Guindon added that because certain businesses are already taxed on gross revenue, such as the Gaming Percentage Fee Tax, Insurance Premium Tax, and Net Proceeds of Minerals Tax, there is a constitutional argument in regards to taxing the gross revenue of mining operations. The distinction, with regard to the decision by the Governor and the Legislature, relative to what to include and exclude from the revenue, could be based on legal issues and/or policy decisions. He reiterated the policy decision was made not to include gaming revenue and insurance premium revenue in the Commerce Tax.

Ms. Contine stated that S.B. 483 includes a provision that makes technical adjustments after the collections for the MBT and the Commerce Tax is done, and based on that number, the MBT tax rate could be adjusted.

***Jeremey Hays, Economist, Department of Taxation***

Mr. Hays referred to the table on page 101 (Exhibit A) of his presentation and reported that actual collections (net after tax credits specific to the MBT only) for the Modified Business Tax (MBT), Commerce Tax, and the Branch Bank Excise Tax combined came to approximately $708 million, whereas the forecasted total (net after tax credits specific to the MBT only) for those same taxes amounted to approximately $684.3 million. He said there is a trigger threshold of 104% of the forecast that comes in at approximately $711.6 million, which was $3.5 million above actual collections; therefore, the rate buy down was not triggered.

Mr. Guindon explained that relative to the Commerce Tax, the Legislature asked for a provision to lower the MBT rate, because as part of the revenue package approved by the Legislature and signed by the Governor, the MBT on non-financials was raised from 1.17% to 1.475%. Therefore, legislation approved in S.B. 483 a provision for a MBT rate buy down. The policy behind the statutory language states that at the end of every two years, in even-numbered years, a calculation of the combined total of the Commerce Tax, the MBT collected under Chapter 363A and 363B in the NRS, and the Branch Bank Excise Tax, be performed to determine if actual collections are greater than 4% of the forecast, based off the preceding fiscal year. If so, both the 2% MBT tax rate and the 1.475% MBT tax rate could be lowered in proportion. He said those rates will then apply for the next two years, until the rate buy-down calculation is performed again. Mr. Guindon said it is important to note that if the rate buy down does not kick in, the 1.475% rate for the MBT for the non-financials will remain in place for the estimates prepared by forecasters for FY 2018 and FY 2019, and the 2% rate will remain in place for the forecast done for the MBT on financials and mining entities for their forecasts for FY 2018 and FY 2019. The important element is that there are no rate change, so all the forecasts will be based on the same rates going forward, but then every two years an assessment will need to be done to determine if there is a rate buy down. The forecasters as well as the Forum will have to take the rate buy down into account in their deliberations.

Ms. Rosenthal admitted that she was unfamiliar with the expenditure side of the budget, and asked if the MBT and the Commerce Tax part of the General Fund is spent generally or if it is dedicated to a specific program or expenditure.

Mr. Guindon clarified that both the Commerce Tax and all Modified Business Taxes are 100% General Fund. He maintained that the Economic Forum is statutorily required to produce projections for unrestricted General Fund revenue, meaning that it goes into a pool and the money can be used to fund the General Fund budget without any earmarks or restrictions on its use.

## XI. REPORT AND DISCUSSION OF FY 2016 ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM MAY 1, 2015, FORECAST, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2015 SESSION AND TAX CREDIT PROGRAMS APPROVED BY THE LEGISLATURE DURING THE 2013 SESSION, THE 2014 SPECIAL SESSION, THE 2015 SESSION, AND THE 2015 SPECIAL SESSION.

Mr. Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau began his presentation with TABLE 1 on page 103 (Exhibit A), a table that compares actual collections for FY 2015 and FY 2016 to the Forum's forecast, as well as all other forecasts that were presented at both the December 3, 2014, and May 1, 2015, forecast meetings for each of those fiscal years. He briefly summarized the data applicable to each column, and noted the most relevant information pertained to the Percentage Fees Tax, the Insurance Premium Tax, and the Modified Business Tax, the three revenue sources affected by various tax credit programs. Because all of the forecasters, including the Forum, forecast gross revenue, and in order to obtain an apples-to-apples comparison between the forecast and actual collections, the applicable, actual credits taken were added to the actual amount that corresponds with the forecast. For example, for the IPT, the numbers itemized for both FY 2015 and FY2016 are slightly higher than the actual amounts that the DOI presented due in part to those credits. Additionally, he noted that TABLE 1 reflects legislative actions approved during the 2015 Session. For example, he pointed out a new portion of the MBT, labeled MBT–Mining (page 104, Exhibit A), which places the same 2% tax rate on mining companies, subject to the Net Proceeds of Minerals Tax, that the financial institutions currently pay. Mr. Nakamoto said the forecasts shown in TABLE 1 have been adjusted by the Fiscal Analysis Division to reflect those actions, because not all of the forecasters had the information regarding changes made to specific revenue sources. He also brought attention to the Commerce Tax, stating the Economic Forum's adjusted forecast for FY 2016 was $119,826,000; therefore, Fiscal staff applied that forecast to all of the forecasters, otherwise their forecast would have been zero.

Mr. Nakamoto discussed the Business License Fee listed on page 105 (Exhibit A), stating this annual fee was originally supposed to drop from $200 to $100 effective July 1, 2015; however, the 2015 Legislature decided to make the $200 permanent for all businesses, except corporations which increased from $200 to $500. He said based on that legislatively approved action, the Fiscal Analysis Division made adjustments to the

Business License Fee forecasts made by the Forum, the Agency, the Fiscal Division, and the Budget Division. He noted that the Economic Forum's May 1, 2015, forecast for that revenue source came within $6,000, or approximately 0.01%, of actual collections.

Mr. Nakamoto said the information in TABLE 1 reflects the performance of the Economic Forum and the forecasters based on gross revenues. He drew attention to the last entry on page 106 (Exhibit A), TOTAL GENERAL FUND REVENUE, and pointed out that actual collections were approximately $15.5 million, or 0.4%, above the Economic Forum's May 1, 2015, gross estimate forecast (before tax credits).

Mr. Nakamoto turned to TABLE 2, page 109 (Exhibit A), which shows actual collections compared to the December 3, 2014, and May 1, 2015, forecasts. He explained that TABLE 2 includes every revenue forecast that was approved by the Economic Forum, not just the major/minor revenues. The table is specific to FY 2016 General Fund revenue and accounts for tax credits. He referred the committee to page 111, and highlighted GL 3061, Insurance Premium Tax Before Tax Credits, which showed actual collections (gross) for FY 2016 of $335,118,754, which is approximately $15.8 million above the December 3, 2014, forecast ($319,349,000) and $11.1 million above the May 1, 2015, forecast ($324,063,000). He explained that the grey shaded rows represent tax credit programs that can be taken against the IPT, and reported that actual credits taken in FY 2016 amounted to approximately $26 million of New Markets Job Act (NMJA) tax credits, reported by the Department of Taxation. He noted the December 3, 2014, forecast showed $24 million in NMJA tax credits were projected to be taken against the IPT. Mr. Nakamoto said the Fiscal Division attributed the discrepancy to the fact that Taxation collects the IPT and reports it on a fiscal year basis, but it is actually based on a calendar year. He indicated there is some discrepancy on how the credits are taken by the insurance companies versus how the credits are actually used, and when aggregated, a spillover occurs during the conversion. In the case of the IPT, approximately $2 million more tax credits were used in FY 2016 than what was anticipated due to this difference. TABLE 2 shows the Insurance Premium Tax After Tax Credits amounted to actual collections of $309,113,304 in FY 2016 compared to a net (after tax credits) forecast made December 3, 2014, of $295,349,000 (a difference of approximately $13.8 million) and the net forecast made May 1, 2015, of $300,063,000 (a difference of approximately $9 million).

Mr. Nakamoto shifted attention to the bottom of TABLE 2 on page 113 (Exhibit A), TOTAL GENERAL FUND REVENUE: AFTER COMMERCE TAX CREDITS. He pointed out there were no Commerce Tax credits taken in FY 2016; therefore, FY 2016 actual collections (yellow column) represents the total General Fund gross revenue amount. He said actual collections were above the May 1, 2015, forecast by approximately $15.5 million, which carries over from TABLE 1.

He reported that actual tax credits used for all tax credit programs combined totaled approximately $55.2 million, which was $23.6 million less than what was anticipated (approximately $78.9 million). Mr. Nakamoto referred to the $23.6 million difference as positive revenue; therefore, TABLE 2 shows that amount being added back to the total General Fund net revenue (approximately $15.5 million), which resulted in a total

General Fund balance of approximately $39.2 million above the forecast, or a 1.1% difference.

In closing, Mr. Nakamoto recognized the FY 2016 General Fund Status Report – September 2016 Update, prepared by the Fiscal Division (page 119, Exhibit A). He noted the report would be posted to the Nevada Legislature's website after the meeting. He said the report is a written summary of all the information presented under agenda item XI, and specifically mentioned the table on page 122 (Exhibit A), a one-page summary that highlights gross revenue, net revenue, and tax credits for all the major and selected minor revenue sources.

## XII. REPORT ON FORECAST ACCURACY BY FORECASTER FOR SELECTED REVENUES.

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

Mr. Nakamoto stated the forecast accuracy report on page 127 of the meeting packet (Exhibit A) is prepared as part of an Economic Forum process that is performed on an annual basis. The report was last presented at the Forum's December 10, 2015, meeting, but has been updated for FY 2016. He said the report provides analysis for major revenues and the total General Fund dating back to FY 1995. It measures the performance of the Economic Forum, as well as the forecasters, including the Agency, Fiscal Division, Budget Division, and the outside reviewer who does sales and gaming forecasts, which is currently Moody's Analytics. The report compares each of the forecasters' forecast to actual collections, and tracks their historical performance.

Mr. Nakamoto said the accuracy report has been updated for FY 2016, and includes forecast error results for all revenue sources in the total General Fund for the one-year ahead forecast that was approved at the December and May meetings for the last cycle. To show an example, he directed the members to the bottom of the table on page 144 (Exhibit A), State 2% Sales Tax – Forecast Error Analysis By Forecaster. He pointed out that the FY 2016-2017 2-Year Ahead forecast and the 2015-17 Biennium Combined Forecast were blank cells, because the information has not been compiled yet since FY 2017 was not over. He then moved to the FY 2015-2016 column, which shows that all of the forecasters missed the forecasts. He said the actual collections were below the forecasts, hence them being all negative. This is the percentage forecast error for all of the forecasters, which would correspond with the dollar amounts that are shown in TABLE 1, Agenda Item XI. Mr. Nakamoto stated he was not going to elaborate any further, but if there were any specific questions about the numbers, he could provide the supporting tables, which would actually show the dollar amounts.

Chairman Wiles referred to the Biennium Forecasts for total General Fund revenue on page 142 (Exhibit A) and asked if the average error over the life of the Forum was 0.4%.

Michael Nakamoto stated that 0.4% was the average growth forecast error. He explained that there is an implied growth rate that is involved with the forecast based on the current biennium growth forecast versus the previous biennium total, so all biennium forecasts done by the Forum, over the life of the Forum, resulted in an average growth rate forecast error of 0.4%. He said in terms of the Forum's forecast compared to actual collections, the average and absolute average percent forecast error for the biennium is what the Forum should be looking at, which reflects an average error of -0.2%, an absolute average forecast error of 5.6%. Using a target to further explain, Mr. Nakamoto said if all of the positive and negative forecast errors were averaged together, the average error would result in the 0.2% range; however, the average distance from the center of the target would result in a 5.6% absolute average error.

**XIII. PRESENTATION OF INFORMATION REQUESTED BY THE ECONOMIC FORUM AT THE JUNE 9, 2016, MEETING.**

**A. Relative Weights of the Components of the Consumer Price Index**

**B. Historical Monthly Comparison of the Major Components of Taxable Sales**

Mr. Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division explained that Agenda Item XIII was created as a result of specific information requests that were presented to staff by members of the Economic Forum at their June 9, 2016, meeting. He directed the committee to page 181 (Exhibit A) of the meeting packet to address relative weights of the components of the Consumer Price Index (CPI), specifically, the contribution of energy (fuel prices). He said the statistics used in the table on page 181 are published on the Bureau of Labor Statistics website.

Mr. Guindon pointed out that under the Transportation category, motor fuel weighed in at approximately 3% of the CPI. He communicated that typically the Forum has seen the CPI broken out in two ways, with and without the energy component, and that the energy component actually makes up between 7% and 8%, combined. The energy component includes the fuel commodities, which not only includes gasoline and other fuels, but also electricity and gas for your home. Mr. Guindon indicated the fuel component of the CPI is what is holding down the overall CPI, because of low gas prices. He said not only do fuel costs directly affect consumers, but as fuel and energy costs rise, those costs reverberate through the business sector and reach consumers in other fashions, such as in increased costs of food, clothing, and costs associated with owning a home. Mr. Guindon acknowledged other components of the CPI, such as housing (approximately 42%) and medical care (approximately 8%), which from time-to-time exhorts its influence on the growth in the CPI. He reported that calendar year-to-date, through August 2016, compared to January through August of 2015, the CPI was only up approximately 1%. He commented on inflation and why it was still so dormant, especially with all the money that the Federal Reserve was trying to inject into the economy during the quantitative easing phases of the recovery. He questioned the energy sector and the influence it has to keep prices somewhat dormant for consumers.

Mr. Guindon moved on to the second part of this agenda item, stating it was a request made by member Marvin Leavitt. He directed the members to TABLE 1 on page 183 (Exhibit A), Statewide Taxable Sales By Month For Selected NAICS Business

Categories. TABLE 1 provides information on a month-to-month basis, going back to July of 2014, for the six major business or NAICS categories that the Department of Taxation reports on monthly. He explained there are four sets of tables: TABLE 1 represents statewide statistics; TABLE 2 represents Clark County; TABLE 3 represents Washoe County; and TABLE 4 represents the rest of the state. TABLE 1 (statewide) shows the top six NAICS categories actually account for approximately 61% of the total taxable sales (page 184, Exhibit A), with the largest category being the Food Services and Drinking Places category. Mr. Guindon noted that these statistics include purchases made by Nevada citizens and visitors. The Food Services and Drinking Places category accounts for nearly 25% of the taxable sales on a statewide basis, whereas Clark County (page 185) makes up almost 26% of taxable sales. The second biggest NAICS category is Motor Vehicle and Parts Dealers, which accounts for approximately 12% of the statewide taxable sales.

Mr. Guindon turned his focus to a question proposed earlier by Mr. Leavitt, during Mr. Bonnenfant's presentation, relative to Washoe County's 15% increase in taxable sales (second quarter of FY 2016). Mr. Guindon pointed out on page 187 (Exhibit A), that the Food Services and Drinking Place category grew by 10.2% in Washoe County in FY 2016 and Motor Vehicle and Parts Dealers grew by 11.4%, where several months grew over 15%. He highlighted the Merchant Wholesalers, Durable Goods category, which grew double-digits in both FY 2015 and FY 2016. Mr. Guindon thought the taxable sales growth rate charts for Washoe County, TABLE 3, would help clarify some of Mr. Leavitt's concerns.

Mr. Guindon referred to the taxable sales charts by NAICS category for Clark and Washoe counties, as well as statewide, that are prepared by the Fiscal Division and posted on the Nevada Legislature's website. Mr. Guindon noted these charts are the same charts that will be addressed in Agenda Item XIV. He reported that Nevada's statewide taxable sales has clearly risen above the prior peak, along with Clark and Washoe counties, but some of the smaller counties that saw substantial growth during the recession, possibly related to mining projects and/or the renewable energy projects at that time, are now retracting. Mr. Guindon said the charts will help give a better understanding of the taxable sales trends as sales tax forecasts are presented to the committee in November and December. He noted that taxable sales is an indicator with regard to employment and wages in the economy as well.

Mr. Leavitt quoted statewide taxable sales increases in Motor Vehicles and Parts Dealers of 7.2% (page 183, Exhibit A) and Building Material and Garden Equipment Supplies of 8.3% (page 184). He observed that both categories came in higher than estimated, yet Sales and Use Tax actual collections in FY 2016 came in lower than what the Forum estimated by -1.9% (page 103). He was concerned that both of these NAICS categories sell products that are many times paid for through credit financing. He compared these NAICS categories to statewide taxable sales for General Merchandise Stores, which only grew by 1.5% statewide in FY 2016; which is substantially less than the total estimate of growth and is something that is paid out-of-pocket. He said if these two categories were not in there, we would be substantially worse off than we show. Mr. Leavitt said he noticed an article in the national news reporting that automobile sales on a national level have plateaued and are starting to drop off. He noted he was curious about what this information would show when he requested it, stating the results show what he was fearful of.

Chairman Wiles found this leverage effect interesting. He questioned whether people are borrowing to finance the consumption of bigger consumer items while the other items are coming down. He recalled a cycle between 2008 and 2010 when many people did not purchase vehicles, followed by a replacement period, followed by a leveling-off period. He said the interest rates are still low, but long-term rates became cheaper as short-term rates increased. Chairman Wiles verbalized that the Federal Government's balance sheet in 2007 was roughly $800 billion, and now it is close to $4 trillion. He said the Federal Government flooded the market with money, but now it cannot lower the rates anymore to drive consumer demand. He asked, "What happens now?"

Marvin Leavitt found it interesting that taxable sales was growing at a higher rate in Washoe County than Clark County; however, he stated that Washoe County was a much smaller percentage of total taxable sales than Clark County, and that it did not make up the difference He also wondered how much of Washoe County's growth was affiliated with Tesla and their employees.

Chairman Wiles said Washoe County's growth was encouraging, because for so many years it had been weak, even off a smaller base.

Marvin Leavitt stated that the presentations he heard at this meeting reported strength in housing and employment, yet the sales tax was lagging. He wondered if that meant people were buying items not subject to sales tax.

Ms. Rosenthal suspected that more people were just trying to save money, and Chairman Wiles agreed that people became more cautious after the recession.

Ms. Lewis agreed, and mentioned more people were making online purchases; however, those purchases should be picked up by Taxation.

Marvin Leavitt commented that with sales tax being Nevada's largest General Fund revenue source, not much information has been available for FY 2016-17.

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

Mr. Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, briefly touched on this agenda item above, under Agenda Item XIII. The updated tables are posted on the Nevada Legislature's website.

**XV. 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*

Mr. Reel began his presentation on page 191 (Exhibit A). He said total nonfarm employment at the U.S. level is measured from the prior peak to the most recent quarter (2016Q2), and that both the U.S. data and the statewide data is aligned at the same ending period of the second quarter of 2016. He said U.S. employment has returned to above its prior peak by 4.1%; however, past records showed that Nevada has not reached their prior peak. He explained that his charts reflected the average for the second quarter, whereas other presenters used monthly numbers in their projections that show Nevada's previous peak was met. Additionally, this data is measured regionally, which shows Las Vegas had met its prior peak but Washoe County had not. He suspected that the chart on page 193 (Exhibit A) would reflect an increase after the implementation of third-quarter data.

Moving on to employment growth rates, U.S. versus Nevada, on page 194, Mr. Reel reported that long-term employment growth, nationally, was up approximately 1.7% since 2010Q4, for which it then flat lined at the 2% level. Nevada's long-term employment growth peaked around the fourth quarter of 2014 at approximately 4%, and is increasing at a decreasing rate of just above 2%. He noted that some of his prior forecasts showed employment growth remained at the 4% level.

Mr. Reel briefly touched on population growth in Nevada, which is approximately 2%, and below 1% at the national level (page 195, Exhibit A).

Flipping through his presentation, Mr. Reel made the following statements relative to the U.S. Consumer Price Index:

- The chart on page 196 measures select CPI components from the first quarter of 2000 to the second quarter of 2016, and shows the volatility associated with the energy sector.
- The overall inflation rate increased to approximately 1% in the first quarter of 2016, and has been flat at that level through the second quarter of 2016.
- The food component has been declining since the fourth quarter of 2014, and is only growing at just under 1% in terms of its contribution to the CPI (page 198).
- The energy component is down 10% year-over-year; however, it was down about 20% a few quarters prior to that. The energy component is the major factor driving down the overall CPI rate (page 199).

Mr. Reel discussed the growth of U.S. total personal income and total wages and salaries, stating growth over the prior peak for both series was approximately 25% and 23% to 24%, respectively. He observed that the growth rates for both series are close in terms of the growth rate above the prior peak; however, when compared to Nevada, Nevada's total personal income was just 18.5% above the prior peak and wages were only 7.5% above the prior peak. He recalled a comment made by Mr. Bonnenfant, stating that Nevada's personal income was driven by something other than wages. He said the Fiscal Division looked at dividend income and other factors, but believes the shift to some of the transfer payments in government assistance is also playing a role in that discrepancy.

Mr. Reel referred to the chart on page 202 (Exhibit A), U.S. vs. Nevada Personal Income Growth Rates, and pointed out Nevada's decline since the fourth quarter of 2005. He said Nevada has been below the national average in terms of growth in personal income for quite some time; however, Nevada exceeded the national average in the first quarter of 2014 and has kept that position.

Relative to the U.S. versus. Nevada wage and salary growth rates, Mr. Reel reported that Nevada was growing at a faster rate than the U.S. with a wage growth above 5%, which had not been seen since 2008. He said Nevada's wage and salary growth was a result of economic activity.

Mr. Reel explained that he measures U.S. per capita income in both nominal terms (17.4% above the prior peak) and in real terms (page 204, Exhibit A). He said real growth has been observed in the last several quarters, which was due to the CPI being so low the last couple of years. Similar to the U.S., Nevada's per capita income, in nominal terms, grew 5.7% above the prior peak, but in real terms, growth still sat approximately 10% below the prior peak.. He said since the third quarter of 2013, real per capita personal income growth in Nevada had been observed. He brought attention to the chart on page 206 that compares U.S. and Nevada per capita personal income, and stated that since the recession, the gap between the two grew bigger than it had been historically; however, the gap was narrowing. He noted that Nevada's per capita personal income growth on inflation adjusted terms is not quite recovering.

Mr. Reel stated that Nevada's per capita income growth rate was holding with the national average, which had not been the case for quite some time. Both the U.S. and Nevada were growing in the 2.5% range. He noted that Nevada has been lockstep with the national growth rates, both in nominal and inflation adjusted terms.

Mr. Reel reported that U.S. wages per employee grew 17% since 2008, and on inflation-adjusted terms, grew 4.1% since the first quarter of 2007. Relative to Nevada's wages and salaries per employee, growth increased by only 7.7% since the first quarter of 2008, and still sits -4.6% below the previous peak, fourth quarter of 2007, on inflation adjusted terms. However, he noted that real growth has increased over the last two years. Mr. Reel referred to the wages and salaries growth rate chart on page 214 (Exhibit A), and pointed out that Nevada hit the 3% growth rate level in the fourth quarter of 2015, which had not been seen since 2008. He also noted that Nevada's growth rate is exceeding the national average, both in nominal and inflation adjusted terms.

Relative to median household income, Mr. Reel said another observation point was added since his last presentation, which shows an increasing trend since 2011, both nationally and in Nevada.

Lastly, Mr. Reel touched on Nevada General Fund revenue per $1,000 of personal income, including Actual FY 2016 results, which showed an increase attributed to tax changes.

Chairman Wiles commented on the close correlation in numbers between the U.S. and Nevada in so many of the slide series presented by Mr. Reel. He observed that in 2008 and 2009, the differences in rates between the U.S. and Nevada were moving in opposite directions at times. He said although Nevada's growth rates are slightly lower, the rates almost mapped each other. He thought it was a positive sign that the same factors that affect national economic conditions are more often affecting Nevada's conditions, whereas historically, the economy in Nevada was driven by gaming. He thought Nevada's movement to diversify its economy may tighten the correlation between the U.S. numbers and Nevada's numbers.

Mr. Reel agreed, and said that components of the GDP, such as manufacturing, which historically has been behind the nation in terms of the share of the economy, has shifted. He said construction is beginning to resemble more of the national sector again.

Chairman Wiles commented that 34% of the Las Vegas Strip revenues are driven by gaming; thus gaming companies have diversified by adding day pools, restaurants, shows, etc. He agreed that the construction component of the GDP is driving growth in Nevada.

Mr. Guindon added that Nevada's economy is more stable and looked more like the other 49 states. Prior to the recession, Nevada probably was growing much faster than the other states, so that is why we always outpaced the U.S. numbers, but then because of that, Nevada got hit the hardest during the recession.

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

Mr. Guindon announced that future Economic Forum meetings are scheduled for November 10, 2016, and December 6, 2016. He explained that the Technical Advisory Committee (TAC) to the Economic Forum will meet prior to those meetings to come up with the consensus forecast for the minor General Fund revenues, which is ultimately presented to the Forum and a consensus decision is made amongst the members. He said a discussion took place at the Forum's June 9, 2016, meeting, in regard to adding the Commerce Tax and the Cigarette Tax to the set of major General Fund revenue sources. Currently the major General Fund revenue sources includes the State 2% Sales Tax, Gaming Percentage Fee Tax, Insurance Premium Tax, Modified Business Tax, Live Entertainment Tax - Gaming, and the

Real Property Transfer Tax. Mr. Guindon said he needed instruction from the Economic Forum as to whether the Commerce Tax and Cigarette Tax should be added to the set of major General Fund revenue sources, and if the TAC should compile a consensus forecast for presentation to the Forum at the November 10, 2016, and December 6, 2016, meetings. He said the tax credits will be presented to the TAC, to be treated as a minor General Fund revenue source. Mr. Guindon explained that staff at the Budget Office, Department of Taxation, the Gaming Control Board, GOED, and the Fiscal Analysis Division will work together to produce estimates of tax credit amounts that are subject to the various tax credit programs for FY 2017, FY 2018, and FY 2019, which are then presented to the TAC for consensus. He said, if a consensus cannot be reached, then the estimates relative to the tax credits would be presented to the Economic Forum for consensus.

Mr. Guindon explained the Economic Forum's forecast process in regard to the major General Fund revenue sources, which can be impacted by one or more of the tax credit programs. To keep the process consistent with what the Forum had done historically, the forecasters will forecast on the gross (before tax credits) revenue, present the forecast to the Forum, the Forum will make a decision for those major General Fund revenues forecasts on the gross, then approve a forecast for the tax credits, and subtract that off the gross forecast.

In closing, Mr. Guindon suggested that staff add the Commerce Tax and the Cigarette Tax to the list of major revenues, continue to forecast gross revenues, and have the TAC take care of everything, including the tax credits, which will all be brought forward for discussion, consideration and approval by the Economic Forum. He reminded the Forum that forecasts presented at the November 10, 2016, meeting, will be preliminary; therefore, action will not be required. He clarified there is nothing that prohibits the Forum from taking action and approving a forecast at the November meeting; however, historically the members listen to the forecasts and wait until December to make a formal forecast.

Chairman Wiles instructed staff to treat the Commerce Tax and the Cigarette Tax as major General Fund revenue sources, and to have the TAC estimate the tax credits and come up with a consensus forecast. He said the Forum will forecast based on gross numbers and then net out the aggregate of tax credits that comes up in their final estimate. He said the Forum's formal forecast will be made at the December 6, 2016, meeting.

## XVII. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

Chairman Wiles confirmed that future Economic Forum meetings are scheduled to take place in Carson City on November 10, 2016, and December 6, 2016.

## XVIII. 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.)

Chairman Wiles asked if there was anyone in Las Vegas or Carson City who wanted to make a public comment. There was no public comment.

## XIX. ADJOURNMENT.

Chairman Wiles thanked everyone who presented and prepared information for the meeting. On behalf of the Economic Forum, he expressed sincere gratitude to the team that pulls the data together to allow the Forum to evaluate it and form forecasts to help the Governor and the Legislature. He said the quality of work is outstanding.

The meeting adjourned at 1:08 PM.

Respectfully submitted,

________________________________
Judy Lyons, Committee Secretary

APPROVED:

________________________________
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.**

**MINUTES OF THE MEETING OF THE**
**ECONOMIC FORUM**
**(NRS 353.226 – NRS 353.229)**
**November 10, 2016**

The meeting of the Economic Forum (created by Senate Bill 23, 1993) was held at 9:00 a.m. on Thursday, November 10, 2016, in room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada, with videoconference to room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada.

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

**ECONOMIC FORUM MEMBERS PRESENT IN CARSON CITY:**
Ken Wiles, Chairman
Marvin Leavitt
Jennifer Lewis
Linda Rosenthal

**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
Judy Lyons, Committee Secretary, Fiscal Analysis Division
Susanna Powers, Executive Branch Economist, Governor's Finance Office,

**EXHIBITS:**

| | |
|---|---|
| (Exhibit A) | Meeting Packet and Agenda |
| (Exhibit B) | New Labor Market Overview, Department of Employment, Training & Rehabilitation |
| (Exhibit C) | Gaming Revenue Forecasts for FY 2017 – FY 2019, State of Nevada Gaming Control Board |
| (Exhibit D) | Executive Budget Office Forecast |
| (Exhibit E) | Fiscal Analysis Division Forecast Information Packet |

## I. ROLL CALL.

Chairman Wiles called the meeting of the Economic Forum to order at 9:13 a.m., and the secretary called roll.

## II. OPENING REMARKS.

Chairman Wiles announced that various revenue forecasts would be presented to the Economic Forum (Forum) for review for future consideration, and made it very clear that the forecasts are subject to change between this meeting and the Forum's December 6, 2016, meeting, when the Forum will adopt specific revenue forecasts and subsequently provide them to the Governor and the Legislature.

Chairman Wiles implied certain changes will occur over the next one to four years, as a result of the presidential election, and challenges lie ahead with identifying those changes, their effective dates, and their potential impact to the state budget.

## III. PUBLIC COMMENT.

Chairman Wiles asked if anyone wanted to make a public comment in Las Vegas or Carson City. There was no public comment.

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

*Daniel White, Senior Economist, Moody's Analytics*

Mr. White shared his surprise over the outcome of the presidential election, and stated the results added a tremendous amount of uncertainty to his forecast. He said he cannot make concrete changes to his forecast without knowing what policies President-elect Trump will pursue, whether they will be directly in line with what he proposed during his campaign or otherwise. He said he expected more moderate policy changes over the next few years that are different from the baseline. He pointed out that his forecast was made under the baseline of a continuing status quo in Washington D.C., and that Moody's Analytics' (Moody's) federal fiscal policy baseline looked very much like the Congressional Budget Office (CBO) baseline, which assumed a lot of Congressional gridlock and no major policy changes. He noted his forecast would likely change, considering the Executive Branch and both chambers of Congress are controlled by the same party; however, he could not identify those changes at this time.

Mr. White stated the U.S. was in a good place when it came to the current economic cycle, meaning the U.S. was very close to the top of the business cycle. He said the U.S. has been in the expansion portion of the business cycle for seven years, which was the third or fourth longest expansion in modern American history. Mr. White referred to the chart on page 4 of the meeting packet (Exhibit A), and acknowledged the labor market as a good indicator of the business cycle. He pointed out the labor market no longer reflects huge declines seen in previous years, meaning the country is close to full employment, and that unemployment (orange line) has not seen significant increases despite the large increases in the labor force, which signifies there is sufficient slack in the labor market to absorb new workers.

Mr. White said the hiring rate is no longer on the rise nationally, which indicates the U.S. has reached the top of the business cycle. Although that may seem like a negative outlook, it justifies wage growth. He said job openings continue to increase nationwide across all regions of the country, but with lower hiring rates. Increased job openings means employers cannot find the workers they want to fill those jobs. He explained that an increase in demand, but a limited supply, increases the price of an additional unit of that supply, which is why wages have shown strong growth over the last few months. He said this scenario is vital to the economic outlook, because it has not been around for much of the recovery thus far, and is one of the reasons why people have not felt a recovery over the last seven years, especially in certain pockets of the country. Mr. White said the latest jobs data received at the beginning of November 2016, prior to the General Election, did not show huge increases in total employment, but saw healthy increases in the wage rate, which suggest we are nearing the peak of the business cycle.

Mr. White said a side effect of peaking in the business cycle is that wage rates and income levels normalize. He referenced the wage growth chart on page 6 (Exhibit A), and stated that two or three years ago, the entire central part of the country was shaded in green (greater than 4.8% wage growth), from North Dakota to Texas, due to the commodity bubble at that time that reflected strong increases in agriculture and energy income and nonwage income, which makes up the majority of income in the central part of the country. He said nonwage income makes up a significantly lower portion of overall income in the coastal areas (highlighted in green), with a few possible exceptions being capital gains and other investment-related incomes. He said as nonwage income emanates to the coastal areas, and more red (less than 3.1% growth) appears in the center of the country, two things become symbolic: 1) The downturn of a commodity cycle, and 2) wage rates start to normalize. Mr. White remarked that the increase in wages is good for sales taxes, because nine times out of ten, the American consumer will spend that additional personal income, thus the nation-wide job growth increase in leisure/hospitality and retail industries. He stated the housing market is strong in both Nevada and nationally; however, structural changes in the housing market, coming out of the great recession, have caused struggles with his outlook.

Mr. White provided a summary of trend housing demand, calculated by Moody's, that identifies housing demand in what Moody's determines a normal year.

- Vacation/second homes (175,000) – this is a stable number, which was unbelievably stable during the great recession. Mr. White stated that any person who could afford this type of home before the great recession probably has the same fortune.

- Obsolescence (325,000) - this classification refers to an aging home that is no longer habitable or is being replaced due to damage from a natural disaster.

Mr. White said these homes are more volatile from year-to-year, but should be very strong over the next 6 to 12 months given some of the tragedies that occurred in the southeastern part of the country in 2016. During the depths of the great recession (2009-2010), approximately 500,000 to 550,000 units were being built per year.

- Household Formations (1,200,000) – the demand for household formations disappeared during the great recession, as many college students at that time were jobless and moved home for financial reasons rather than formed their own households, like what typically occurs in a normal business cycle. Mr. White said Moody's saw cases where parents moved in with their children to curtail childcare expenses and because parents' lost their jobs and could not find work due to their age, specifically between 2008 and 2012. He said based off prerecession trend, approximately 3.5 million households failed to form during the great recession.

Mr. White reported the demand in household formations spilled out into the housing market, triggering strong growth in home prices over the last two or three years. He said the spillover included approximately 1.5 million households that should have formed five or six years ago; thus the significant increase in housing demand. In terms of pent-up demand, approximately 2.0 million units did not spill into the housing market. Mr. White noted that Moody's argued over the last several years that home building should have increased 1.7 million to 2.0 million units per year as demand spilled onto the housing market, compared to the 1.2 million units built per year. He said a structural change has been observed in the market that impacts the capability to physically build 1.3 to 1.4 million units per year, whereas prior to the great recession, 1.8 million to 2.0 million units were built per year with regularity. Mr. White reported the Western Region of the United States, including the Rocky Mountains to the West Coast, was considered the golden child in terms of housing growth over the last several years; however, the pace of demand could not be met and caused strong home price growth seven years into the business cycle. He said the structural constraints over the last several years eased in part because home builders and commercial contractors are no longer competing with the energy industry for building materials, which has caused some of the price pressures to ease up, especially in Nevada. However, the existing constraint is the lack of skilled construction workers due to the great recession, thus the inability to meet demand. He noted the pipeline of apprenticeships in the skilled trades was somewhat weak going into the great recession, which has triggered construction wages to rise as a result, specifically in Nevada and Colorado. Breakneck growth in housing demand has contributed to 6 and 12-month waiting periods relative to scheduling workers to the jobsites.

Mr. White said Moody's Analytics revised their housing forecast over the last several years due to uncertainty relating to the 1.7 million unit target and its feasibility. He said housing completions is a variable used by Moody's in their sales tax forecast, because it relates to the amount of taxable durable goods associated with building a house, both in terms of construction and furnishings. Another changing factor to their forecast is the decreasing number of single-family homes being built. He said in a normal year, two-thirds of the houses built nationally are single family and one-third are multifamily; however, that has flipped since the recession. He attributed the flip to the downturn in homebuyers due to job losses and lower credit profiles, which ultimately compelled people to rent despite the double-digit rent increases. He noted that credit profiles have leveled out, nationally and statewide, and single-family homes are on the rise.

Mr. White reported that, per Quarterly Census Employment and Wages (QCEW) data, construction employment is leveling off due to the lack of qualified construction workers. He said the QCEW is updated quarterly by the Bureau of Labor Statistics (BLS), and includes a full count of employment and wages. He explained that surveys are generated, consisting of a couple thousand people in each state, and based off the results, data is extrapolated to determine the number of people that are employed or losing jobs in each state. Those numbers are then benchmarked back to the QCEW, which is a full count of all the jobs in existence. He said results show a high likelihood that Nevada employment, at least over the first quarter, will revise upwards in construction and other job sectors. Nevada has a long history of being very difficult for the BLS to hit precisely, mostly because there is a lot of retail and hospitality jobs, which experience a lot of turnover. Trying to keep up with the turnover in the number of firms with the state can be difficult for the BLS to do without the full count of the QCEW. He reported that Nevada had one of the largest payroll upward revisions in 2015, and sizeable revisions are expected in 2016 as well. He noted exact numbers would not be available until March of 2017.

Mr. White reported tourism hiring in Nevada is on the rise, and pointed out that leisure/hospitality jobs were missed by the BLS survey data; therefore, the QCEW first-quarter numbers in 2017 are expected to show an increase in that industry (page 11, Exhibit A). He confirmed that increased growth in leisure/hospitality jobs is a positive sign for both the U.S. and Nevada economy, because it means people are feeling comfortable enough to take vacations again, whereas in prior years they did not. Another positive outlook is that strong hiring is not only occurring in leisure/hospitality low-wage hires, but also in mid to high-wage jobs located mainly in the Reno and Sparks area as a result of Tesla.

Mr. White recognized Northern Nevada for their efforts to redevelop its economy and for taking advantage of some competitive gains relative to Northern California. He said Northern California is immensely popular, but an immensely expensive place to do business. With access from Reno to Northern California via Interstate 80, distribution centers are becoming more attracted to the area, offering mid-wage jobs. Mr. White expressed if Reno can build off that cost competitiveness without making development mistakes over the next several years, it would be a huge benefit to the area.

Mr. White shared some changes that occurred since his first trip to Reno six years ago.

- Nevada Balance sheets are shaping up: 2011 and 2012 showed a large amount of housing inventory on the books, mostly due to foreclosures and short sales, which have since been worked through. Housing shortages are reflected in some areas, and credit profiles of the average Nevadan are looking good again for single-family homebuilding and continued development without forming a bubble at this stage of the business cycle (page 13, Exhibit A).

- State Tax Revenue, U.S. versus Nevada: The pace of growth in state tax revenues nationwide saw declines in four consecutive quarters (page14, Exhibit A). As of the second quarter of 2016, state tax revenues nationwide declined year-over-year. The U.S. economy portrays roughly 2% gross domestic product (GDP) growth with wages coming back, and unemployment below 5%, yet tax revenue is down. As a result, state and local government contributions to the GDP have declined in two of the last three quarters, because of changes to state spending habits over the last few quarters. Relative to structural changes, Mr. White explained that tax revenues have become more volatile nationally than in the past. From 2001 to 2010, state tax revenues were three times more volatile than the economy upon which they were levied. To put simply, when comparing the standard deviation between year-to-year percent growth in state tax revenues and the standard deviation for the nominal GDP, the deviation relative to tax revenues was three times larger, which has never happened before.

Mr. White summarized the following structural changes:

1) States that incorporate a personal income tax have become much more progressive over the past 10 to 15 years, showing productivity in the tax code. The side effect of that productivity is the small number of taxpayers relied upon for an increasing amount of tax revenue. The taxpayers at the very high end of the tax spectrum can fluctuate in revenue from year-to-year, $12 million one year versus $5 million the next. Mr. White said in terms of portfolio theory, you are putting a lot more of your portfolio in a very volatile asset, and so your overall tax revenue will be more volatile.

2) A tremendous increase has been observed in the number of tax incentives that have been added to state tax structures. Mr. White said he did not demonize or glorify tax incentives, but they have to be done with a tremendous amount of prudence. As a side effect, tax incentives distort the relationship between what is going on in the economy and what is going on in terms of tax revenue. For example, when forecasting sales tax using disposable personal income, the relationship between the two may have been very constant from 1950 to 2012; but may not be constant going forward. Mr. White said a tremendous amount of distortions exist that state revenue forecasters are not identifying, so states that implemented more economically-targeted tax incentives, controlling whether they have more or less economic growth, have struggled with making accurate revenue forecasts, because of the uncertainty related to the amount of incentives being used, and when they will be used. He said a poor job of tracking incentives can throw off an entire revenue forecast, which could lead to a special session in order to figure out what is going on. Mr. White noted that structural issues will continue to exist because economically-targeted incentives are not going away.

Mr. White discussed the following idiosyncrasies, or once-in-a-lifetime events, in terms of how sales taxes have grown over the last two years:

1) Consumers have a tremendous amount of savings because of lower gasoline prices, lower heating prices, and lower prices in general, but they are not spending those savings. Going back to large decreases in energy prices in the commodity cycles seen in the past, never has it resulted in a large, short-term bump in consumer spending. Mr. White attributed part of the reason to the tremendous amount of uncertainty in the country's future fiscal and monetary policies. Additionally, the great recession produced a very risk-diverse generation. He said people aged 20 to 34 are not spending money the way their parents or grandparents did at that age, partially because people are getting married later, having kids later, and buying homes later. A bigger reason is tied to the recession, where this age group saw the outcome of underwater mortgages. He said people in the 20 to 34 age group are not willing to purchase a home until they have the 20% down payment and their student loans paid off. He said this behavior will affect the forecast over the near term; however, over the long term, it is probably a plus that they are spending less money than prior generations. Mr. White noted, until a happy medium is reached, more people will continue to hold on to the extra savings received at the gas pump.

2) The impact on the sales tax forecast stems from the assumption that a bump would transpire from gasoline taxes over the last one-and-a-half years, but that did not occur, and threw off a lot of forecasts. He said overall consumer prices per the Consumer Price Index (CPI) or the Personal Consumption Expenditures (PCE) Price Index, used by the Federal Reserve to measure inflation, is currently measured at 1.6 to 1.7%, which is much better than it was a few years ago when secular stagnation was a concern. Mr. White stated this is not the type of price growth expected at this point, seven years into the business cycle, but instead, inflation typically rises above the Federal Reserve's target at this stage, which triggers a rate increase to tamp down inflation, subsequently leading to another recession over time. Inflation has not risen above 2% yet, mainly due to the energy markets and the flow-through associated with that market. He reiterated that, even without a car, energy savings will filter its way down to everyone's wallet in some form or another, either through lower heating costs or in the price of goods that are purchased. Mr. White expressed that sales taxes are levied on a nominal basis, so even if consumers have more money in their pockets and are buying more absolute goods, if the taxable value of those goods is not appreciating, then sales taxes are not going anywhere.

Mr. White reinforced that the above reasons are why an overwhelming amount of states missed their sales tax forecasts over the last two years. Discussions with advisors at the National Association of State Budget Officers (NASBO) revealed that 34 or 35 states missed their sales tax forecast over the last two years, and some of them missed it by a good deal, mostly because of price changes in consumer goods and construction materials, which is why more people are building homes. He said those homes are not producing the same sales tax bump, because one unit of housing built today is not worth the same amount of money in sales tax generated a year or two ago. He noted that in the summer of 2016, lumber was down almost 12% year-over-year.

Mr. White indicated that over the last 30 years, consumer prices have never fallen as much at this point in a business cycle. He said most sales tax models in place are not built to capture this event; therefore, models used by Moody's Analytics were refurbished to change how they account for prices. He said price indices are used as an interaction term, and are used in Moody's sales tax forecasts. He said, although Moody's forecast shows a weaker sales tax forecast now than past forecasts, it is still significantly more aggressive than some of the forecasts that will be presented at this meeting. He stated that his forecast reflects great optimism, and urged major caution because of that.

Mr. White added context to his point, and directed the Forum to page 17 of the meeting packet (Exhibit A). He stated that before any price changes were added to the model used in the Moody's sales and use tax forecast, their forecast for FY 2017 was over 7%. Accounting for those price changes took the forecast down almost 0.75% in terms of year-over-year growth compared to just over 6% for FY 2016 (without the changes in price). He said actual data shows the percent change from a year ago is approximately 4.2%. Using those same variables that were available two years ago, Moody's backtested their model to see how they could hit that 4.2%, and the results of the forecast came in around 4.7% or 4.8%. He said incorporating those price indices will add significantly more accuracy to the sales tax forecast over the next few years, and alerted the Forum to be acutely aware of that going forward. Continuing, Mr. White said the Moody's forecast assumes those price changes are temporary, and in no way assumes low inflation is permanent, thus the forecast reflects stronger growth for FY 2018 and FY 2019 at 9% and 7%, respectively. He said that goes hand-in-hand with increased homebuilding, and expects to see continued increases in the labor force, which should relieve some of the supply constraints, bringing U.S. homebuilding back to approximately 1.5 or 1.6 million units per year. He clarified that number did not reflect Moody's forecast three years ago, but was probably 300,000 units higher than what is being built nationally today. He said there is still a significant amount of risk related to people buying homes, so the supply constraint ceiling might be lower than expected, which provides a significant amount of downside risk to this forecast. Another downside risk is the price of homes, so if secular stagnation occurs, where inflation does not rise much above 2% over the next several years and goods do not appreciate going forward, then the forecast will be much different.

Mr. White communicated that Moody's Analytics provides alternative economic scenarios to their clients, especially their banking clients. Assumptions play a key role in the forecast, and one wrong assumption can throw off the whole forecast. He said Moody's tries to provide as many different views of the world as possible to fit the proper risk profiles for their clients. He said they stress test revenue forecasts in certain states for secular stagnation to help understand revenues going forward. Mr. White explained that when Moody's used the S-5 scenario for their sales tax forecast, which is a secular stagnation similar to what Japan experienced in the 1990's, the 9% sales tax forecast fell to approximately 5% due to assuming minimal increases in the price of goods, the minimal increase in construction and housing, and weak construction growth. Again, he placed caution with Moody's sales tax forecast going forward.

Mr. Maddox referred to page 15 (Exhibit A), a chart that shows increasing spread in prices comparable to goods and services, which relates to dollars spent by consumers. He said the spread appears to be widening at a very rapid pace with consumers spending more money on services than goods. He asked if he was interpreting the chart correctly.

Mr. White concurred, but stated the chart was also showing the change in prices over time for both goods and services.

Mr. Maddox relayed that even if the amount of purchased goods and services remained the same, the price of services is going up and the price of goods is stagnant, so more money is going to services. He asked how that would factor into Moody's sales and use tax forecast if the gap in pricing continued to widen, with more dollars going to services. He asked if that was already taken into account in Moody's forecast.

Mr. White stated his forecast does take Mr. Maddox's concern into consideration, mostly because consumer preferences are not expected to change much. In terms of the number of services versus the number of goods, the Moody's forecast assumes that goods prices will begin to recover as inflation rises, especially in energy markets. Mr. White said as the price of oil comes back, prices increase, which narrows the gap going forward. He noted that assumption has a lot of risk to it.

Mr. Leavitt conveyed that current articles imply that automobile manufacturers are expecting substantially lower sales than in the past several years, and asked how that relates to Nevada specifically, since auto sales are a significant component of Nevada's sales tax.

Mr. White replied that Moody's expects all sales in general to cool significantly over the next several years, which again, is attributed to the location in the business cycle. He said interest rates are going to increase over the next several years, and in regard to the replacement cycle, a large amount of auto sales is not anticipated over the next several years. However, in terms of how that is captured in the sales tax model, Mr. White explained that Moody's tests for specific explanatory variables that get included in the model, and vehicle registrations are always included because of the absolute number of taxes that come from vehicle sales and because vehicle registrations are a great proxy for large durable goods purchases in general. His justification was, if you can buy a car, you might be in a position to buy a new refrigerator or a boat or something else that is large in durable goods. He said when the model is run against Nevada sales taxes, it consistently shows up as being insignificant. Mr. White clarified that automobile sales do make an impact on the forecast, but not enough in conjunction with the other variables used, such as disposable personal income, U.S. recreation spending or homebuilding, to influence the forecast one way or another.

Mr. Leavitt stated that, measured by the number of people employed in construction, Nevada has seen a fairly good rebound in construction, which is reflected in the construction component of sales tax. However, total sales tax shows less growth than what was estimated two years ago, meaning the components other than construction are not doing as well as expected. He asked where construction was headed in Nevada over the next two years.

Mr. White proclaimed that the value of construction being put in place has disappointed, because the amounts and costs of durable goods purchases going into the construction activity is not worth what it was three years ago. Looking at overall construction activity, Nevada is building at its late 1990's pace. Mr. White said his forecast assumes an increased pace of building comparable to the early 2000's, and that it never assumes prerecession peaks. Even with high demand, he said there is no indication that homebuilding in Nevada would ever physically meet prerecession peaks, nor would we want it to given what happened during the great recession. The Moody's forecast is much more moderate than if statistical relationships from the past were included. For example, three years ago, Moody's national forecast projected approximately 1.8 million units of housing would be built based off their assumption of demand. Mr. White said the models were right, but the models did not know what the supply constraints were relative to homebuilding, which is not built into the historical relationships. Therefore, manual adjustments were made to those equations to better fit the new reality. He relayed that he believes there will be a significant increase in building over the next two years, with a higher value of construction than seen over the last two years. Mr. White noted there is significant downside risk to what those supply constraints will levy on the housing market going forward.

Ms. Rosenthal referred to the sales and use tax forecast on page 17 (Exhibit A), and recalled Mr. White's mention of forecasts for FY 2016 and FY 2017 being lower than what the model originally generated, because of factoring in the declining base. She pointed out that he also mentioned he did not expect the declining base to be sustained forever, and that prices were expected to rise. She asked if that assumption was reflected in this forecast for FY 2018 or FY 2019, and if not, at what point did he expect prices to come back.

Mr. White replied that prices are presumed to come back in FY 2018. He said in terms of monetary policy, meaning only looking at inflation, the position in the business cycle is not at a point where the Federal Reserve needs to raise interest rates based solely on inflation alone; however, with peak employment and increased wage growth, adjustments need to be made to the interest rates to control inflation. He said the purpose of increasing interest rates is to try and temper that scenario as much as possible to avoid bubbles from building in the economy. Mr. White reiterated that the U.S. is in year seven of the business cycle, and if we make it to the end of FY 2019 without going into another recession, it will be the longest period of expansion in American economic history. To clarify, Mr. White said business cycles do not have expiration dates, and many recessions over the last twenty years were self-inflicted. He explained that a recession means there are imbalances in the economy that burst, also known as bubbles, and although he did not see a cause for a recession on the immediate horizon, it was quite possible to have one over the next two to three years.

Mr. White elaborated on S-5 (secular stagnation) and S-3 scenarios. He said the S-3 scenario is the most likely recession scenario currently on the horizon. The S-3 scenario assumes that the Federal Reserve is too lax coming out of the business cycle and that they left things sit too long, because there are no inflationary pressures. For example, futures markets predicted an 80% chance of a federal rate hike in December 2016 on Monday, November 7, 2016, and as of this meeting, they were already down to a 70% chance and falling. Mr. White said if the Federal Reserve does not raise rates in December 2016, to position themselves for when inflation accelerates out of control, they will have to raise interest rates very quickly, which has the potential to invert the yield curve and send us right back into another recession. He speculated the next recession could occur in approximately two years, because inflationary pressures do not seem to be building quick enough to get there in the near term. He added, a bump in interest rates now would help postpone the rate of inflation in the future. Without the bump, the Federal Reserve will lack ammunition to fight our way out of the recession, to ease the next recession. Mr. White said, in terms of fiscal policy, according to the Congressional Budget Office (CBO), by the end of Donald Trump's first term, if nothing changes from current policy, 93 cents out of every federal tax dollar will go toward entitlement or interest, which will leave very little for any type of fiscal stimulus to help us out of the next recession. He said actions taken by the Federal Reserve relates directly to Moody's price forecast over the next several years.

Mr. Leavitt asked how Nevada's sales tax base compared to economic activity over the last ten years. He asked how Moody's captured economic activity through sales tax.

Mr. White asked Mr. Leavitt if he was referring to sales tax as a share of gross state product.

Mr. Leavitt concurred. He clarified that a portion of total economic activity is captured through sales tax, and asked if the portion captured through sales tax was going up or down over the last ten years or remaining constant. He was curious as to how well Nevada's sales tax is doing in relation to the economic activity of the state, or personal income in the state.

Mr. White stated he did not know, that he would have to review the data. He said Moody's has worked with several states in performing studies to see how well their tax structure is doing in general (not just sales taxes) relative to keeping up with the rest of the economy. He said there is a disconnect nationwide between economic growth and tax growth, and that many states are not doing a good job capturing their economic activity.

Mr. Leavitt repeated his concern that employment, wages, and construction numbers are all up, yet sales tax is growing at a slower rate than anticipated and other components are growing faster than anticipated, relative to the Forum's May 2015 forecast.

Mr. White stated there are two ways in which the economy and taxes can fall out of sync with each other: 1) The type of goods being purchased, the split between services versus goods. He relayed one of the reasons more states rely on personal income taxes rather than sales taxes is because personal income taxes capture services better than they capture goods-producing industries, and 2) The source from where services and goods are being purchased, such as out-of-state and online vendors. He said

Moody's looked at taxable sales data by industry code to determine where people are buying from, including non-store retailers, and found that more online sales were being captured and taxed than one would think. He noted the deal made with Amazon to capture online sales tax made a positive impact, but not a game-changing impact. Mr. White said this is an issue that should be studied structurally at the state level, and suggested the Forum advise the Legislature to request a study to make sure things are looking right.

Mr. White moved on to discuss his Gaming Percentage Fee forecast. He said the story has not changed much, that his forecast looked much like the other forecasts. He said given the dynamics and underlying fundamentals, and what is coming out of the models, an approximate 2% increase in percentage fees revenue for FY 2017 looks to be about correct. Mr White called his forecast conservative based on the structural break in terms of what visitors are spending their money on in Nevada. He said gaming options are offered all over the country as opposed to ten years ago when Las Vegas and Atlantic City were the major gaming destinations. He commended the state, Las Vegas in particular, for diversifying its entertainment options to capture the money they are losing in gaming revenue, which will trigger sales tax and tax on live entertainment to grow at the expense of gaming percentage fees. Mr. White referred to his forecast on page 19 (Exhibit A), and acknowledged the peak years of the business cycle, which shows a 2.71% increase in gaming percentage fees for FY 2017 and 2.48% increase for FY 2018. He justified that people will have more disposable income to spend in those years, given where we are in the business cycle. Mr. White also shared there are more downside risks than upside risks, especially given the election results. He verbalized that President-elect Trump needs to clarify his stance in terms of international trade as quickly as possible, specifically with Asia-Pacific and China. He reached out to Mr. Maddox for comment, since a tremendous amount of gaming revenue comes from Asia, especially in terms of baccarat.

Mr. Maddox stated he was in no position to forecast President-elect Trump's relationship with the world and how it will impact baccarat in Nevada.

Mr. White envisioned a bright future for Nevada over the next two to three years, and made it known that Moody's baseline forecast did not assume a recession anytime in the next three years; however, he expressed an increasing likelihood that one could happen. He reiterated that all the risks relative to his gaming percentage fee forecast are downside risks, and encouraged the Forum, as revenue forecasters, to be as cautious as possible in terms of the out-year assumptions for FY 2018 and FY 2019 in case of another recession. He said it would be a very difficult time for any state, let alone one with as much revenue volatility as Nevada, to be making a revenue forecast.

Mr. Maddox agreed, and stressed that almost all of the investment going into the Las Vegas Strip is in non-gaming. He said Wynn Resorts continues to diversify, and their customers continue to spend more of their wallet on non-gaming. He agreed the Forum should be very cautious when adopting a forecast for the percentage fees tax revenue source.

Chairman Wiles inquired about forecasting oil prices.

Mr. White reported the energy industry hit bottom based on the total amount of investments in the ground and rig counts. He said Moody's baseline forecast assumes that the West Texas Intermediate (WTI) benchmark will get above $60 per barrel by the beginning of calendar year 2018, and will proceed to $65 to $66 per barrel with a long-term sustainable price somewhere in the $65 to $70 range. He recognized the U.S. as a marginal producer that determines the price of oil, and depending on geographical location, some areas of the country have lower break-even points than others. North Dakota and Texas break even at the $45 to $50 per barrel range and shale oil in New Mexico, Colorado and Utah breaks even at around $65 per barrel.

## V. PRESENTATION ON THE STATE EMPLOYMENT OUTLOOK.

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

Mr. Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division announced that Mr. Anderson's presentation is a separate handout from the meeting packet.

Mr. Anderson said his presentation included an overview of Nevada's labor market and a very broad overview of the economy. He said the two broadest measures of economic activity in the state are GDP and personal income growth. Nevada's level of economic activity has been on the rise consistently over the recovery period and outgained the nation in terms of its overall economic growth in 8 of the past 9 quarters. Personal income growth in Nevada has increased 24 of the past 25 quarters and exceeded the nation in each of the past 10 quarters (page 3, Exhibit B).

Mr. Anderson reported that Nevada's wages have been at record-high levels for the past several quarters. First-quarter data for 2016 revealed average weekly wages of approximately $875, close to 1.2% over a year ago, and second-quarter data showed wages up approximately 2.5% over a year ago. Compared to underlying inflation, measured by the CPI, wages grew approximately 1.4%. Mr. Anderson pointed out the fourth-quarter spikes, shown on the wage chart on page 4 (Exhibit B), stating they were attributed to workers that received year-end bonuses, thus the reason to make comparisons year-over-year versus quarter-to-quarter that are not apples-to-apples comparisons.

Mr. Anderson noted that September unemployment reflected a significant downward spike from 6.3% to 5.8%, which reversed a similar upward spike that occurred a few months prior. He clarified that many of the monthly numbers are estimates that are adjusted year-end and eventually level out. He also noted that Nevada's unemployment measured 4.5 points higher than the national average at the height of the recession and is now 0.8% higher, the smallest gap seen over the course of this recovery.

Mr. Anderson referred to the unemployment rates on page 6 (Exhibit B), and conveyed the rates are released monthly, as he focused on the comparisons between the U-3 and U-4 rates. He explained that discouraged workers are added into the rate when jumping from U-3 to U-4, which adds about 0.4% to the overall unemployment rate. More importantly, approximately 6,000 Nevadans who are classified as discouraged workers and have fallen out of the labor force are comprised in the U-4 rate, down from about 18,000 discouraged workers at the height of the recession. Similarly, the U-6 rate that includes part-time workers includes nearly 75,000 Nevadans, down from about 105,000 to 110,000 at the height of the recession. Point being, all measures of unemployment in Nevada have seen improvement over time.

Mr. Anderson acknowledged a concerning trend in the labor force participation rate (LFPR), which has trended down over time, as it has nationwide. He said two things were at play: 1) as baby boomers transition into their retirement years, they drop out of the labor force, known as a structural trend, which cannot be controlled, and 2) a cyclical pattern occurs as the economy heads into a recession, people drop out of the labor force because they become discouraged and give up on their search for work. Mr. Anderson pointed out that, over time, those measures of the labor market activity have declined, and was not specific to Nevada. Evidence suggests the reason for the decline is a 50/50 split between structural and cyclical trends.

Chairman Wiles asked for a definition of structural decline.

Mr. Anderson replied the structural decline relates to those baby boomers aging into retirement; the structure of the labor market playing out.

Mr. Anderson indicated long-term employment at its peak measured approximately 7%, which totaled 90,000 Nevadans who had been out of work for at least six months. Currently, that rate equates to approximately 20,000 people, at 1.5%, measured in a 27-week timeframe. He said the number of claims filed for unemployment is the lowest seen in ten years, which has been trending downward since 2010. The Department of Employment, Training, and Rehabilitation (DETR) reported that recent filed claims totaled 9,500 per month compared to 30,000 claims per month at the height of the recession. Mr. Anderson clarified that 26 weeks is the maximum time period for which unemployment insurance benefits can be collected, and reported that 40% of people exhausted their benefits before finding another job in 2016 compared to 65% of people during the recession (page 10, Exhibit B).

Mr. Anderson affirmed that close to 190,000 jobs were lost as the recession unfolded, and stated that per an announcement made by the Governor at the Governor's Conference on Business, Nevada has regained all the jobs lost during the recession, which took about six years to reclaim. He said in terms of underlying growth, jobs grew at approximately 35,000 jobs on a year-over-year basis, and in percentage terms, jobs grew at approximately 3% year-over-year. To add historical context, Mr. Anderson communicated that prior to the recession, for a year or two, Nevada jobs grew at approximately 60,000 jobs per year, or 6%. He noted that moderate and broad-based growth would be more sustainable, especially in the event of another economic downturn.

Mr. Anderson mentioned structural trends in the job market. He said monthly and quarterly reports issued by DETR reflect net growth, and take into consideration tens of thousands of market transactions, including people getting jobs, losing jobs, quitting jobs, etc. He said before DETR can determine the net growth, they compare gross job gains to gross job losses, which shows positive growth in 21 straight quarters (page 13, Exhibit B). He said DETR has the capability to capture the number of new jobs created from business openings and jobs lost from business closings, and the net difference between the two resulted in positive growth in each of the last 17 quarters. He concluded that the underlying fundamentals in the labor market are encouraging.

Mr. Anderson claimed that Nevada's job growth has outgrown the nation in 50 straight months. Going back to 2010, job growth was observed in every sector; however, mining struggled because of downward pressure on gold prices over the last several years. He said historical drivers such as leisure and hospitality are still contributors to Nevada's economy, along with other broad-based industries, specifically trade, transportation and utilities; professional services; education; and health care services. Those drivers combined with moderate growth will help Nevada weather future downturn.

Mr. Anderson recognized DETR's Research and Analysis Bureau for their research into the quality of new jobs in Nevada as a result of numerous complaints implying that the new jobs created are minimum wage, dead-end jobs. He confirmed that it is not possible for overall average wages to increase as a result of adding all new part-time, minimum wage jobs. Additionally, the Current Population Survey (CPS), combined with labor market status of the state's population, shows that part-time jobs held steady during this recovery and job growth was generated from adding full-time positions. Mr. Anderson told the Forum that DETR partnered with the Nevada System of Higher Education and formed the Silver State Solutions Initiative, a client service portal for job training, to coordinate job-training efforts. As part of that initiative, the partnership has access to information relative to all online job postings for all states, which is viewed from a full time/part-time perspective with access to approximately 110,000 job ads over the past year. He reported nearly 90% of the job postings were for full-time jobs. In regard to earnings for new jobs versus vacated jobs, analysis found there was a minimal difference between the wages. The conclusion relative to replacing high-wage jobs with low-wage jobs could not be supported by DETR. He said another piece of evidence, charted on page 21 (Exhibit B) of his presentation, showed Nevada's new-hire wages compared to all other states lands in the middle at about $2,600 per month. Mr. Anderson stated the type of jobs that Nevada is gaining are fairly good in terms of quality, and reflect solid job growth in the mid- to high-paying jobs, especially in the Reno area.

Mr. Anderson reiterated that overall fundamentals are very encouraging, the unemployment rate is cut by more than half, jobs lost during the recession have been regained, and Nevada wages are growing. He said another 90,000 jobs are expected to open up over the next 2 ½ to 3 years at an underlying growth rate of approximately 30,000 to 35,000 jobs annually. The construction sector is growing at about 10%, and exhibits the strongest growth of all our sectors. After losing approximately 100,000 construction jobs during the recession, by the end of 2019, approximately half of those jobs are expected to return to that industry. Mr. Anderson stated well-publicized economic development projects, both in Northern and Southern Nevada, have made an impact on manufacturing employment, and that by 2018, record levels of manufacturing jobs will be attained. Retail trade is expected to continue growing, adding close to 2,000 jobs annually. Health care jobs are projected to add approximately 4,000 jobs on a year-over-year basis, and accommodations and food service jobs should add close to 20,000 jobs over the course of 3 years. Mr. Anderson implied that Nevada's unemployment rate should be registering in the low 6% range by the end of 2016 and possibly the low 5% range by the end of 2018, as a result of job growth expectations.

Mr. Leavitt asked Mr. Anderson to expand on assumptions relative to the national economy that may have impacted DETR's growth projections for additional jobs over the next couple of years in Nevada.

In response, Mr. Anderson said DETR looks at how things unfolded over time on a national level, but more importantly, they take into account known activity in Nevada. He said numbers relative to Tesla and Faraday Future were factored into DETR's projections, but not until the Forum's next meeting in May 2017 would they have a handle on what is taking place in Southern Nevada as it pertains to the convention center expansion and the possible new football stadium, both important drivers of their forecast. To elaborate on his projections, assuming a normal business cycle, he uses historical data, extrapolates that data forward, and adds in known activity for new projects.

Chairman Wiles stated that Nevada's job growth rate experienced dramatic deviation between prerecession times through the post-recession recovery period. He said the volatile pattern indicates that when the economy is good, people have discretionary income and travel to Nevada and spend their money, but when things get tight, the economy dries up very quickly, which is expected in an area that offers a luxury good such as Las Vegas. He stressed the importance of diversifying the economy, not only the internal diversification efforts on the Las Vegas Strip to provide different entertainment outlets, but also across the state in terms of manufacturing, to the extent that the broad-service base helps the state employment remain flat in another economic downturn versus suffer the huge highs and lows experienced during the recession.

Mr. Anderson said it took Nevada three years to go from the top to the bottom in job growth, whereas North Dakota, a booming region concentrated in energy markets, went from the top of the job growth rankings in 2014 to the bottom in 2015; another reason not to have all your eggs in one basket.

Chairman Wiles requested that Mr. Anderson provide a graph showing average family income in the state over the last ten years at his next presentation to the Forum.

Mr. Anderson acknowledged the chair's request.

## VI. PRESENTATION ON THE STATE POPULATION OUTLOOK.

*Jeff Hardcastle, State Demographer, Department of Taxation*

Mr. Hardcastle stated his intent was to discuss the high points of the population projections that were released October 1, 2016, which are done annually and fluctuate from year to year. His presentation would encompass the differences between the 2014 and the 2016 population projections.

Mr. Hardcastle said the release of the 2016 population projections prompted him to look back at the housing bubble for the following reasons:

1) To determine the population outcome if the housing bubble never occurred. Mr. Hardcastle recognized the Regional Economic Models, Inc. (REMI) model as his forecasting tool. He explained that he specifically used the REMI 2000 model, which has less history prior to 2000, and ran it forward with the underlying economic activity through the hotel and gaming sector, mining activity in the state, as well as his baseline projections. Subsequently, he moderated any kind of recession activity that happened around 2009 or 2010, because without the housing bubble, there may not have been a financial collapse.

2) To determine the outlook of construction activity from 2007 (peak employment), going forward, if the financial mechanisms or other stimulus to demand did not occur, and how that would have impacted construction jobs going forward. Mr. Hardcastle also looked at different ways construction job growth could have been stimulated going forward, using the 2014 model that includes history from 2013 and going forward. He did a set of all things being equal, and ran a different set of iterations to determine that outcome.

Mr. Hardcastle said he will review overall state projections and focus on near-term growth for 2019 and 20-year projections going forward to show how they compared over time. Finally, he would present cautionary information that pertains to the 2016 estimates.

Mr. Hardcastle said demand in the housing market is being distorted by the shift of people transitioning from a single-family detached, owner-occupied unit to a single-family, detached, renter-occupied unit. He relayed there is uncertainty regarding what constitutes the number of occupied units. For example, in 2015, statewide, the Department of Taxation estimated there were 1,092,000 plus occupied units; the Census Bureau estimated 1,072,000 occupied units; and the American Community Survey (ACS) data, released in September of 2016, revealed an estimate of 1,042,000 occupied units. He noted the ACS is a survey done by the Census Bureau that incorporates a much different sample and sampling size than the CPS, and gives a different picture relative to what he will be discussing.

Mr. Hardcastle voiced concern regarding pent-up local demand. He explained that underwater housing units still exist, and although equity is rising in those units to levels that are technically not considered underwater mortgages, those homeowners' price expectations are much higher relative to the value of their home. Compared to the rest of the country, Nevada has a high percentage of people who purchased during the 2000 to 2009 period that are still occupying those units. He said housing prices peaked in that time period at approximately $440,000, thus the high price expectations. He said another concern that affects sales tax is strategic defaulting, where the borrower stops making payments on a debt and views the freed-up income as discretionary income as opposed to resolving their housing situation.

Mr. Hardcastle said the housing bubble is about a number of factors, including the jobs lost and the impact on people who were unemployed and dislocated, but also the excess capacity of private and public infrastructure. For example, he brought attention to underutilized commercial real estate in Reno and Carson City and vacant homes that have been empty for years due to overbuilding prior to the recession. He said counteracting the underutilization of infrastructure is the refurbishing of dilapidated properties. He said developers tend to make their money by building new projects; however, incentives exist that gear toward expansions and repurposing old sites.

Mr. Hardcastle moved to the chart on page 26 (Exhibit A) that illustrates three "what if" scenarios pertaining to the real estate bubble. He explained the 2016 baseline forecast (red line) is made up of historical numbers and current projections. The green line represents what would have happened if construction activity only responded in the model to the underlying increase in gaming employment, gaming investment, and mining activity and employment going forward, and the purple line represents 2007 going forward, if the housing situation simply wound down as other economic activity happened within the state. He said the result showed some loss in construction jobs, but a loss of approximately 10,000 jobs over two or three years followed by a slower decline. He implied that over the long term, the purple and green lines converge and settle at the same level of jobs. Furthermore, the impact rippled out to the rest of the economy and caused a substantial amount of job loss. (Mr. Hardcastle acknowledged the Bureau of Economic Analysis [BEA] as his data source.) Mr. Hardcastle said if you look at the economic activity that he tried to model as an alternative what if scenario, the state probably would have been ahead by 130,000 jobs by 2006 than would have been warranted by underlying activity at that time. He noted there was a very big, booming bubble going on at that time.

Mr. Hardcastle called out the illustration on page 28 (Exhibit A), a charting of Internal Revenue Service (IRS) state-to-state migration data that captures annual change in employment, relative wage and housing. He said the IRS identifies where the taxpayer filed their tax return and compares it to their current residential zip code. He explained that the chart tracks by the number of filers and does not show exemptions, and is an indicator of migration and the flow of population. He clarified that the solid red line on the chart represents the people moving out of Nevada; the solid green line represents people moving into Nevada; the solid black line shows net job change year-to-year; the tan bars show relative wages compared to the country; and the purple bars show the relative housing price, using the REMI forecasting model. He said the 1990's demonstrated an increase in out-migration as housing prices started to slightly exceed relative income, and as jobs increased and income picked up above housing prices, out-migration leveled out over the long-term average. From 2004 to 2007, out-migration picked up again with the increase in housing prices. Mr. Hardcastle theorized that people who worked in lower-wage jobs may have been pushed out of Nevada in response to their search for other job opportunities. He identified a relationship between the increasing housing prices and outflow migration.

Mr. Hardcastle reported that in-flow migration was more responsive to year-to-year job changes. For example, during the recessionary years, job increases in the health care industry were apparent. He said the BLS shows that Nevada's wages relative to healthcare providers is one of the highest in the country, which could be linked to recruitment issues. The people migrating to Nevada seem to comprise the skillsets that are in demand for sectors that are lacking in Nevada's workforce. Mr. Hardcastle noted that his research shows job growth and people moving into the state to fill those jobs, as these offsets occur in the different industries. He noted job losses do not always equate to people moving out of the state, it also equates to people moving in for job demands.

Mr. Hardcastle said the employment scenarios that he ran were merely to increase population, to tell the forecasting model to bump the population in order to drive up housing demand and construction growth. Additionally, scenarios were created to tell the forecasting model there were not enough housing units in the market to allow for people to transition from owner-occupied to renter-occupied or to accommodate people moving into the area. Mr. Hardcastle said he focused on increasing overall capital stock to increase affordability. He also increased wages to national levels to see if that would increase housing demand. However, he found that the sectors in Nevada that are inclined to offer lower wages than the national average tend not to have a lot of jobs in them at this point. The sectors where Nevada wages exceed the national level employ a lot of people, such as gaming, where Nevada wages are much higher than the gaming and hotel jobs nationally.

Mr. Hardcastle said he only looked at just increasing non-construction employment to extremely high levels without increased demand in housing, and the biggest negative outcome was the increase in housing prices. As land and housing prices increase, a ripple effect occurs, causing out-migration, less demand for housing, less spending, etc. He said as housing prices decrease, population increases. He reiterated that even though Nevada's wages are slightly lower than the national relative rate, as our housing prices decrease, it makes the area become more competitive, which triggers in-migration and excess spending on consumer goods and services (page 29, Exhibit A).

Mr. Hardcastle said his population projections for 2014 and 2016 include the Tesla analysis in the baseline forecast and another forecast that looks at different scenarios that are relevant at this time, along with other factors that are considered prudent data. With the baseline forecast, he updated employment history in the model, because the model is prebuilt with the latest history available from the different federal fiscal agencies and usually lags about one to one-and-a-half years from current time. He also assumes in the baseline forecast and other scenarios that mining employment will not drop below historic average levels. Because mining employment dropped below those historic levels, specifically using Eureka County as an example, Mr. Hardcastle used mining statistics at or above levels measuring from 2000 to 2014 to address the ups and downs experienced in the mining counties. He said his baseline forecast also included hotel growth, because it is known activity reported by the Las Vegas Convention and

Visitor's Authority. Relative to Tesla in 2014, he used information released by the Governor's Office of Economic Development. However, for 2016, Tesla's buildout and employment levels did not match up to their 2014 projections, so he added in manufacturing jobs to Storey County as a straight-line trend through Tesla's contracted level of jobs that they are supposed to have by 2024, including their projected wage levels.

Mr. Hardcastle relayed that a developer is looking at putting in a 3,000-unit housing development in Storey County, because currently there is no housing near the Tesla site, so workers have to commute from areas such as Lyon County or the Reno area. He noted that, at this time, that project has not gone forward, but when it does, it will help lower housing prices within Washoe and Lyon counties.

Mr. Hardcastle explained that for model purposes, he delayed Faraday Future employment projections by one year, because site preparation is only at the grading stage. Additionally, he made adjustments to the relative housing price in his model as a one-time housing shock in 2017 to account for potential housing shock that may come into play.

Mr. Hardcastle provided that population projections for Clark County show a baseline forecast of 1.3% growth through 2019, going forward from 2015. When considering the housing price shock scenario, and depending on how Faraday Future progresses, Clark County population growth is forecasted at just under 1%. Washoe County's baseline population is projected to grow between 0.5% to 1.0% between 2015 and 2019. He said the balance of Northwestern Nevada, including Lyon, Storey, Carson City and Douglas counties is estimated to grow its population less than 0.5% through 2019, and the balance of the state is forecast to lose population at -0.7% each year through 2019 (page 31, Exhibit A).

Mr. Maddox asked what the estimated statewide population totaled was for 1996, 2006 and 2016. He wanted to compare those estimates to initial job claims at 9,400 in September 2016, the lowest claims since 1996, to the state's population in 2006.

Mr. Hardcastle stated he did not have that information, but would be happy to prepare a submittal through Mr. Guindon to the Forum.

Mr. Maddox asked if more people resided in Nevada prior to the recession than now.

Mr. Hardcastle replied there are more people residing in Nevada now versus 2006. He said statewide growth is currently 1.5% and varies by county. He stated population growth occurred during the recession, driven by migration and natural increase. In comparison, the 2000 to 2005 period experienced 21% growth in population and the 2010 to 2015 period faced 7% growth. Although there was less growth projected in more recent years, the baseline projections in Clark County still average increased population by approximately 15,000 per year, which is roughly the population of Boulder City, Nevada. In comparison, he said Washoe County's projected average population growth is equivalent to the Town of Hawthorne.

Mr. Maddox questioned if it was a fair comparison to look at the labor forecasts before that had initial jobless claims at 9,400 (the lowest since 1996), and not compare it to population in 1996, but to compare it to the actual employment base. He said, as a percentage, initial claims are significantly lower today than they were in the boom times in 2007 and the 1990's.

Mr. Hardcastle understood Mr. Maddox's argument, stating the denominator for 1996 would be lower; therefore, the unemployment claims would be even lower given that denominator. He agreed that was a fair statement. Mr. Hardcastle asked if the Forum wanted actual numbers to support that concept.

Mr. Maddox stated a submittal was not necessary.

Bill Anderson from DETR testified before the committee that DETR looks at claims on a per job basis, and has done that for decades. He reported the level of claims are nearly identical, in structural terms, to its historical average, measured on a per job basis. He acknowledged the spike in claims during the recession, but stated the number of claims are not at historical normalcy. He stated claims are very much in line with where you would think they would be.

Mr. Maddox stated that using jobless claims on a per job basis as the denominator versus population made more sense.

Mr. Hardcastle moved on to elaborate on employment comparisons between the 2014 and 2016 projections. Based on the Tesla announcement in 2014 compared to 2016 projections, including historical data through 2013 and estimates for 2014, 2015 and 2016 using BLS data versus the BEA data, in the near term, Southern Nevada is outperforming 2014 job projections and Northern Nevada is underperforming those projections. He did not doubt that Tesla and some of the other ventures have a lot of promise; however, he stated that projections are always made off of assumptions from information in hand at that time (2014). He said some of that information has changed over time given reality and how the economy has actually moved and changed. Mr. Hardcastle reported that Northern Nevada experienced large gains in the transportation/warehousing industry along with the management, firms and other enterprises sector, which has been consistently increasing in Nevada. He noted that he is trying to get a better understanding of what is driving that sector. He also informed the committee that Tesla announced the hiring of another 200 people above their previous level, so they are starting to increase employment as they go forward.

Mr. Hardcastle explained that the 2011 Legislature implemented a change to perform population projections annually versus every two years. He referred the members to the table on page 33 (Exhibit A) that shows the history of population projections dating back to 2002. He said projections peaked in 2006, given the economic activity at that time, because Nevada was outperforming the rest of the country in job growth; thus the aggressive population growth projections. He said, over the long-term, Nevada is settling in more toward the 400,000 figure in population growth over the next 20 years. He clarified that some of the population shifts around between the counties, which was seen more in Northern Nevada in 2014, but now it is occurring in Southern Nevada.

The rural counties are seeing near-term loss, but flattening out, specifically in Nye and Elko counties. He said even though these numbers are low by Nevada standards in terms of growth rate for overall population, signs still show growth the equivalent of Boulder City or Hawthorne Nevada. He noted the growth numbers are not small, just smaller numbers given the state's growth history, especially in the 1990's.

Mr. Hardcastle said he does two independent estimates, a housing-based estimate and a regression-based estimate. He said the regression-based estimate looks at three key variables, including employment, labor force and school enrollment (page 34, Exhibit A). The Job growth variable uses BLS data, ranging from September 2015 to September 2016, and reflects 2.7% job growth. The labor force variable shows almost negligible labor force growth, and the school enrollment growth shows 0.6%. He said he tried to square the labor force and school enrollment variables with the job growth numbers, because if there is growth in jobs, then some other economic activity must be providing growth in the labor force and school enrollment. Mr. Hardcastle explained that the labor force is a combination of employed and unemployed, and that it was possible to have restrained labor force growth but still have job growth, because of the shift from people being unemployed to employed. Referencing the ACS data, which is different from the CPS data used by DETR, the peak employment in 2007 shows some loss in the construction sector; however, it was still the peak of employment nationally and in Nevada. Mr. Hardcastle said if you look at the percentage of people employed, and apply that percentage by age cohort, you will find that through 2015, the latest year data is available, that Nevada still had an underemployment situation at that time (2007). He noted the shift from the number of people being unemployed or underemployed to being employed could be a contributing factor to the restrained growth in the labor force. To further research, Mr. Hardcastle used the ACS data to estimate the employment situation using part-time work variables and number of hours worked variables. Results showed a growth in population aged 16 to 64, that in 2008, of the people working year round, 9.7% were working part-time (15 to 34 hours per week), and by 2015, that percentage increased to 14.5%. He said there was a state of lag through 2015, but if the trends hold, more part-time workers and/or unemployed are expected to shift into more full-time jobs as job growth increases.

Ms. Lewis said she appreciated the commentary regarding the housing shock and indicated Lewis Homes is starting to see substantial increases in land costs and fees as well as the time it takes to get product on the market, which is a substantial carry cost that adds significantly to the price of the home. She assured the housing shock is significant compared to wage growth, and thought fewer people would be purchasing new homes. She admitted there was still some hangover in the real estate market, and although different projections have been communicated based on utility bills, no one really knows how many empty houses are in Northern or Southern Nevada.

Chairman Wiles expressed his gratitude to Mr. Hardcastle for his depth of knowledge and detail regarding the data and thought process relative to the components and timing of the projects coming on board. He regarded Mr. Hardcastle's research as a scientific estimate of this component.

Chairman Wiles called for a recess at 11:28 AM.

The meeting reconvened at 11.40 AM.

## VII. PRESENTATION ON HISTORICAL TAXABLE SALES AND GAMING MARKET STATISTICS.

Mr. Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division acknowledged the historical taxable sales and gaming market statistics charts updated by the Fiscal Analysis Division and posted on the Nevada Legislature website prior to each Economic Forum meeting. The charts are not provided in hard copy; however, depending on any comments, questions or discussions during the meeting, staff has the ability to access them if needed.

## VIII. REVIEW AND DISCUSSION OF PRELIMINARY FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FY 2017, FY 2018, AND FY 2019.

**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**
- **Mining**

**F. Real Property Transfer Tax**
**G. Commerce Tax**
**H. Cigarette Tax**

Mr. Guindon made a request to take Agenda Item G (Commerce Tax) out of order, and proceeded to explain the tables included in the Economic Forum packet that would be referenced throughout this agenda item. He referred to TABLE 1 (page 39, Exhibit A), actual fiscal year-to-date collections, as well as the last four years of fiscal year history for each of the General Fund revenue sources; TABLE 3 (page 49, Exhibit A), which lists each of the General Fund revenue sources that include forecasts by the Agency, the Budget Division, the Fiscal Analysis Division, and Moody's Analytics (sales and use tax and percentage fees tax only); and TABLE 4 (page 57, Exhibit A). He pointed out that TABLE 4 is also printed on green paper and can be found outside the packet for convenience purposes.

Mr. Guindon guided the members to the Commerce Tax forecasts on the second page of TABLE 4, and explained that all of the forecasters (Agency, Fiscal and Budget Divisions) had entries of $176.5 million for FY 2017 and $160 million for FY 2018 and FY 2019. He said the forecasts were placeholders for this meeting only, and that preliminary forecasts were not generated due to time restraints. He said the timing of the tax's due date, combined with the Department of Taxation's ability to record and compile reports to the various forecasters, did not allow time for the forecasters to perform their analysis and generate forecasts. Staff made the time allocation decision to concentrate more on the major revenue sources that totaled hundreds of millions of dollars versus the new Commerce Tax that might net $80 million to $100 million. Mr. Guindon reassured the Forum that a consensus forecast by the Budget Division (Budget), Department of Taxation (Taxation) and the Fiscal Analysis Division (Fiscal) will be presented to the Forum for consideration at their December 6, 2016, meeting, along with an explanation of how that forecast was derived. Mr. Guindon stated the $176.5 forecast for FY 2017 is a placeholder. He explained that staff projects commerce tax revenue for FY 2017 to total approximately $160 million; however, there is $15 million sitting in a holding account for FY 2016 that will get deposited in FY 2017, because FY 2016 is closed. He said the difference between $160 million and the $143 million that was collected for FY 2016 will show up in FY 2017, which totals $176.5 when added to the FY 2017 forecast of $160 million. Staff speculates less spillover in FY 2018 and FY 2019; thus the $160 million forecast for those years. He said the law, in the first year of the Commerce Tax, provides a six-month grace period for the due date of returns; therefore, actual collections for the Commerce Tax will not be known until February or March of 2017. Mr. Guindon noted it was important to insert a placeholder number in the forecast, rather than zero, so the public would not be misled in believing there would be no revenue or that the Commerce Tax got repealed.

Chairman Wiles asked about the expectation in the numbers being reported in relation to the signal versus the noise.

Mr. Guindon replied that staff and Taxation are at the mercy of the taxpayers, depending on what the taxpayers report and the accuracy of their returns. He said the Department of Taxation will be performing audits.

## A. Gaming Percentage Fee Tax

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

Mr. Lawton referred to the chart on page 2 of his meeting materials (Exhibit C), which illustrated baccarat performance on the Las Vegas Strip. He said baccarat percentage of total win increased drastically from FY 2007 when it measured approximately 13%, to reaching its peak in FY 2014 at approximately 24% with total win of $1.6 billion, which accounted for one-quarter of total Las Vegas Strip win. He pointed out that in FY 2014, Las Vegas Strip win was 3% below its record level in FY 2007, but baccarat's win in FY 2014 was close to 80% higher than it was in FY 2007. He reported that after two consecutive years of decline, baccarat's total Las Vegas Strip win in FY 2016 equates to 20%, or $1.2 billion. He noted that through September 2016, baccarat represents 18.6% of Las Vegas Strip win, and is still in a downward trend.

Mr. Lawton stated the decline in baccarat win is attributed to baccarat volume. Ten-year history provides that statewide baccarat volume reached its peak in FY 2014 at $11.9 billion, but decreased in volume in consecutive fiscal years, measuring $9.4 billion in FY 2016 (page 3, Exhibit C). Fiscal year-to-date, baccarat volumes are down 11.2%. Baccarat volumes increased 4 times in the last 24 months and only increased once in the last 12 months. Mr. Lawton conveyed that this decline happened around August of 2014 as a result of government actions and events that took place in China, primarily due to the anti-graft campaign.

Mr. Lawton elaborated on how the decline in baccarat would affect Nevada's taxable gaming revenue and the associated percentage fee collections. He said in the five-year period from FY 2005 to FY 2009, the ratio of taxable gaming revenue (TGR) to win averaged 96%, whereas the period from FY 2010 to FY 2014 averaged 92.5%, which was during the surge in baccarat win. In FY 2014, when baccarat reached its peak in win, the TGR to win ratio was at 91.8%, the lowest ever. Mr. Lawton theorized that these two trends are related, as baccarat win surged, the TGR and subsequent percentage fee collections dropped. He explained that the large amount of credit play associated with baccarat was a big factor, along with the subsequent discounts and settlements on players' losses that are often offered by the gaming establishment. Furthermore, as baccarat declined, the ratio of win to TGR actually increased the past two fiscal years. Mr. Lawton noted the TGR to win ratio in FY 2016 was 95.9%, the highest ratio recorded since FY 2007, and in FY 2017 year-to-date, the ratio sits at 96.4%, only one-tenth of a percentage point higher than a year ago at this time at 96.3%).

Mr. Lawton reported that baccarat volume over the last 12 months decreased 14.6%, gaming win decreased 4.4%, but statewide taxable gaming revenue increased 2.4% or $248.3 million over that same period. Fiscal year-to-date, taxable gaming revenue is up 3.9% (page 5, Exhibit C).

Relative to statewide percentage fee collections, Mr. Lawton stated as baccarat tumbled over the last 12 months, percentage fees escalated 3.5% or $24.5 million. The decreased amount of baccarat win and the associated decrease in credit play activity over the last 12 months had a positive impact on taxable gaming revenue and percentage fee collections.

Mr. Lawton directed the Forum to page 7 (Exhibit C) of his presentation, the beginning of his forecast on gaming win for both the state and Clark County. Starting with the base year for FY 2017, he forecast an increase of 2.2% over FY 2016's decrease of 0.5%, with $11.3 billion in statewide gaming win. He forecast Clark County to increase 2.1% over FY 2016's decrease of 0.8%, and the Las Vegas Strip to increase 1.7% over FY 2016's decrease of 2.7%. Growth is also expected in the submarkets within Clark County, specifically the Las Vegas locals' market, which is forecast to increase 2.4% over FY 2016's increase of 2.8%. He said the Gaming Control Board (GCB) based prior assumptions on a lot of anticipated growth in Clark County and the submarkets that were created by the positive economic data coming out of Southern Nevada and the national economy. Mr. Lawton declared the forecast he was about to present was not based on anticipation, but rather solid ground activity that was actually happening. He cited Clark County, fiscal year-to-date, every market was up except for the Boulder Highway, which was down 2.8% due to the timing of slot collections, which is expected to work itself out moving into November 2016. He said the long-term trend, calendar year-to-date, shows that the Las Vegas Strip is the only market down (-0.3%) through nine months. He said widespread growth was reported in these markets, specifically Washoe County, with a forecasted growth increase in percentage fees of 3.8% over FY 2016's increase of 2.8%. He noted the economic information data points are coming out strong across the board in both Southern and Northern Nevada.

Mr. Lawton stated statewide gaming is up 3.8%, fiscal year-to-date, with four months reported, and the Las Vegas Strip is up 4.6%. He said the forecast for the remainder of FY 2017 shows growth in statewide gaming at 0.3%. He said In order to reach the forecast, gaming win needs to average an increase of approximately 1.5% over the remaining eight months.

Mr. Lawton admitted that his comparison growth rates for the remainder of FY 2017 were soft, and his forecasting growth was lower than current growth. He explained that in July of 2016, the state recorded a $1 billion win, which had not been seen since May of 2015. Without that month, gaming win statewide would be up 1.6% and the Las Vegas Strip would be nearly flat, up slightly. He did not feel that pace of growth could be met for the remainder of FY 2017; however, he thought statewide gaming win was slightly inflated because of that one spectacular month in July of 2016.

Moving to FY 2018, Mr. Lawton forecasted statewide gaming win to increase 2.6%, totaling $11.6 billion; Clark County to increase 2.5%; the Las Vegas Strip to increase 1.9%; locals' markets to increase 3.4%; and Washoe County to increase 4.3%. He noted that Tesla employment is expected to have a larger impact in FY 2018 than in FY 2017. Mr. Lawton forecast statewide gaming win to increase 2.9% for FY 2019, totaling $11.9 billion.

Mr. Lawton turned his focus to his slot win and table gaming win forecasts beginning on page 9 (Exhibit C) of his presentation. Slot win is forecast to grow 2.6% for FY 2017, totaling $7.2 billion; grow 3.1% for FY 2018, totaling $7.4 billion, and grow 3.4% for FY 2019, totaling $7.7 billion. He reported, fiscal year-to-date, slot win is up statewide 3.1%, and is up in all markets except the Boulder Strip and Carson Valley. The long-term trend, calendar year-to-date with nine months of data, shows 2.1% growth statewide with only two markets down less than 1.0%, including the Carson Valley and Wendover. The GCB growth rate comparison for the remainder of FY 2017 is 2.3% for the last eight months, and growth of 2.4% is required in order to hit the slot win forecast.

Mr. Lawton stated slot win is driven by two things, one being increases in slot volume statewide. He reported that fiscal year-to-date, slot win is up 1.8%, and is up in every market statewide except the Carson Valley. The state is facing a flat growth rate in slot win of 0.2% for the remainder of the fiscal year. The second factor driving increases in slot win is the slot hold percentage. Mr. Lawton indicated that fiscal year-to-date, the slot hold percentage is sitting at 6.7%, a full percentage point higher than a year ago. Over the last 20 years, this trend has only decreased twice, and the average rate of increase was approximately 1.5%. He said the GCB's forecast models continue to drive these increases; however, the rate recently decelerated and averages less than 1% for the forecast period.

Ms. Rosenthal asked if slot volume is a factor.

Mr. Lawton said both slot hold percentage and slot volume drive slot win. He reiterated that, fiscal year-to-date, slot volumes are up 1.8% statewide and up 1% on the Las Vegas Strip, and slot hold growth is widespread.

Mr. Lawton forecast game and table win for FY 2017 to increase 1.5%, approximately $4.1 billion in win, compared to the decrease in FY 2016 of 5.5%. Fiscal year-to-date, game and table win is up 4.9% and volume is down 2.9%. He said growth rate comparisons are soft for the last eight months of 2.9% on win and -7.6% on volume. Mr. Lawton forecast game and table win growth for FY 2018 at 1.7%, totaling $4.2 billion; and growth of 2.2% for FY 2019, totaling $4.3 billion in win. He reported the increases in game and table win, fiscal year-to-date, are primarily driven by increases to non-baccarat table game win, which is up 6.7% fiscal year-to-date while baccarat win is up only 1%. Additionally, volumes on non-baccarat table play are up 1% and are down 11.2% on baccarat play.

Mr. Lawton moved to the chart on page 11 (Exhibit C), Statewide Baccarat Win Forecast, which outlines his forecast relative to games and tables. The chart suggests that baccarat is no longer driving the GCB's game and table win forecast. He pointed out the negative baccarat win for FY 2015 (-11.1%) and FY 2016 (-13.3%), and stated baccarat will continue to decrease throughout the remainder of the forecast period, but at a decelerated pace of -3.0% for FY 2017; -3.7% for FY 2018; and -3.2% for FY 2019. Mr. Lawton stated, based on the GCB's observations and discussions with various operators on the Las Vegas Strip, there is too much uncertainty in the baccarat market to forecast anything other than continued declines for the foreseeable future. Relative to non-baccarat, Mr. Lawton conveyed that game and table win is historically a lot less volatile year-over-year, and presented forecasts of 3.5% growth for FY 2017; 4.0% for FY 2018; and 4.3% for FY 2019.

Finally, Mr. Lawton delivered his percentage fees forecast to include $717.9 million in collections for FY 2017, up 2.4%. He said, fiscal year-to-date, with four months reported, collections are up 9.4% and facing a growth rate of 1.0% for the same period a year ago; however, he did not think that pace would continue throughout the remaining forecast period. He reminded the members of the spectacular gaming win month in July of 2016. Mr. Lawton finalized his Gaming Percentage Fees forecast estimates, quoting increases of 2.7% for FY 2018, totaling $737.5 million, and 3.1% for FY 2019, totaling $760.0 million.

Chairman Wiles asked what made July so spectacular.

Mr. Lawton replied the month of July was influenced by a mix of baccarat, extremely high hold, and slots, and emphasized that it was not volume driven. He said calendar year-to-date, the trend has been consistently strong, and felt confident that the release of October 2016 numbers will show all positive markets.

Chairman Wiles commented on the percentage of win that baccarat drives, and how only a handful of people who play can make a difference between a good month and a bad month relative to win.

Mr. Lawton remarked that baccarat has been running hot, and holding higher than usual.

In closing, relative to percentage fee collections, Mr. Lawton said his forecasted growth is based on projections relating to positive economic indicators, which have already been flowing through to the casino floor. He said with nine months of data, the Las Vegas Strip was the only market down, and statewide growth was basically flat. His forecast assumed continued forward momentum with modest growth for the next three fiscal years. Mr. Lawton said he projects growth will be driven faster from slots more so than game and table win, because of baccarat's uncertainty. He said his forecasting model is built on slot win and non-baccarat table game win, which is more sustainable.

Mr. Maddox agreed with Mr. Lawton's conclusions, and stated domestic business is steady, with earnings showing increases in occupancy rates and flow-through to domestic gaming, which is slots and domestic table games. He affirmed that the baccarat market is very unknown at this time.

Mr. Leavitt questioned the effects to the forecast if a normal cyclical recession would occur in the second year of the forecast period.

Mr. Lawton said that scenario was not built into his forecast model, but instead patterned off current activity in the market and feedback from gaming operators from Southern and Northern Nevada. He said it would be difficult to build off that scenario, and pointed out that his forecasted growth in percentage fees collections was not very robust, maybe 2% to the mid-2% range.

Mr. Maddox suggested going back to 2012 numbers, the start of the recovery from the recession, and before things were feeling good again.

Mr. Leavitt said he anticipates growth, but not at an aggressive rate that one would see during a period of high national economic growth.

Mr. Lawton said the GCB forecasts conservatively. He acknowledged that his percentage fee forecast for outlying years is stronger than those forecasts from Budget, Fiscal and Taxation, but felt it to be more sustainable than some of his previous forecasts. He explained that his forecast revolves more around the taxable gaming revenue ratio to win rather than gaming win.

### *Susanna Powers, Economist, Executive Budget Office*

Ms. Powers briefly defined three categories of gaming that are forecast to aid in her Gaming Percentage Fees revenue forecast, including slot volume and win; baccarat volume and win; and all other gaming volume and win in Clark County, which together drives the state. She said she uses an econometric model that includes variables such as Las Vegas visitation, personal consumption, recreation and employment, and also collaborates with the GCB.

Ms. Powers started with slot volume, stating that after six flat fiscal years, steady gains in visitation and employment and improvement in wage growth will provide support for a modest improvement in slot volume. She said slot win is projected to increase over the forecast horizon, consistent with the past two years, and the slot win to drop ratio is steadily increasing due to a mix of machines and player preferences moving to machines with higher win percentages. She said baccarat volume is largely driven by trend in her forecast and does not reflect improvement until FY 2019. She noted baccarat win was derived by using a 13.3% win to drop ratio. In the “all other gaming” category, gaming volume, excluding slots and baccarat, have seen positive year-over-year readings since 2011 with the exception of 2015. Ms. Powers stated this category will benefit from younger visitors who prefer table games over slot machines, and should see moderate improvement from FY 2017 to FY 2019. She mentioned all other gaming win was derived by using a 13.1% win to drop ratio. Ms. Powers referred to page 9 (Exhibit D) of her presentation, titled Gaming Percentage Fee Collections. She said statewide gaming volume and win will continue to improve modestly over the forecast horizon. Additionally, less baccarat play translates into less credit being extended, which has a positive effect on taxable gaming revenue. This trend is expected to continue in FY 2017, further increasing the taxable gaming revenue share to win. Ms. Powers’ forecast, after the estimated fee adjustment, reflects increases in Gaming Percentage Fee collections of 3.3% for FY 2017 and FY 2018, and 2.4% for FY 2019.

### *Mr. Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division*

Mr. Guindon referred the members to page 35 (Exhibit E), TABLE 1B, of Fiscal’s forecast information packet to address their Gaming Percentage Fees forecast. He explained the top of the page itemizes a two-year history for various components of the forecast, including growth rates for those components and the fiscal year-to-date dollar amounts and fiscal year-to-date growth rates. The bottom of the page shows the averages, per component, that need to be met over the last eight months of the fiscal year to hit the forecast. He said Fiscal’s forecast compared to the GCB forecast has more win growth on the game side rather than the slot side, but slot win is forecast to increase approximately 2.3% for FY 2017, 1.7% for FY 2018 and 1.6% for FY 2019. The average hold percent is expected to increase by only 0.04% in FY 2018 and FY 2019. He stated they can continue to push on that hold percentage, but the rate of increase will have to slow down a little because the price point on playing slot machines is that hold percentage. As an economist, he said he is perplexed by the price increases on the machines; however, the quantity demand keeps going up from time to time. He said holding back on the average hold in terms of rates is what is driving the forecast, and is driving less slot win in Fiscal's forecast over the forecast horizon. The rate is increasing, just not at the rates seen over the last few years. Mr. Guindon said the number of slot machine boxes has been declining since FY 2003 (page 37, Exhibit E). He explained that the decline has to bottom out at some point; therefore, he forecast the rate of decline in the average number of slot machines to slow down, thus the coin-in per slot decreases in growth as well. He said with the lower average hold, in terms of the rate of increase, less growth will occur.

On the games side, Mr. Guindon stated the hold percentage increases, but at a decreasing rate, and produces more growth than slots. Total win, including four months of data and a spectacular win in July, shows increased growth of 3.8% for FY 2017, compared to being down 2.3% in FY 2016 during the same reporting period, and requires 2.5% average growth against 0.3% over the remaining eight months of FY 2017 to hit the forecast for total win. Relative to taxable gaming revenue (TGR), 1.6% average growth is required against 1.6% over the remainder of the fiscal year in order to hit the forecast.

Mr. Guindon communicated that he will have another month's numbers to base his December 2016 forecast on, and that he may reconsider the TGR to win ratio in his forecast to determine whether it is increasing enough. He stated Mr. Lawton has the TGR to win ratio coming back, whereas Fiscal's forecast has it increasing by 0.1% in FY 2018 and FY 2019 versus climbing to levels prior to the baccarat run. Another downside risk in Fiscal's forecast pertains to the average tax rate, which increases slightly. If the TGR to win ratio increases, then so should the average tax rate, because more money is being pushed into the top tax bracket. Mr. Guindon said the final element in Fiscal's forecast relates to the estimated fee adjustment (EFA). Fiscal year to date for FY 2015 and FY 2016, the EFA is approximately -$9.4 million and -$11.5 million, respectively, through the first four months; however, in FY 2017, fiscal year-to-date, the EFA is only about $228,000, which is a big change in the pattern of that element. The percentage fee EFA totals approximately $2.7 million in FY 2017; $4.1 million in FY 2018; and $3.9 million in FY 2019, so as it is stabilizing, there is little net positive effect on the gaming percentage forecast from the EFA in the out years of Fiscal's forecast. He questioned whether he was being too pessimistic on the average hold on slots.

Mr. Maddox observed that all of the forecasters presented different methods of arriving to their gaming percentage fee forecasts, yet there is less than 1% difference between them for the FY 2017-19 biennium.

Mr. Guindon concurred, and elaborated on the question Mr. Leavitt posed earlier about the effects to the gaming percentage fee forecast if another recession occurred. He said Nevada was used to seeing gaming grow and being a large contributor to the growth of the state's General Fund revenues during the period when Las Vegas was seeing incredible expansion. He emphasized that additional casinos brought more rooms, which brought more devices (both slot and table games), which brought more visitors. That expansion period was followed by a period of very little new capacity, followed by the great recession. He said we are working our way back from that, and most of the forecasters feel gaming percentage fees is probably around 2% to 3% growth, resulting in approximately $700 million to $760 million of the state's General Fund revenue.

Mr. Maddox replied growth is stable, estimating not more than 3% growth. He said the Las Vegas Strip is focused on convention customers, because that is where a lot of the new buildout is. He did not expect to see an increase in gaming revenues due to China's economy. He said the forecasts are within 0.5% of each other, and was hopeful that another month of data would bring more clarity to December's forecasts.

**B. Live Entertainment Tax – Gaming**

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

Mr. Lawton commented that his forecast of taxable casino entertainment activity is based on an examination of historical growth patterns and interviews with gaming properties throughout the state. His forecast incorporates increases in taxable activity due to the opening of new properties or changes in entertainment venues at existing properties. He mentioned the difficulty in forecasting this revenue source, that statistical data is very limited compared to other tax revenue sources. Mr. Lawton identified a change in law, effective October 1, 2015, which based the Live Entertainment Tax (LET) on admissions only, and changed the tax rate to a single rate of 9%. With this change, historical data could no longer compare apples to apples, and could no longer be relied upon for forecasting the LET revenue.

Mr. Lawton said the LET declined 4.4% in FY 2016 and is projected to decrease 9% in FY 2017 with $102.1 million in collections. Collections are down 36.9% through the first three months (July through September) of FY 2017; however, the comparison is new law against old law, because of the October 1, 2015, effective date. Mr. Lawton said the next release of numbers will compare new law to new law. As a result of the new law, September LET collections for FY 2017 are down 50%, or $9.3 million, because all licensees in FY 2016 were required to report advanced admission sales that were made on or before September 30, 2015, on their September 2015 tax return, so it completely inflated the numbers in September of 2015. He said October 2016 year-over-year collections will finally reflect an apples-to-apples comparison; however, that number is expected to be deflated. He reported the comparison for the remainder of FY 2017 is -27.9%, and requires a 8.5% average growth rate in order to meet the forecast.

Mr. Maddox remarked that the net was cast much broader over other venues that were not paying LET before, and asked if that was being picked up in LET-Nongaming.

Mr. Guindon stated that was correct. He said outdoor concerts held on gaming properties were included in the LET, but not live entertainment at nongaming venues, which is administered by the Department of Taxation and incorporated into the LET-Nongaming revenue source based on the law change.

Mr. Lawton said the Agency's forecast model includes the following assumptions that are based on information received from the industry: 1) Trend indicates that attendance at the later production shows or second shows is negatively impacted by other more compelling entertainment offerings that might not be taxable; 2) Recent programing is geared toward music festivals and offsite concert venues of which LET-Gaming does not apply, such as the Route 91 Harvest Festival, Life is Beautiful, Rock 'N' Rio, Electric Daisy Carnival, the Downtown Las Vegas Event Center, and T-Mobile Arena. Based on information received from Nevada gaming licensees during the 2015 Legislative Session, the GCB felt collections would decrease by approximately 24% due to the loss of taxable sales on food, beverage, merchandise, and the net effect of the change in the tax rate; and 3) A new venue is scheduled to open in December 2016 on the Las Vegas Strip, which is included in the GCB's forecast. Mr. Lawton said the Agency is forecasting the LET-Gaming collections to increase 3.2% for FY 2018, totaling $105.3 million in collections, and increase 2.6% for FY 2019, totaling $108 million in collections.

Ms. Rosenthal asked what primary drivers justified the increases for FY 2018 and FY 2019, and if they were related to higher ticket prices or additional venues coming online.

Mr. Lawton stated the new venue would boost revenue for FY 2017 and FY 2018, and better yield management of production shows would help collections for FY 2019. He said increases in visitation, wages and jobs are all driving factors.

Ms. Rosenthal asked, because of the changes and inability to compare against historical data, if the theory was to basically get the detailed inputs as accurate as possible and then do the math.

Mr. Maddox suggested looking at only the collections under the new law for forecasting purposes in December 2016. He said historical data did not matter or mean anything. He asked how many monthly collection periods would be available for review in December.

Mr. Lawton confirmed there would be four months of collections available.

Mr. Maddox said the last three collection periods would suffice, that year-over-year data is not necessary.

Mr. Guindon interjected, stating he already has that information compiled in a table and will make it presentation worthy for the December meeting. He clarified there are more than three collection periods, but only three that are year-over-year.

Mr. Maddox affirmed his request to see actual collections by month, specifically, January 2016 through the most recent. He inquired about the LET-Nongaming revenue source.

MR. Guindon stated LET-Nongaming would be discussed under Agenda Item IX because it is classified as a minor revenue source.

***Susanna Powers, Economist, Executive Budget Office***

Ms. Powers asserted that she struggled with many of the same challenges addressed by Mr. Lawton. She said she uses an econometric model for most revenue forecasts; however, due to changes in the tax rate and structure of the LET-Gaming revenue source, there are not enough data points to employ; therefore, she made an educated guess in terms of her forecast. She derived her forecast by starting with actual collections (approximately $98 million) and factoring in growth based on assumptions, including increased visitation, increased ticket prices, and a few new shows on the Las Vegas Strip. Ms. Powers stated her forecast is very preliminary and that most likely she will present a revised forecast in December (page 11, Exhibit D).

Mr. Maddox reverted back to his earlier request for a report on monthly collections for LET-Gaming. He instructed staff to include collections from January through the most current month available, but to also include LET-Nongaming collections. Again, he was not interested in year-over-year data. His thought was, the new law expanded the base and lowered the tax rate on LET-Gaming, so he did not think this was a story of decreasing tax revenues.

Chairman Wiles agreed, and gave further direction to include value labels at the top of the bar charts to make it easier to reference total collections, like the chart presented by Ms. Powers from the Executive Budget Office.

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

Mr. Guindon said the Fiscal Analysis Division's forecast begins on page 51 (Exhibit E) of the Fiscal Division's forecast packet; however, he directed the members to the table on page 53 that illustrates historical LET collections from gaming establishments. He said another month of data will be received prior to the Forum's December 2016 meeting, which will produce the first year-over-year comparison. He reported collections were down -46.5% in October 2016, because entities made prepayments to beat the new tax. To better explain the differentials between LET-Gaming and LET-Nongaming, Mr. Guindon explained there are less tax-based changes for taxable entities on the gaming side versus the nongaming side. On the gaming side, two substantive elements are definitive, one to change the tax rate from 5% and 10% to 9%, and the other element was to eliminate the tax from food, beverage and merchandise sold. Based on information from the GCB during the 2015 Session when S.B. 266 was being analyzed to determine its effects on the LET, the 10% tax rate that applied to food, beverage and merchandise equated about 20% of the LET-Gaming tax base, which was lost right off the top. Taxable events applicable to LET-Gaming were not affected as much. He said those changes caused distortions in the first few months, year-over-year, but around the January 2016 timeframe, the 20% to 25% decline started to stabilize. Mr. Guindon forecasted LET-Gaming to decline 11.7% in FY 2017. He said actual collections are down 36.1% through the first three months of FY 2017, and that collections had to average 3.2% growth over the last nine months in order to hit that forecast, compared to an average decrease of 27.6% over the last nine months of FY 2016. The decline in revenue is attributed to the loss of food, beverage and merchandise from the LET-Gaming tax base, including the loss of potential gains from those services due to inflation. The LET-Gaming revenue will mainly be generated from ticket sales, thus driving ticket prices for live entertainment in order to meet the forecast. Mr. Guindon alluded to the GCB forecast, which has the Consumer Price Index (CPI) increasing about 2.7% in FY 2018 and FY 2019. He thought that was a little too high, but decided to go with it for this forecast and revisit it again for the December forecast. He said, with inflated ticket prices, maybe the 3.2% growth over the last nine months of FY 2017 was not unreasonable versus the 8% on average growth that the GCB needed to hit their forecast. Mr. Guindon stated he was not aware of the new venue coming to Las Vegas, so it was not included in Fiscal's forecast, and is considered a potential risk in Fiscal's forecast. In conclusion, he thought more decent information relative to the LET-Gaming revenue source would be available for the Economic Forum's May 1, 2017, meeting.

## C. State 2% Sales Tax

### *Mr. Jeremey Hays, Economist, Department of Taxation*

Mr. Hays referred to TABLE 4 (page 57, Exhibit A) to present his forecast of state 2% sales and use tax revenue. He said he builds econometric models that take into account Nevada employment, unemployment, personal income, visitor volume and gross domestic product. Mr. Hays forecast reflects increased growth throughout the forecast period, including 4.9% in FY 2017; 3.8% in FY 2018; and 3.4% in FY 2019.

### *Susanna Powers, Economist, Executive Budget Office*

Ms. Powers communicated that many areas of Nevada's economy are on the mend, showing demonstrated improvement in employment, wages, consumer spending and construction activity, and a steady upward trend in visitation to Las Vegas since the end of the recession. While the state's economic reports are positive, sales and use tax collections have continued to come in below previous expectations. Ms. Powers stated that sales tax percentage growth projections in her forecast do not reflect a lack of economic growth in the state's economy, rather it echoes Nevada's eroding sales tax base due to reduced spending on taxable goods. She said Nevada's economy is more service based than goods based; therefore, traditional economic drivers such as personal income and employment are not as tightly related to taxable sales as they were in the past. She said it is likely that consumers are seeking online purchases that do not collect sales tax, but the impact is marginal. Impacts from construction jobs are less noticeable now than in boom years, and rising living costs, healthcare expenses, and student debt are leaving many with less disposable income to spend. Additionally, household formation is slower than what it was before the recession, requiring less purchases for appliances, furniture, and other goods. She said her state 2% sales and use tax revenue forecast shows increased growth, but at a decreasing rate.

Ms. Rosenthal asked if the effects coming from economic growth related to Tesla and Faraday Future were factored into her model through wages, population, etc.

Ms. Powers concurred, stating wages and employment are included, but then technical adjustments are made to account for abatements related to construction activity.

Ms. Rosenthal asked if it was general practice in the state to not charge a tax on services. She expressed concern over Nevada's economy shifting from taxable goods to services, yet there is nothing to make up that hole in revenue.

Mr. Guindon confirmed that Nevada's sales tax does not extend to services, but there are cases where labor services are subject to the sales tax. For example, if a business does not itemize parts and labor separately on an invoice, then the labor could be subject to the sales tax. If the invoice is itemized, then the labor is not taxed. Finally, revenue generated from services is picked up through the Commerce Tax, because that tax is based on gross revenue.

Mr. Maddox pointed out that a limited liability company (LLC) that files the Commerce Tax application has to make at least $4 million in revenue; therefore, excludes many companies.

Mr. Guindon agreed. He said the State of Nevada attempted to expand a tax into the services sector, but possibly left a lot of the tax base out with the $4 million exemption.

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

Mr. Guindon referred to pages 66 and 67 (Exhibit E) of the Fiscal Division's packet to discuss Fiscal's state 2% sales tax revenue forecast. He said Fiscal uses an econometric equation to forecast taxable sales, which is used to drive the state 2% sales tax forecast revenue dedicated to the General Fund. Taxable sales are forecast to grow 5.4% for FY 2017; 4.8% for FY 2018; and 4.5% for FY 2019, but the 2% sales tax collections are forecast to increase by 5.3% in FY 2017; 5.2% in FY 2018; and 4.6% in FY 2019.

Mr. Guindon reported that state 2% sales tax collections are up 5.4% fiscal year-to-date through the first two months of FY 2017. In order to hit the forecast, collections need to average an increase of 5.3% growth over the remaining ten months of FY 2017 compared to increased collections of 4.4% over the last ten months of FY 2016. Relative to Mr. White's comments about economic development, and to address Ms. Rosenthal's question in regard to the direct effects of Tesla and Faraday Future projects, Mr. Guindon explained that as Tesla purchases construction materials or other tangible personal property that is subject to sales tax, taxable sales are generated and appears in the taxable sales numbers reported by Taxation. However, those purchases do not generate state 2% sales tax collections. The indirect effects, such as the purchases made by the construction workers, are occurring, but are hard to detect in the data reported by the Department of Taxation, because the department does not break down direct and indirect sales, only taxable sales.

Mr. Guindon directed the members to page 66 (Exhibit E), TABLE 2, that shows the gap between the implied state 2% sales tax generated from the taxable sales versus what was actually collected. He pointed out the negative difference in the second quarter of 2016 due to the economic activity that occurred in August for the Tesla project. The gap for that quarter amounted to 5.7% growth in taxable sales and 4.2% in collections, which equated to a 1.5% gap in growth between the implied collections from taxable sales versus actual reported collections.

Mr. Guindon reported that for FY 2016, taxable sales increased 4.8%, but tax collections only increased by 4.2% or a 0.6% difference. This results in a negative $16.6 million difference between the actual 2% sales tax collection and the collections implied from the taxable sales or about a 1.6% difference. In FY 2017, taxable sales are forecast to increase by 5.4% with collections increasing by 5.3% or a 0.1% difference. However, sales tax collections for FY 2017 are still forecast to be $18.4 million or 1.7% less than the amount implied by the amount of projected taxable sales. In FY 2018, taxable sales are forecast to increase by 4.8% with tax collections projected to increase by 5.2% or 0.4% higher than the growth in taxable sales. For FY 2019, taxable sales are forecast to increase by 4.5% with collections projected to increase by 4.6%, only 0.1% stronger than taxable sales. In both FY 2018 and FY 2019, there is projected to be a $15 million gap between the actual projected collections and the implied 2% collections based on the taxable sales forecast.

Mr. Guindon turned to page 67 (Exhibit E), TABLE 3, to discuss some of the variables that go into the Fiscal Division's taxable sales forecast, such as non-farm employment, construction employment, personal income and visitor volume. Compared to the state 2% sales tax forecast presented to the Forum on May 1, 2015, Mr. Guindon felt the Fiscal Division back then was too optimistic in regard to Tesla and the pace at which they would build the Gigafactory and bring jobs to the area; therefore, adjustments were made and the forecast was revised. He said, relative to the nominal side of taxable sales, Fiscal staff thought inflation would be in the 2.5% range, but it is only at 1%, which accounts for almost a 1.5% difference in missing the forecast.

Relative to non-farm employment, Mr. Guindon quoted growth rates of 2.4% for FY 2017; 2.0% for FY 2018; and 2.0% for FY 2019. He noted those rates are probably lower than the DETR forecast, because the Fiscal Division lowered the manufacturing employment outlook. He said the Fiscal Division is not implying that Tesla will not accomplish what they previously stated, it is a matter of forecasting manufacturing growth rates at the current pace versus a sliding scale. He recalled media articles and reports that were printed during the 28th Special Session (2014), relating to the Tesla Gigafactory and projected employment. He said there is activity; however, not at the pace reported in the white paper. Because Fiscal was not comfortable with that white paper, negative adjustments were made on personal income and wage and salary disbursements. Mr. Guindon clarified that Fiscal still forecasts growth in personal income at 4.7% each year of the biennium, which stems from projections made by the employment sectors. He explained that the Fiscal Division forecasts employment and wages per employee in inflation-adjusted terms, and out of that comes total wage and salaries. Next, the division forecasts nonwage personal income, and together they make personal income.

Mr. Guindon explained another observation that could affect the Fiscal forecast is the inflation rate. Looking at his taxable sales forecast, on a fiscal year basis and in inflation-adjusted terms, the forecast shows 3.6% growth for FY 2017; 2.0% growth for FY 2018; and 1.7% growth for FY 2019. The concern is that, in inflation-adjusted terms, growth has only been below 2% 5 times in the last 20 years, and each time it was during a recession with negative growth. He agreed with Ms. Powers and Mr. White that consumers in the state are purchasing more services versus taxable goods. He questioned whether his forecast in real terms was too low or if his inflation assumption was too high.

He referred to CHART 1, State 2% Sales/Use Tax Collections, and CHART 2, Statewide Taxable Sales, on pages 69 and 70 (Exhibit E). He said CHART 4 (page 72, Exhibit E) caused some concern due to risks in his forecast relative to statewide taxable sales per non-farm establishment employee. He pointed out an inflection point in his forecast that shows stronger growth on the forecast horizon in business activity than what has been seen in recent history, whereas in comparison to CHART 5, Statewide Taxable Sales per $1,000 of Statewide Personal Income, the activity shows consistent increases and decreases. He questioned whether he was forecasting too much growth in taxable sales given the point Ms. Powers made about the purchasing power of disposable income, that rising living costs are leaving less to spend on tangible personal property.

Mr. Guindon reported that taxable sales per Las Vegas visitor has flattened in recent history, but his forecast shows it coming back, which makes him wonder if his visitor forecast is too soft in relation to taxable sales, explaining the increase in the chart (page 74, Exhibit E).

Mr. Leavitt asked if there was detail relating to construction, specifically individual projects on the horizon that affect sales in Northern and/or Southern Nevada, other than Tesla and Faraday Future.

Mr. Guindon stated he did not. He said he was not sure of the status pertaining to Faraday Future with regards to activity at the APEX site. He said the Governor's Office of Economic Development (GOED) provided some information relative to Tesla and their capital investment, and new projects locating to the Tahoe Regional Industrial Center (TRIC) and Washoe County, as well as Clark County. He said he has no assumptions about new gaming properties or anything relating to the 30th Special Session (2016) Legislation addressing the Las Vegas Convention Center or the proposed football stadium, whether it be a NFL-quality stadium (Raiders) or a collegiate-quality stadium (UNLV).

Mr. Guindon reminded the members that on Tuesday, November 8, 2016, recreational marijuana was voted on and approved in Nevada via a ballot initiative. He emphasized that nothing explicit was included in Fiscal's state 2% sales tax revenue forecast that related to this new law, but committed to providing information to the members at the Forum's December meeting, along with the Budget Division and the Department of Taxation. He made it clear that the Economic Forum is not responsible for providing a tax revenue forecast directly related to recreational marijuana; however, he reminded the members that recreational marijuana is considered tangible personal property and will be subject to sales tax. He asked the members to consider the net effect of recreational marijuana, whether visitors and residents will expand their budgets to purchase recreational marijuana or spend less on other taxable activities, such as live entertainment, gaming, eating, shopping, so they can have both.

Mr. Maddox inquired about the Forum's December meeting, and asked if the Agency, Fiscal Division, Budget Division and the Department of Taxation will present their forecasts again, or if the members are to direct those forecasters to focus on specific details or revenue sources and report back on those areas only.

Mr. Guindon replied the Economic Forum is allowed to make that decision, with no motion required, and provide direction to the staff. Historically, the forecasters gave a brief description of the difference between the November and December forecasts. He advised the members that one more quarter and another month of collections will be reported prior to the December meeting; therefore, forecasts could change.
Mr. Maddox stated the main function of the December meeting will be to discuss any changes in collections that occur between now and the December meeting, and how those changes impact the forecast.

Mr. Guindon concurred. He reminded the members that an additional table will be presented at the December meeting that will show the difference between the November and December forecasts, by forecaster, so the members can see who is moving the needle and by how much. He said the presentations should be brief, with concentration on the changes only.

Chairman Wiles commented on the small variances between the estimates. He did not recall such minimal differences before; therefore, changes in the level of the estimate, including confidence levels, should be the focus at the December meeting.

Mr. Guindon said the forecasters will receive the first quarter of year-over-year data that includes the tax change for the Modified Business Tax, and one more quarter of actual collections relative to the Insurance Premium Tax to base their December forecasts from. He said staff will present and discuss the LET table requested by Mr. Maddox at the December meeting, as well as discuss the Commerce Tax and the credit back against the MBT. He recapped, under the Commerce Tax, whatever a taxpayer pays, they are eligible under the law to take up to 50% of their FY 2016 liability against their FY 2017 Modified Business Tax; therefore, not only are the forecasters trying to forecast the gross, but they are also looking at the data to see what the credit back against the MBT would be to determine the net effect.

Mr. Maddox suggested that the members not spend a lot of time on the MBT given the credit has not been forecasted yet. He noted that December forecasts could be wildly different than the forecasts made today.

Mr. Guindon clarified that the Economic Forum will always forecast gross revenue for the MBT and the Commerce Tax, and then the total aggregate amount of the

Commerce Tax will be credited back against the MBT total, because there is no way to apply credit against the various pieces of the MBT.

Before moving to the next major General Fund revenue source, Insurance Premium Tax, Mr. Guindon suggested that the Forum take Agenda Items X and XI out of order, because he had to excuse himself from the meeting to fulfill another commitment.

The following agenda item was taken out of order.

## X. INSTRUCTIONS TO TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) CONCERNING THE GENERAL FUND REVENUE AND TAX CREDIT FORECASTS AT ITS NEXT MEETING.

Mr. Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division said he assumed the instructions to the Technical Advisory Committee is to prepare a final forecast based on the latest information and bring it forward to the December 6, 2016, meeting of the Forum. He said any instruction given to the staff in regard to the minor revenue sources will be considered instructions to the Technical Advisory Committee (TAC), because staff to the Economic Forum are staff to the TAC.

## XI. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

Mr. Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division announced that the Economic Forum will hold their next meeting on December 6, 2016.

Chairman Wiles called for a recess at 1:12 PM.

The meeting reconvened at 1:39 PM.

Chairman Wiles announced that the following Agenda Item will be taken out of order, and the committee will return to Agenda Item VIII, Item D, the Insurance Premium Tax.

### D. Insurance Premium Tax

Before continuing with the Insurance Premium Tax (IPT) forecasts, Mr. Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division reminded the members of the Forum that the IPT and all the other revenue forecasts presented at this meeting do not take into account the tax credits, neither actual collections or forecasts, and that tax credits will be dealt with separately. Additionally, for the IPT, the Agency forecasts that are referenced on TABLE 4 are a combination of the Department of Taxation and approximately $10 million per year that is forecasted by the Insurance Division of the Department of Business and Industry.

### *Mr. Jeremey Hays, Economist, Department of Taxation*

Mr. Hays said in order to forecast the IPT, he had to take into account fluctuations in Nevada's employment, population and movements in the North American Industry Classification System (NAICS) Sector 62, Health Care and Social Assistance. The results showed movements in the tax, which prompted him to increase collections in his forecast to 3.2% for FY 2017; 3.6% for FY 2018; and 4.1% for FY 2019.

### *Susanna Powers, Economist, Executive Budget Office*

Ms. Powers referred to page 15 of her presentation (Exhibit D), which summarizes how she estimates the IPT. She said she does not use an econometric model, but rather computes the tax through the following steps: 1) Separates health care premiums and non-health premiums, and prepares those forecasts. She recognized the Division of Insurance as her source for health care insurance premium information and covered lives information for individual, small and large group markets, and the Department of Health and Human Services for Medicaid data, both premium data and enrollment data; 2) Estimates Medicare Supplement enrollment based on census reports on health insurance coverage; 3) Calculates non-health premiums by extracting the health care premiums from total premiums. She estimates the health care premium share is approximately 40% of total premiums, making it a significant contributor to insurance premium tax collections; and 4) Adjusts for home office credits, which are limited by law to $5 million per year starting January 1, 2016.

Ms. Powers said her IPT forecast shows collections increasing by 11.5% for FY 2017, benefitting from a reduction in home office credits, and increasing modestly in FY 2018 and FY 2019 (page 16, Exhibit D). Ms. Powers admitted that her computation process is complicated and offered to answer any questions regarding her forecast methodology or the process.

### *Mr. Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division*

Mr. Nakamoto stated the Fiscal Analysis Division's IPT forecast begins on page 77 (Exhibit E), but directed the members to the table on page 79 that categorizes specific detail. He noted quarterly collections make up between 95% and 96% of the collections. He said that Fiscal uses a regression equation, and key variables are primarily the wage and non-wage components of personal income with respect to collections per Nevada employee. He said changes in the wage and non-wage components, as well as changes in employees, will affect the forecast.

Mr. Nakamoto explained that the reduction in the amount of the Home Office Tax Credit (28th Special Session [2014]), to $5 million per year, beginning on January 1, 2016, is accounted for in his forecast. He said FY 2016 actual collections show growth in the first and second quarters of 3.2% and 8.3%, respectively, followed by a jump to 14.9% and 30.1% for the third and fourth quarters, respectively, which was caused by the change in the Home Office Tax Credit program that was not picked up in the regression equation. He said that amount was added in, per a manual adjustment, which will be looked at again between November and December to make sure it is correct. The adjustment amounted to approximately $6 million per quarter in the first two quarters of FY 2017, and is the reason why the growth rates jump to 14.3% and 13.6%, and drop back down to 5.8% and 4.7% in the last two quarters of FY 2017 due to annualizing the home office credit change. Mr. Nakamoto noted that as of January 1, 2021, the Home Office Tax Credit of $5 million will go away entirely.

Mr. Nakamoto explained that the Fiscal forecast no longer makes an adjustment for the Affordable Care Act (ACA), because it has been several years since the ACA was implemented; therefore, has been built into the series and accounted for in the model.

Mr. Nakamoto recalled Mr. Leavitt's earlier question in regard to the effects to the forecast in the event of a normal cyclical recession, and stated, although Mr. Leavitt was referring to a different tax, he decided to research the historical performance of the IPT. He reported, with the exception of the great recession, IPT collections have gone up. Going back to the recession of the late 90's and early 2000's, tax collections measured anywhere between 5% and double digits (page 83, Exhibit E). He said, regardless of the economic activity that is going on, people still have things they need to insure, such as their heath, homeowner's insurance, and their vehicles, of which two of those three are mandatory. Another risk that stems from the presidential election is the uncertainty relating to the ACA. Mr. Nakamoto said the Fiscal Division's December forecast will not include any assumptions regarding the ACA, and that he still feels comfortable forecasting growth in the mid to high 5% range. He said after reviewing historical patterns, even without the ACA, that range is not an unrealistic growth assumption going forward.

Mr. Maddox sought justification in regard to the difference between Fiscal's IPT forecast of 8.6% growth and Budget's forecast of 11.5% for FY 2017.

Ms. Powers replied she could not provide a reason why her forecast was higher, but offered to give an explanation as to how she achieved her numbers.

Mr. Maddox asked if there is current data that justifies why growth forecasted by Fiscal (8.6%) and Budget (11.5%) in 2017 ratchets downs to 5.5% (Fiscal) and 3.7% (Budget) for FY 2018.

Ms. Powers said she receives actual data from different departments that collect premiums and track enrollment data. She echoed everything in FY 2016 is actual, which is her baseline, and that she performs a calculation based on health care, a premium per enrollee, and factors inflation into that premium. She said she uses a Medicaid forecast from the Department of Health and Human Services and factors in a premium increase for the commercial market. Ms. Powers corresponds with the agency in terms of estimated premium prices for FY 2017.

Mr. Maddox asked if there was actual data that supported the high growth rates of 8.6% and 11.5% for FY 2017. He thought those rates were quite large. Ms. Powers stated she had no data for FY 2017. Mr. Maddox asked when the reporting periods occurred.

Ms. Powers said the first quarter report for IPT collections will be received in a couple of weeks, toward the end of November 2016. She explained that she uses the same methodology used in previous forecast meetings and that her forecast came in lower than actual collections; therefore, she recalibrated the data using the actual collections and plugged in the data obtained from the agencies. She emphasized her forecast is the result of that process and that she is comfortable with her IPT forecast for FY 2017. However, she was skeptical of her IPT forecasts for FY 2018 and FY 2019 due to all the uncertainties that exist nationally.

Mr. Nakamoto expanded on the Fiscal Division's forecast, stating the large growth rates in the first two quarters of FY 2017 has to do with the home office credit, because the tax is based on calendar year, but is collected and aggregated by fiscal year. For example, the change to the Home Office Tax Credit law took effect January 1, 2016, which is the third quarter of FY 2016. Large growth rates occur in the first two quarters of FY 2017, which are the last two quarters of calendar year 2016, and eventually get annualized against. He conveyed the other difference between forecasts is that the Fiscal manually added approximately $6 million per quarter to the first two quarters due to the change in the Home Office Tax Credit that did not get picked up in the regression equation. He said if the home office credit was not a factor, and the $6 million was backed out, the first quarter growth rate would be 5.8% and the second quarter growth rate would be 5.2%, which is in line with the long-term moderate growth. Mr. Nakamoto claimed any additions with respect to the ACA would be marginal. He explained the major adds for covered lives and premiums would have occurred as the law was first implemented back in 2014, going forward into 2015, and topping out in 2016. He said premium prices are being reviewed, as they have increased along the Exchange and elsewhere based on the information that the Exchange and the Insurance Division presented at the October meeting. He expressed concern with rising premium costs and whether people will pay the penalty from the IRS versus continuing their insurance coverage. Mr. Nakamoto said it was the delicate balance between the two that influenced Fiscal's decision not to react aggressively in respect to premium increases, resulting in premium tax collection.

### E. Modified Business Tax (Nonfinancial Institutions)

***Mr. Jeremey Hays, Economist, Department of Taxation***

Mr. Hays announced that he made an error in his Modified Business Tax (MBT)-Nonfinancial forecast, and that he was going to defer to Fiscal and Budget; however, he will come back in December with an updated forecast. He explained that he built an econometric model that was influenced by the 36% increase due to legislative action that went into effect in FY 2016, which produced a substantial bump for FY 2017 and threw off his forecast for the rest of the forecasting period.

***Susanna Powers, Economist, Executive Budget Office***

Ms. Powers defined the following drivers of her MBT-Nonfinancial forecast:

- General Business Employment: Over the next three fiscal years, 38,000 plus jobs are estimated to be added in each of the fiscal years.

- General Business Wages: Wages will continue to improve as the labor market tightens. FY 2016 is still an estimate, because the Department of Employment, Training and Rehabilitation quarterly data on wages has not released second-quarter numbers. Ms. Powers indicated that data is used to predict changes in payroll that are subject to the MBT.

- Gains in the MBT-Financial for general business is forecasted to increase in the 5% range.

Ms. Rosenthal asked what drove the big increase in the MBT-Nonfinancial from FY 2015 to FY 2016, per the chart on page 20 (Exhibit D).

Ms. Powers alluded to a change in the tax rate and structure (threshold). She explained the tax applies to wages that are greater than $50,000 per quarter.

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

Mr. Reel referred the members to page 93 (Exhibit E), TABLE 2B, of the Fiscal Division's forecast packet and identified the wage disbursements column. In his forecast methodology, Mr. Reel forecast real wage per employee by using DETR's employment forecast, which is broken out by six broad sectors and rolled into the nonfinancial portion of the MBT. He reported wage growth of 5.3% for FY 2014; 5.6% for FY 2015; and 6.0% for FY 2016 compared to growth rates in his November 2016 forecast, based on employment and wage assumptions of 5.5% for FY 2017; 5.1% for FY 2018; and 5.0% for FY 2019. Using DETR's employment numbers, with the exception of the manufacturing sector, Mr. Reel stated that on a fiscal year basis, employment driving Fiscal's forecast is at 2.6% for FY 2017; 2.1% for FY 2018; and 2.0% for FY 2019. He noted that in FY 2015, employment maxed out at 4.3% and then dialed back to 3.3% in FY 2016. Moving to the Annual Wage column, wage growth per employee is expected to grow at 2.8% for FY 2017 and 2.9% for FY 2018 and FY 2019, which is the best growth seen in a long time. In real terms, or inflation-adjusted terms, Mr. Reel acknowledged the 1.9% wage growth that occurred in FY 2016 and projected those percentages to drop to 1.0% for FY 2017 and 0.2% for FY 2018 and FY 2019, with the assumption that inflation will rise to approximately 2.7% based on Moody's forecast for inflation.

Mr. Reel turned to page 95 (Exhibit E) of the Fiscal packet to illustrate how his assumptions for wage growth converts into taxable wages. He explained the taxable wage base is calculated by starting with total gross wages and backing out the health care deduction. At the bottom of the page, he pointed out FY 2016 had

2.6% growth in gross wages in nonfinancial institutions. Projecting forward, he quoted growth rates of 5.4% for FY 2017; 5.1% for FY 2018; and 5.0% for FY 2019. In the Nonfinancial Collections Actual and Forecast column, he brought attention to the $517.1 million collected in FY 2016 and the high growth rate due to the tax change. He explained that in FY 2015, collections were lower, but the tax rate under the tax structure then was 1.17% with an exemption of $85,000, which produced an average effective tax rate of 0.958%. The tax structure for FY 2016, based on the changes, had a tax rate of 1.475% with an exemption of $50,000, which is reflected in TABLE 2D (page 95, Exhibit E), showing an average effective tax rate jumping to 1.246%. Mr. Reel said, although the growth in taxable wages for FY 2017 are estimated at 5.4%, the collections is increasing by 6.8%. The new tax became effective in the first quarter of FY 2016, and generated an average effective tax rate of only 1.215%. In the second and third quarters of FY 2016, the average effective tax rate increased to 1.263% and 1.266%, respectively. Mr. Reel explained that due to changes in the tax structure, collections come primarily from the quarter you are in; however, there is a percentage that comes from the prior quarters. He said the change in the tax structure possibly led to a lower effective tax rate in the first quarter, and the actual effective tax rate could end up being similar to the second and third quarters of FY 2016; thus the higher effective tax rate of 1.263% in the 2017-19 biennium. Collections from the MBT revenue sources is reported quarterly and is due out the end of November 2016, which will present the year-over-year comparison in terms of what the average effective tax rate needs to be to hit the forecast. Mr. Reel reported that, through the tax structure change, 3.0% was added to the wage base by changing the deduction from the $85,000 threshold down to the $50,000 threshold.

Mr. Maddox referred to the Nonfinancial Taxable Wages column on page 95 (Exhibit E), actual and forecast for FY 2017, FY 2018 and FY 2019, growth rates of 5.4%, 5.1% and 5.0%, respectively. He asked for justification as to why the forecast shows three consecutive years of compounded wage growth over 5.0%, stating it did not seem feasible. He noted FY 2016 only had a growth rate of 2.6%, defining it as a good year.

Mr. Reel said in FY 2015, wage growth was over 5.0%. He clarified that these reporting's are in terms of taxable wages. In terms of gross wages for the overall nonfinancial sector (page 93, Exhibit E), total wages coming out of data from the Bureau of Economic Analysis show growth of 5.3% for FY 2014; 5.6% for FY 2015; and 6.0% for FY 2016. When rolled over into actual taxable wages reported by the Department of Taxation, taxable wages is a little less than those percentages. Mr. Reel voiced concern that taxable wages only went up 2.6%, compared to 5.8% in FY 2015, when in the overall economy, 6% growth in wages was reported. He agreed that nominal wage growth at 2.8% and 2.9% per employee was possibly a little strong, and that it has not been seen since prior to the recession, but he also expects a slightly higher wage growth with inflation picking up, which will eventually drive increasing wages on a per employee basis. He noted the employment function was driving growth in wages.

Mr. Maddox indicated the MBT is the second largest tax revenue source over the biennium by a long shot, with collections forecast between $115 million and $130 million of incremental money going into the state's budget, or a 10% increase over this period. He questioned why FY 2017 and FY 2018 would be so much better than FY 2016.

Chairman Wiles asked if there were two parts to the equation, the number of people working and the average wages received.

Mr. Reel said it was a product of taking the level of employment and adding the 30,000 to 35,000 new jobs that are projected each year, and then multiplying by the average wage per employee. Mr. Reel referred to the graph on page 98 (Exhibit E) to point out the trend in wage per employee.

Chairman Wiles asked Mr. Reel if his data matched up with Mr. Anderson's (DETR) data relative to the increase in total number of employees.

Mr. Reel stated total employment is driven primarily by DETR's forecast, which reflects employment growth rates of 2.5% for FY 2017; 2.0% for FY 2018; and 2.0% for FY 2019. He said, based on his assumptions for wage per employee on page 98 (Exhibit E), the product of the total number of employees and total employment makes up the 5.0% wage growth that Fiscal is forecasting throughout the forecast horizon.

Chairman Wiles elaborated, there is 2.0% or so wage growth per employee, but more employees. Mr. Reel agreed.

Mr. Maddox asked where the 2.0% wage growth was referenced.

Mr. Reel directed the members to page 93 (Exhibit E) of the Fiscal packet. He said the employment outlook of 2.6% in FY 2017 combined with the average annual wage per employee growth of 2.8% results in total wage disbursement growth. He noted wage per employee is at a much higher level than what has been observed in more recent years.

Chairman Wiles asked if the wage per employee was driving wage growth.

Mr. Reel confirmed that wage per employee is a main driver in addition to the level of employment. He repeated the 2.6% growth in nominal wage per employee, 1.9% in real terms, has not been seen for quite some time in Nevada.

Mr. Maddox referred to page 93 (Exhibit E) and pointed out the wage average disbursement of 6.0%, split 3.3% employment and 2.6% in wage growth in FY 2016. He asked how that translates to actual 2.6% growth in nonfinancial taxable wages for FY 2016, reported by the Department of Taxation (page 94, Exhibit E).

Mr. Reel replied the Fiscal Division is trying to understand where the leakage occurs. He said FY 2016 is the only year in historical records where that appears. He highlighted fiscal years FY 2014 and FY 2015, stating they are a little more in line, specifically in FY 2015 at 5.6% growth in the wage average disbursements and 5.8% growth in actual collections reported by Taxation.

Mr. Maddox said taxable wages was way off in FY 2014 as well. In response, Mr. Reel said taxable wages does not always track.

Mr. Maddox asked Mr. Reel at what point in his forecast did taxable collections exceed wage average disbursements for the MBT-Nonfinancial institutions, because they are forecasted to be in line, but is not reflected in Fiscal's tables that way.

Mr. Reel echoed his earlier statement, stating in FY 2015, wage average disbursements measured 5.6% (page 93, Exhibit E), and the actual collections reported was 5.8% (page 95).

Mr. Maddox brought attention to FY 2012, where taxable wages had no growth at 0.0% (page 95) and wage average disbursements grew 3.0% (page 93).

Mr. Reel replied, in terms of forecasting an outlook for wages for the nonfinancial institutions, this is the only data available.

Mr. Maddox asked if it would make sense to show taxes collected relative to the wage average disbursements, like with the Gaming Percentage Fees Tax. He asked if a discount should apply.

Mr. Reel said the MBT-Nonfinancial revenue source is already viewed that way. He emphasized that the large gap between taxable wages and wage average disbursements is not typical, and that the Fiscal Division will look at it further. He said many changes have been made to the tax structure over time; however, because gross wages are being forecast, a difference of that size was not expected.

Chairman Wiles called attention to page 93 (Exhibit E) and directed the members to the column titled Annual Wage, Nonfinancial. He recited the growth rates of 2.8% for FY 2017; 2.9% for FY 2018; and 2.9% for FY 2019, stating they were all higher than anything seen going back to FY 2008. He inferred that employment growth was slowing, but the wage rate was increasing.

Mr. Reel concurred.

Chairman Wiles asked if that was something staff and the members felt comfortable with.

Ms. Rosenthal reasoned that the employment growth percentage was slowing; however, the number of employees are growing along with an increase of wage on top of that, which correlates to an increasing wage on an increasing base, but at a slower rate.

Mr. Maddox stated the forecast seemed quite optimistic, and requested further review of the MBT-Nonfinancial revenue source at the December 2016 meeting of the Forum.

### E. Modified Business Tax (Financial Institutions)

***Susanna Powers, Economist, Executive Budget Office***

Ms. Powers reported stability in her employment outlook in the financial services industry with moderate improvement over the next three fiscal years (page 22, Exhibit D). She said technology is enabling automation and cost-cutting benefits that supports her modest outlook. She said her wage outlook for financial institutions is driven by her employment forecast, which signifies an increasing demand for financial skills, especially in mid-level and high-level employees, and continues to drive salary growth in this industry through FY 2019. Ms. Powers stated MBT-Financial collections are predicted to increase, driven by the wage forecast.

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

Mr. Reel stated the drivers behind his MBT-Financial forecast include wages and employment in the financial and real estate sectors. He directed the members to page 104 (Exhibit E) of Fiscal's forecast packet that shows the history in terms of average wage disbursements. He highlighted the extreme growth rates in wages of 8.1% for FY 2013; 5.2% for FY 2014; 7.8% for FY 2015; and 9.3% for FY 2016, and stated those rates would not continue. Mr. Reel forecasted wages to grow 4.8% for FY 2017; 6.0% for FY 2018; and 5.8% for FY 2019. Relative to employment in the financial sector, Mr. Reel recognized DETR's employment forecast as his data source, which shows strong growth of 4.7% for FY 2016, but less growth of 2.3% for FY 2017; 2.4% for FY 2018; and 2.2% for FY 2019. Moving to the Annual Wage column, the wage per employee showed strong growth of 4.8% for FY 2015 and 4.5% for FY 2016, whereas less growth is forecasted of 2.4% for FY 2017 and 3.5% for FY 2018 and FY 2019. In real terms (inflation-adjusted), this growth is equal to 0.6% for FY 2017; 0.7% for FY 2018; and 0.8% for FY 2019. Mr. Reel said the taxable wage growth rate and disbursements reported by the BEA in the financial sector can be better explained in relation to actual taxable wages that are reported by the Department of Taxation, versus in the nonfinancial sector. He reported taxable wage growth of 8.5% for FY 2016 (page 105) compared to 9.3% growth in wage disbursements reported by the BEA for FY 2016 (page 104).

Mr. Reel brought attention to the Financial Collections column on page 105 (Exhibit E) of the Fiscal forecast packet and identified collections of $27.2 million in FY 2016 and 12.6% growth over FY 2015. He said an abnormal amount of collections was reported for the fourth quarter of FY 2016, totaling $8 million, therefore, the Fiscal Division will be communicating with the Department of Taxation to seek explanation for the strong quarter. Mr. Reel noted historical data shows the third quarter of the fiscal year typically shows higher collections. He said the average effective tax rate is 2.0%; however, his forecast for FY 2017, FY 2018, and FY 2019 assumes a higher tax rate of 2.1% due to additional revenue sources, such as penalties and interest. Mr. Reel noted the Fiscal Division will check to make sure it is appropriate to grow off the additional revenue seen in FY 2016.

## E. Modified Business Tax (Mining)

***Susanna Powers, Economist, Executive Budget Office***

Ms. Powers stated the MBT-Mining category was created by the 2015 Legislature for mining businesses that are subject to the Net Proceeds of Minerals Tax (MPMT), a 2.0% tax on taxable wages. She said employment in the mining sector has been declining; therefore, she based her employment on metal ore mining employment because of falling gold prices and gold production (page 26, Exhibit D).

Ms. Powers moved on to mining wages, represented by the chart on page 27 (Exhibit D). The chart shows mining wages for sectors subject to the NPMT, and excludes the support sector for mining. She said, despite the decline in metal ore mining employment, wages have remained somewhat steady.

Ms. Powers reported that health care expense deductions as a share of total payroll is twice as large for mining companies as it is for general business or financial institutions. Participation in company benefits in this industry seems to be much higher than in other categories. Ms. Powers said her forecast reflects increasing health care costs and rising deductions; therefore, resulting in slightly less revenue in each of the fiscal years over the forecast period (page 28, Exhibit D).

Ms. Rosenthal observed that the chart on page 28 showed linear, downward trend in mining jobs. She asked if there was additional data that supported her forecast besides just following the trend. Ms. Powers implied she was following the trend.

Mr. Leavitt implied the trend in employment relative to mining follows the price of gold, which cannot be accurately predicted throughout the forecast period. He said the price of gold is dependent on the general economy, and that it oftentimes flows opposite of what the economy is.

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

Mr. Reel stated the Fiscal Division's forecast for MBT-Mining starts with DETR's employment forecast; however, DETR is forecasting continued decline in employment for FY 2018 and FY 2019, whereas the Fiscal Division is forecasting mining employment to stay flat, with the assumption that it will bottom out at some point to reflect historical average employment. Referring to the table on page 114 (Exhibit E) of Fiscal's forecast packet, he communicated that employment in mining will continue to decline, but at a decreasing rate compared to FY 2016 of -5.5%. His employment forecast shows declines of -4.6% for FY 2017; -2.6% for FY 2018; and -0.4% for FY 2019.

In terms of average wage, Mr. Reel acknowledged fairly strong wage growth in the mining sector. On a per employee basis, average wages grew between FY 2014 and FY 2015 while employment percentages fell. He forecasted per employee wage to grow 4.3% for FY 2017 and 3.7% for FY 2018 and FY 2019, but the net effect of that growth forces total wage disbursements to fall slightly for FY 2017 at -0.5%, and then grow 1.1% for FY 2018 and 3.3% for FY 2019. Mr. Reel informed the members that FY 2016 is the first year where MBT-Mining was separated from the MBT-Nonfinancial sector in terms of taxable wages reported by the Department of Taxation, which allows for only one fiscal year observation and one quarterly year-over-year comparison. He said growth rates follow through to taxable wages and collections, and reflect an end result of growth rates mirroring the outlook of -0.5% for FY 2017; 1.0% for FY 2018; and 3.4% for FY 2019.

Chairman Wiles stated, unless there was a structural shift in the types of employees being employed, he found it odd that employment declines are significant in mining, yet wages are increasing.

Mr. Reel relayed this trend has been the case for years, considering the elevated number of high-skill occupations in the mining sector. He speculated that the employees who avoided previous layoffs are making good wages and still seeing wage increases, whereas many of the front-line miners are the employees being laid off.

## F. Real Property Transfer Tax

***Mr. Jeremey Hays, Economist, Department of Taxation***

Mr. Hays said he took into account Nevada employment, especially jobs coming from Tesla and other companies moving to the area, and looked at personal income, population growth, and a forecast of the Nevada Case-Shiller Home Price Index. The combined data brought Mr. Hays to a Real Property Transfer Tax (RPTT) forecast of 11.8% growth for FY 2017; 3.3% growth for FY 2018; and 2.5% growth for FY 2019.

***Susanna Powers, Economist, Executive Budget Office***

Ms. Powers derived her Real Property Transfer Tax forecast using econometric methodology that includes existing home sales, permits, and the Case-Shiller Home Price Index in the equation (page 30, Exhibit D). She said there is not a lot of information outside the residential sector; therefore, her forecast is mostly driven by that sector. She highlighted the following observations:

- Existing home sales have been trending down since FY 2012. Mortgage interest rates are increasing, reducing affordability. Renting is a more viable option for many; therefore, further decline is expected in existing home sales.
- Steady improvement has been seen in single-family permits.
- The Case-Shiller Home Price Index measures strong movement in home prices, but housing increases are expected to align more with income growth.
- Collections for the RPTT are based on the expectation that the Federal Reserve will start to normalize the monetary policy over the forecast horizon. Ms. Powers explained that if mortgage rates start to normalize toward the 6.0% range over the forecast horizon, it will have an impact on the financial ability to buy a home. However, the impact of monetary policy on mortgage interest rates largely depends

on expectations and how decisions are already priced into the market. Added to the uncertainty of the presidential election, Ms. Powers felt the RPPT revenue source needed more review; therefore, she will present more information to the Forum at the December 6, 2016, meeting.

Chairman Wiles said an announcement was made this morning, relative to interest rates, reporting that the probability of a rate increase by the Federal Reserve in December 2016 declined from 90% to 70%. He said he anticipated an increase rather than a decrease.

Ms. Powers voiced the market is not expecting the Federal Reserve to increase the interest rates in December due to its uncertainty in the marketplace, which may be playing a factor in the Federal Reserve's interest rate decision.

Chairman Wiles recalled various timeframes when the Federal Reserve decided against raising interest rates. With a different administration coming in, and lack of pressure, he thought now would be the easiest time to normalize.

Mr. Maddox asserted that the Budget Division's forecast shows existing home sales decreasing and the number of permits increasing. He questioned why the RPTT collections in 2017 ($81 million) are forecast to increase significantly from FY 2015 ($64.2 million) if existing home sales are falling. He asked if there was a change in law.

Mr. Nakamoto said no law changes were made to the RPTT, and that the tax rate is still $1.30 per $500 of value for the transfer, and has been that way since the 2003 Session. He said the tax applies to the transfer of all real property, including residential, commercial, vacant, built, industrial, etc., and is always the function of price times quantity, so a decrease in sales can be offset by an increase in price.

Ms. Lewis clarified that typically, existing homes run about $100,000 cheaper than new homes. She expressed concern over the forecast of 14,000 plus permits in FY 2019, charted on page 31 (Exhibit D) of Ms. Powers' presentation. She felt that number was a little aggressive, but admitted there could be more going on in Northern Nevada than what she was aware of.

Ms. Powers asked Ms. Lewis to clarify if she was referring to the forecast in single-family home permits, and in what year.

Ms. Lewis reported that single-family home permits totaled approximately 8,000 in Clark County and approximately 2,000 to 2,500 in Northern Nevada. She did not have information in regard to the rural counties. She saw Clark County normalizing at about 10,000, but was not sure if Washoe County would absorb 4,000 permits in FY 2019. She echoed her earlier statement about the 14,000 permits being too aggressive in FY 2019.

Ms. Powers explained that her FY 2017 forecast is based on the most recent data, fiscal year-to-date. Permits are up 15.9%; therefore, she felt comfortable with the

FY 2017 number, which is actually lower than what is reported year-to-date. Ms. Powers said she would take another look at the single-family housing permit numbers for FY 2018 and FY 2019.

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

Mr. Nakamoto briefly outlined the Fiscal Division's forecast process for the Real Property Transfer Tax. He said data pertaining to residential property is the basis of his forecast, because there is not a lot of data on the nonresidential side in terms of actual and forecast data. The only data available to the Fiscal Analysis Division in terms of collections is the dollar amount and the county in which the revenue was collected. There is no indication on the type of property being transferred; however, sometimes sizeable property transfers can be identified through spikes due to a single transaction. For example, a geothermal plant was sold in Churchill County about three or four years ago that resulted in a transfer tax spike. Mr. Nakamoto said normally Churchill County collects RPTT in the tens of thousands of dollars per quarter, and suddenly they had one quarter where RPTT collections amounted to hundreds of thousands. He noted those types of transactions cannot be identified in Clark County where collections are in the neighborhood of $13 million to $14 million per quarter.

Mr. Nakamoto directed the members to Chart 10A of the Fiscal Division's forecast packet on page 20 (Exhibit E). Relative to single-family homes, the chart shows an uptick in completions for calendar years 2016, 2017, 2018 and 2019. In comparison to construction employment forecasts, Fiscal staff could not justify the number of employees it would take to build these houses. He recalled the concerns expressed by Ms. Lewis regarding homebuilding resources, including increased land prices and the complicated permit process. Mr. Nakamoto said the Fiscal's RPTT forecast shows growth amounting to approximately 13,000 statewide completions by FY 2019, while Southern and Northern Nevada combined consume approximately 10,000 of those 13,000 completions. He noted his forecast is based on single-family existing sales and single-family new home completions, as well as the Case-Shiller Home Price Index (pages 22 and 23, Exhibit E).

Mr. Nakamoto stated the Fiscal Division's RPTT forecast for the first quarter of FY 2017 is based on pretty good data, because the RPTT is collected by the counties and remitted to the State Controller either on a monthly or quarterly basis, depending on the county. Most of the counties submit on a quarterly basis with the smaller counties remitting on a monthly basis. He explained that after running a regression equation and comparing it to the actual collections at the time of this forecast, the results were within approximately $100,000 on just over $20 million of revenue. He clarified that the 2016, third-quarter statewide collections totaling $20,627,000 is based on data submitted by 16 of the 17 counties, with the exception of Pershing County. Pershing County has since submitted their collections, which were slightly missed, and also required a correction relative to additional revenue from Lincoln County. Mr. Nakamoto explained that Fiscal staff will make a positive adjustment to their forecast of approximately $5,000 to account for that error, and will revisit housing prices, interest rates and other things that drive demand before the Forum's December meeting. Lastly, he explained that the Fiscal forecast reflects more growth for FY 2018 than for FY 2017, mostly as a function of price and slightly more single-family existing sales that are expected to shake out because of low supply. He rationalized that as home prices increase, people will be willing to sell, and as sales increase, home prices are expected to level off, thus the lower amount of growth in FY 2019.

## H. Cigarette Tax

***Mr. Jeremey Hays, Economist, Department of Taxation***

Mr. Hays said his Cigarette Tax forecast is influenced by movements in population, personal income and visitor volume, along with manual adjustments made for changes induced by the 2015 Legislature. He forecast growth rates of 7.0% for FY 2017; 2.6% for FY 2018; and 2.2% for FY 2019.

Chairman Wiles asked if vapor cigarettes are taxed.

Mr. Nakamoto stated, during the 2015 Session, the Legislature decided against taxing e-cigarettes.

***Susanna Powers, Economist, Executive Budget Office***

Ms. Powers stated cigarette consumption is determined by the number of packs purchased, which is used to derive the Cigarette Tax. She guided the members to the chart on page 35 (Exhibit D) that illustrates the number of cigarette packs consumed, measured by the number of stamps recorded by the Department of Taxation. She said consumption declined heavily during the recession due to consumer spending cuts, but once the economy stabilized, a fairly steady pattern of consumption was recorded from FY 2012 to FY 2014. In FY 2015, the spike in consumption occurred as a result of consumers stocking up to beat the $1.00 per pack tax increase, effective FY 2016. She said the initial price hike dampened consumption, driving some Nevadans to purchase cheaper packs from across the border or places not subject to the tax, or to switch to e-cigarettes. The chart shows a dramatic increase in cigarette consumption in FY 2017, which Ms. Powers attributed to consumers adapting to the higher cost of cigarettes, and switching back to regular cigarettes from e-cigarettes. She noted e-cigarette sales nationally have been losing steam, reporting that smokers are speaking out against e-cigarettes, stating they are not delivering the same experience as regular cigarettes. She noted that the stamp count relative to cigarette sales has stabilized over the past ten months. Ms. Powers relayed that the Department of Taxation posted the November Cigarette Tax collections on November 8, 2016, bringing in higher than expected revenue. After factoring in the November 2016 collections, fiscal-year-to-date, Cigarette Tax revenue is above the May 2015 legislatively-adjusted forecast by about $5 million.

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

Mr. Nakamoto explained that in the 2015 Legislative Session, the Cigarette Tax rate increased from 80 cents per pack to $1.80 per pack, beginning July 1, 2015. Of that, $1.70 is the General Fund portion of which 10 cents goes to the Local Government Tax Distribution Account and is given to the local governments (page 129, Exhibit E).

Mr. Nakamoto referenced CHART 1 on page 132 (Exhibit E) of Fiscal's forecast packet that shows actual collections and the forecast based on Fiscal's forecast for cigarette stamps sold per month by the Department of Taxation. In summary, just under 12 million cigarettes were sold per month at the beginning of FY 2010 (Jul-09), which fell to approximately 11 million per month by the end of the recession, and fell even further after that. In May 2015, wholesalers preloaded and purchased as many stamps as possible to affix to packs of cigarettes to take advantage of the tax increase, which boost sales to approximately 25 million packs for that one month, only to fall again thereafter. Cigarette sales have returned to a more normal pattern; however, the 12-month moving average is still resting around 9 million to 10 million packs per month. Mr. Nakamoto said it was a concern for Fiscal staff as to how to work around the idea of the tax increase functioning as a distortion to the series, so for FY 2017, staff forecast cigarette packs per Las Vegas visitor as their population driver, because visitors are a significant consumer of cigarettes in Nevada. He said Fiscal staff assumed that cigarette stamp sales in September of 2016 would be 70% above sales in September of 2015, accounting for the distortion, and actual collections came in at approximately 71% above September 2015; therefore, there Fiscal's Cigarette Tax forecast in December 2016 may not differ.

Mr. Nakamoto focused on the Fiscal Division's forecast for Cigarette Tax for FY 2017, FY 2018 and FY 2019 (page 131, Exhibit E). Because of the distortions, cigarette packs per Las Vegas visitor are averaging 2.37 packs per visitor, which totals 13.2% growth. He said, this is actually a 16% decrease compared to the level in FY 2014, if distortions from the tax increase are ignored (FY 2015 and FY 2016). In FY 2018 and FY 2019, cigarette packs per Las Vegas visitor declines 3.0%. He communicated that, although some people have returned to traditional cigarettes versus vaping, one must keep in mind the elasticity that was caused by increasing the tax, thus increasing the price. Fiscal staff assumes that a 10% increase in the price of cigarettes will result in a 4% decrease in demand; therefore, an average pack of cigarettes in the $5 to $6 price per pack range would result in a 15% to 20% decline in demand, approximately. In closing, Mr. Nakamoto referred to page 132, CHART 1, and pointed out on the forecast where cigarette packs sold per month settles back out, in terms of the average, around July 2017, when it finally annualized against all of these changes. He said the average shows significantly below the previous average, before the tax change, but also accounts for natural degradation, because people are smoking less. He noted that people are also smoking less because it costs more to smoke.

Ms. Rosenthal asked if staff had trend analysis relating to Nevada residents and their smoking patterns.

Mr. Nakamoto replied, per the articles he has read, there is a decreasing number of smokers in Nevada. He said there are some people who quit and start again, but those people are outweighed by the number of smokers who quit. He noted there is a natural population decline as well.

Mr. Maddox asked if cigarette consumption analysis was available, broken out by tourists versus residents.

Mr. Nakamoto said those statistics were not available. He said the Department of Taxation can account for the cigarette stamps that are sold to wholesalers, but do not track where they are sold, nor to whom.

Chairman Wiles commented that the Cigarette Tax is a significant number with some volatility. He cautioned the concept of tying the Cigarette Tax to visitors, and pointed out in the early part of the series, cigarettes amounted to six packs per visitor, and as visitation increased, the packs per visitor declined almost linearly. He said to keep an eye on that going forward to make sure we are not doing something that is giving us a decent estimate short term, but providing negative long-term effects.

## IX. REVIEW AND DISCUSSION OF FORECASTS OF MINOR GENERAL FUND REVENUES AND TAX CREDITS FOR FY 2017, FY 2018, AND FY 2019 APPROVED BY THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) AT ITS NOVEMBER 1, 2016, MEETING.

Mr. Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, announced that the Technical Advisory Committee Forecasts (TABLE 5) could be found on page 61 (Exhibit A) of the meeting packet. He explained that TABLE 5 includes the General Fund revenue sources that the Economic Forum directed the TAC (the statutory body that supports the Economic Forum) to produce a consensus forecast for the Forum's consideration. He made it clear that all forecasts are preliminary, because an additional month of data will be taken into consideration that could affect the forecast that will be presented to the TAC at their next meeting on November 29, 2016. At that meeting, the TAC will finalize those forecasts, which will then be brought forward to the Economic Forum at their December 6, 2016, meeting.

Mr. Guindon explained that the Fiscal Analysis Division and the Budget Division receive data relating to the minor General Fund revenue sources from the Executive Branch agencies that have the statutory responsibility for administering and collecting the various taxes and fees. Independent forecasts are provided by the Agency, the Fiscal Division and the Budget Division. Staff from Budget and Fiscal come together to review it and generate a consensus forecast to then take forward and present to the TAC for their consideration. The TAC is allowed to make adjustments to the consensus forecast; however, the TAC did not make any adjustments to the consensus forecast at their November 1, 2016, meeting.

Mr. Guindon summarized the following list of minor General Fund revenue sources from the Fiscal and Budget Divisions' point of view, as well as discussions by the members of the TAC, that will be worked on before the November 29, 2016, meeting of the TAC.

- <u>Net Proceeds of Minerals</u>: This tax was subject to sunset provisions that were pushed forward every two years, but the Governor recommended and the Legislator approved that the sunset be pushed forward one year. To provide some history, Mr. Guindon explained that the tax used to be based on the actual preceding calendar year's business activity, but was changed to be based on an estimate for the current calendar year with a true-up against the estimate when the actual calendar year is known. For example, an estimate would be made in the early part of the current calendar year, paid in that fiscal year, and then trued-up a year later and submitted along with another estimated payment for the current calendar year. Mr. Guindon explained that the estimate for FY 2017 was zero back in May 2015, because the expected value of the true-up of the estimate for calendar year 2016, paid in FY 2016, was zero. If it were non-zero, then it implied the estimate for calendar year 2016, paid in FY 2016, was not the correct estimate if it was anticipated there would be non-zero true-up in FY 2017. However, the estimate for FY 2017 true-up is now non-zero, because the information available to the forecasters is much different in November 2016 than in May 2015. The information on what the mining industry estimated for calendar year 2016, and paid in FY 2016, is known, and has been provided to the Budget Office and Fiscal Division by the Department of Taxation. Based on the current information available on gold prices compared to projections used by the mining industry to prepare their estimate back in March 2016, it is now projected that the actual net proceeds for calendar year 2016 will be higher than projected by the industry. The actual gold prices in calendar year 2016 year-to-date have been running higher than those used by the industry to prepare their estimates for calendar year 2016. This is the reason why a positive amount of revenue is projected in FY 2017 for Net Proceeds of Minerals tax due to the true-up provisions for calendar year 2016 in FY 2017 compared to the estimate used for tax payments in FY 2016. Mr. Guindon clarified that Fiscal's forecast reflects what the true up will be, and deposited in the State General Fund for FY 2017. He said beginning in FY 2018, FY 2018 will be based on actual calendar year 2017 business activity and FY 2019 business activity will be based on estimates for actual calendar year 2018 business activity. He explained that is why the forecast for the NPMT revenue source shows abnormal behavior of approximately $35 million in actual collections in FY 2016 and approximately $9.5 million for FY 2017.

- <u>Transportation Connection Tax</u>: This tax is also known as the Passenger Carrier Tax, or the Uber Tax, that also applies to taxicabs, limousines, busses, etc.

  Chairman Wiles observed the volatility of the Transportation Connection Tax, where it averaged increased growth of 80% for FY 2017; dropped to approximately -20% for FY 2018; and increased approximately 30% for FY 2019.

Mr. Guindon clarified that, under the law that was passed, in every even-numbered year the first $5 million goes to the Highway Fund and the rest goes to the General Fund.

- Governmental Services Tax (GST): Subject to a law change in 2016, effective for FY 2017, the revenue forecast drops for FY 2017 due to the 50/50 split in distribution between the Highway Fund and the General Fund, whereas beginning in FY 2018, 100% of collections from the GST will be distributed to the Highway Fund.

- Live Entertainment Tax-Nongaming: Under direction from the Forum, staff to the Economic Forum and the TAC will still produce a LET-Nongaming forecast and bring it forward in a table for consideration by the Forum at the December 6, 2016, meeting, along with the data requested by Mr. Maddox.

Mr. Guindon moved to page 63 (Exhibit A), TABLE 6, a tabulation of the General Fund revenue sources for FY 2017, FY 2018 and FY 2019. He pointed out on page 67 (Exhibit A) that the Commerce Tax credit totals zero, because the Economic Forum will make a gross forecast for the Commerce Tax, and that a forecast of the credit against the MBT will be prepared. The Commerce Tax credits against the MBT will be tied to the estimate that the Economic Forum approves at their December meeting.

Mr. Guindon identified the following tax credit programs shown on page 67, shaded in grey, and explained that they are current consensus estimates that Budget and Fiscal staff put together based on the most current information, which were prepared and presented to the TAC, and approved.

- Nevada New Market Jobs Act Tax Credit: This tax credit program has a phase-out in terms of when the credits may be taken. He said Fiscal staff will re-evaluate the forecast for FY 2019 to make sure their logic is correct.

- Economic Development Transferrable Tax Credits: These tax credits relate to Tesla and Faraday Future. The Tesla tax credits are a maximum of $45 million per year, and can be carried forward to another fiscal year. Mr. Guindon added that in FY 2016, $45 million in tax credits was on the sheets, but only $20.46 million was taken. He said staff is working with the Governor's Office of Economic Development (GOED) to obtain the information they offered at the Economic Forum's October 7, 2016, meeting, so it can be taken into account for the Forum's December meeting (there was no information provided by GOED for this November forecast) He said there may be adjustments to those tax credits regarding the carry forward, but staff is also waiting to hear what Tesla's plans are for the next 2.5 years with regard to capital investment, building schedule and job hiring. Tesla is contracted to receive 5% of the first billion dollars in new capital investment in the state and 2.8% of the next $2.5 billion of new capital investment made in the state. Mr. Guindon indicated Tesla is probably within $350 million of exhausting that first billion dollars of capital investment. He told the members that Tesla has to spend $2.5 billion under that 2.8% rate versus the 5% to get the maximum tax credits of the first $1 billion. Tesla can also receive $12,500 for each qualified employee, and Faraday Future provisions allow them a maximum of $7.6 million per year in tax credits, which is the reason these tax credits jump from $45 million in FY 2017 to $52.6 million in FY 2018 and FY 2019. Mr. Guindon conveyed that the Budget and Fiscal Division feel it is fiscally prudent to forecast the maximum credits unless they receive information specifying otherwise.

Mr. Guindon stated the minor General Fund revenue sources listed above were worth mentioning; however, they can be covered in more detail at the December 6, 2016, meeting. He suggested the members contact Chairman Wiles or himself directly with any questions or requests for additional analysis between now and the next meeting. He reconfirmed the Forums request for the LET information requested earlier in the meeting by Mr. Maddox.

In closing, Mr. Guindon shared an observation with the members. He said relative to total revenue sources forecast by the TAC, without the tax credits, the forecast for the FY 2017-19 biennium is about $52.9 million less than the forecast for the FY 2015-17 biennium, which is actual FY 2016 plus the revised forecast for FY 2017 (page 73, Exhibit E). He said the vast majority of that negative result is because approximately $105 million is lost from the GST. He reminded the committee that 100% of the GST was allocated to the General Fund for FY 2016, 50% is allocated to the General Fund for FY 2017 and 0.0% is allocated for FY 2018 and FY 2019, thus the major reason for the downward result of the FY 2018 and FY 2019 forecasts for all the minor General Fund revenue sources compared to the prior FY 2015-17 biennium, due to statutory provisions under law.

Chairman Wiles reiterated that the next Economic Forum meeting will be held December 6, 2016, which will be a forecasting meeting. He expressed concern that the Forum would not be able to start that meeting in Carson City until 10:00 a.m. due to Southwest Airlines' available flight schedule to Reno. Mr. Guindon advised under the open meeting law to post the agenda for 9:30 a.m. in lieu of 10:00 a.m. to accommodate the late start; however, if members arrived before 10:00 a.m., they could start the meeting. Chairman Wiles requested that staff confirm the flights again with Southwest Airlines before posting the agenda.

Chairman Wiles expressed concern that a late start at the December meeting could create an issue with preparing the final forecasts for the Governor and the Legislators. Mr. Guindon reminded the Forum that the December meeting would only include forecasting only, no other presentations. He reconfirmed the direction provided earlier to staff, by the members, to only report on the differences with brief explanations between the November and December forecasts.

## tXII. 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.)

There was no public comment at the Las Vegas or Carson City meeting locations.

Chairman Wiles extended his appreciation to the presenters and staff for keeping up with all the changes that are occurring at the state level, given the uncertainty revolved around differing federal policies.

## XIX. ADJOURNMENT.

The meeting adjourned at 3:21 PM

Respectfully submitted,

____________________________________
Judy Lyons, Committee Secretary

APPROVED:

____________________________________
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.**

**MINUTES OF THE MEETING OF THE**
**ECONOMIC FORUM**
**(NRS 353.226 – NRS 353.229)**
**December 6, 2016**

The meeting of the Economic Forum (created by Senate Bill 23, 1993) was held at 9:30 a.m. on Tuesday, December 6, 2016, in room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada, with videoconference to room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada.

**ECONOMIC FORUM MEMBERS PRESENT IN LAS VEGAS:**
None

**ECONOMIC FORUM MEMBERS PRESENT IN CARSON CITY:**
Ken Wiles, Chairman
Marvin Leavitt
Jennifer Lewis
Matt Maddox
Linda Rosenthal

**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
Judy Lyons, Committee Secretary, Fiscal Analysis Division
Susanna Powers, Executive Branch Economist, Governor's Finance Office

**EXHIBITS:**

| | |
|---|---|
| (Exhibit A) | Meeting Packet and Agenda |
| (Exhibit B) | TABLE 8, Major General Fund Revenue Forecasts for FY 2017, FY 2018 and FY 2019 |
| (Exhibit C) | Gaming Control Board – Gaming Revenue Forecasts for FY 2017, FY 2018 and FY 2019. |
| (Exhibit D) | Executive Budget Office Forecast |
| (Exhibit E) | Fiscal Analysis Division Forecast Information Packet |
| (Exhibit F) | TABLE 1 and TABLE 2 – Live Entertainment Tax – Gaming and Nongaming: Actual Collections by Month and Fiscal Year |
| (Exhibit G) | Department of Taxation – Economic Forum Projections |
| (Exhibit H) | Commerce Tax – Summary Statistics by Business Category for FY 2016 Current Information to Date |

(Exhibit I) Commerce Tax Due Estimates for FY 2017, FY 2018 and FY 2019

(Exhibit J) Economic Development Transferrable Tax Credits – FY 2017, FY 2018 and FY 2019 Estimates for the Tesla Gigafactory and Faraday Futures Projects

**I. ROLL CALL.**

Chairman Wiles called the meeting of the Economic Forum to order at 9:55 a.m., and the secretary called roll. The members were present at the meeting in Carson City.

**II. OPENING REMARKS.**

Chairman Wiles stated the committee would go over each of the major General Fund Revenues, compile the information and provide a final table of the Economic Forum's forecast, which would be made available to the Governor and the 2017 Legislature.

**III. PUBLIC COMMENT.**

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

The following agenda item was taken out of order.

**VII. APPROVAL OF THE ECONOMIC FORUM'S DECEMBER 6, 2016, REVENUE FORECAST REPORT.**

Russell Guindon, Principal Deputy Fiscal Analyst, Legislative Counsel Bureau, stated the committee was provided the Economic Forum's Revenue Forecast Report, which was included with the tables the Economic Forum would approve at the meeting. He stated historically, comments or changes that needed to be made to the report would be discussed at the beginning of the meeting, which would allow time for staff to update the tables. The updated tables would then be presented to the members for final review at the end of the meeting. If there were no changes, the Forum would move forward with approving the Revenue Forecast Report, excluding the forecast tables. There were no recommended changes from the members of the Economic Forum.

Chairman Wiles stated that the formal approval of the Economic Forum's December 6, 2016, Revenue Forecast Report would be approved later in the meeting.

**IV. PRESENTATION ON THE HISTORICAL TAXABLE SALES AND GAMING MARKET STATISTICS.**

Mr. Guindon clarified the historical taxable sales and gaming market statistics are updated before each Economic Forum meeting. He said the tables included the latest monthly data released by the Department of Taxation on taxable sales, and by the Gaming Control Board for the gaming numbers. He stated the charts will not be addressed at this time, but can be viewed on the Nevada Legislature website.

**V. REVIEW AND DISCUSSION OF FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FY 2017, FY 2018, AND FY 2019.**

**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**
- **Mining**

**F. Real Property Transfer Tax**
**G. Commerce Tax**
**H. Cigarette Tax**

Mr. Guindon stated the major General Fund revenue sources will be discussed in order of Agenda Item V, and will be presented in the order of Agency, Budget Division and Fiscal Analysis Division. He directed the committee to TABLE 4, page 25 of the Economic Forum's meeting packet (Exhibit A), which provided the forecasts for the major General Fund revenues. In addition, TABLE 8, Major General Fund Revenue Forecasts for FY 2017, FY 2018, and FY 2019, was provided to the members on green paper outside the packet (Exhibit B). He clarified that TABLE 8 contained the forecasts that were being presented at the meeting, in addition to the forecasts that were presented by each forecaster at the November 10, 2016, meeting, and showed the growth rate changes as well as the change in dollar amounts.

## A. GAMING PERCENTAGE FEE TAX

***Michael Lawton, Senior Research Analyst, Nevada Gaming Control Board***

Mr. Lawton pointed out that the Gaming Control Board (GCB) forecast for the Gaming Percentage Fee Tax (PFT) was revised slightly since the November 10, 2016, meeting; although, there were no major occurrences that necessitated any major adjustments or changes in the forecast. However, since the November 2016 meeting, the GCB updated their models with actual October 2016 gaming results. He said that gaming win totaled $986.2 million, a robust 11.1% increase in October 2016, approximately $98.7 million above the October 2015 amount. He said the state was facing a soft comparison with revenues down 2.9% in October 2015. Mr. Lawton reported there was a 10.4% increase in slot win of approximately $59.4 million. For slot win, gaming volumes were flat, up less than 1%, but were accompanied by a strong increase in game and table win of 12.4%, or approximately $39.3 million, on volumes that were actually down 12.6% or $357.9 million. Baccarat win was $87.2 million, up 10.2%, or $8 million, on volumes that were down $282 million or 31.6%. Baccarat was driven by hold; 2015 baccarat hold percent was 8.9%, which was well below normal.

In October 2016, baccarat hold was 14.3%, which was above normal, so the hold percentage really helped for the month. The corresponding percentage fees for October 2016 increased 6.8% or $3.8 million.

Mr. Lawton stated that clearly, October 2016 results were driven by hold, which was not necessarily the metric that forecasters were looking for, but gaming win increased $98.7 million, which impacted the models in a positive way. Mr. Lawton referenced the chart – State of Nevada, Gaming Control Board, Gaming Revenue Forecasts, Fiscal Years 2017 through FY 2019 (Exhibit C). He stated that statewide total win, including October 2016 results, increased by $11.1 million in FY 2017 and total win was forecast to be $11.3 billion, an increase of 2.3%; FY 2018 statewide total gaming win was forecast to be $11.6 billion, an increase of 2.8%; and in FY 2019 gaming win was forecast to be $11.9 billion, an increase of 3%. Fiscal year-to-date, the state was up 5.2% and the growth comparison over the last seven months of the fiscal year was fairly soft with a 0.8% increase. Mr. Lawton noted that, in order to achieve the GCB's FY 2017 forecast for total gaming win, growth needed to increase by 0.4%. Although the comparison growth rates were soft and the forecasted growth was below where the state was currently fiscal year-to-date, July 2016 was a spectacular gaming win month with $1 billion in gaming win, which was the first time that happened since May 2015. In addition, December 2016 results benefited from hold and from slot revenue timing, and next month, January 2017, the comparison becomes more difficult for the month of November. Mr. Lawton did not believe the state would stay on the current trajectory.

Moving to the statewide slot win forecast, Mr. Lawton said that once the October 2016 results were entered into the GCB models for FY 2017, the state's total win forecast increased slightly by $7.3 million totaling $7.2 billion in slot win, an increase of 2.7%; FY 2018 slot win was forecast at $7.5 billion, an increase of 3.1%; and FY 2019 slot win was forecast at $7.7 billion, an increase of 3.4%. For the fiscal year, slots were performing well with 4.6% growth, and slot win had increased in six consecutive months. He said the state was facing a growth comparison the last seven months of 2.8%, and to meet the GCB's forecast, slot win would need to increase by 1.5% over the remainder of the fiscal year.

Mr. Lawton stated the game and table win, once the October 2016 results were entered into the GCB model, the forecast increased by $3.8 million to $4.1 billion with growth of 1.6% for FY 2017; FY 2018 game and table win was forecast to increase 2.2% with $4.2 billion in win; FY 2019, $4.3 billion was forecast, an increase of 2.2%. Statewide game and table win was up 6.4% for FY 2017 on volumes that were down 5%. Currently, baccarat win was up 2.5% statewide on volumes that were down 15.8%. Mr. Lawton reminded the members that baccarat volume only increased four times in the last 25 months, so the metrics for baccarat were still not there, and baccarat was being supported by hold. The growth comparison over the last seven months for game and table win was a decrease of 2.6%, and to meet the GCB forecast, game and table win could decrease by an average of 1.6% over the final seven months of the fiscal year.

Moving to percentage fees, the GCB projected an increase of 2.7%, totaling $19.2 million in additional collections over FY 2016, with $720.2 million in total collections, which was a slight uptick from the initial projections provided in November 2016 of $717.9 million.

Fiscal year-to-date, percentage fee collections were up 8.9% or $24.3 million, and percentage fees could decrease by an average of 1.2% for the remainder of FY 2016. The comparison for the remainder of FY 2016 was growth of 3.8%, so the comparisons get a little more difficult. For FY 2018, the GCB forecast was $740.1 million in percentage fee collections, an increase of 2.8%; FY 2019, the GCB forecast $762.5 million, an increase of 3%.

In conclusion, Mr. Lawton stated the prior forecasts presented in November 2016 were based on anticipated growth, which was based on economic indicators that were good. However, for the current forecast period, the state was growing, not only on the Las Vegas Strip, but the growth was broad and fiscal year-to-date almost every market was up statewide. He reported, calendar year-to-date through ten months, the only two markets down less than 1%, included the Carson Valley and Wendover. The GCB forecast was built on the assumption that percentage fee collections would continue to see growth each year, with slot win growing faster than game and table win, primarily because of baccarat. Mr. Lawton stated the current model of growth was something forecasters wanted to see for a while, and the state's reliance on baccarat in the past was very volatile. The current forecast models were based on baccarat continuing to decrease in low-single digits.

***Susanna Powers, Economist, Budget Division, Governor's Finance Office***

Ms. Powers referred to the Executive Budget Office (Budget) forecast (Exhibit D). She explained that after receiving an extra month of gaming data, Budget's slot volume forecast was essentially the same as in the November 10, 2016, forecast. She noted steady gains in Las Vegas visitation and Nevada employment, and improvement in wage growth, would provide support for a modest improvement in slot volume. Slot win was projected to increase over the forecast horizon, consistent with the past two years, and the slot win to drop ratio was steadily increasing over time. Ms. Powers moved to page 3 of the Budget handout (Exhibit D) to illustrate baccarat volume was largely driven by trend in her forecast and does not reflect improvement until FY 2019. The baccarat win to drop ratio in Budget's forecast was approximately 14%. In the "all other gaming" category, gaming volume, excluding slots and baccarat, have seen positive year-over-year readings since 2011, with the exception of 2015. Ms. Powers stated that all other gaming would benefit from younger visitors who prefer table games over slot machines, and should see moderate improvement from FY 2017 through FY 2019. She mentioned that all other gaming win was derived by using a 13.4% to 13.5% win to drop ratio in her forecast.

Ms. Powers referenced the graph on page 9 (Exhibit D) which displayed the summary table for gaming percentage fee collections. She noted the summary table was essentially the same as in November 2016, with slight movement in the individual pieces, which did not result in any significant changes in gaming percentage fee collections. Fiscal Year 2017 gaming percentage fee collections were forecast to increase by 3.2%, followed by 2.4% growth in FY 2018 and 2% growth in FY 2019.

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

Mr. Guindon referred the members to TABLE 8 (Exhibit B) containing Moody's Analytics revised forecast, which had slight changes from their November 2016 forecast. He referenced page 36 (Exhibit E), the Fiscal Analysis Division (Fiscal) percentage fee collections for FY 2017, FY 2018 and FY 2019. He said slot win showed a slight increase, and games win was slightly weaker in this forecast compared to the November forecast. After listening to the discussions at the November meeting, and talking with Mr. Lawton about the ratio of total gaming revenue to win and the average tax rate, he revised those assumptions up slightly in the December forecast. He stated Fiscal's forecast did not change a lot, which was mostly due to the additional month of data, and the adjustment for that month.

Mr. Guindon referenced TABLE 9, page 35 (Exhibit A), of the Economic Forum meeting packet, which showed each of the revenue sources for the base year forecast, FY 2017, where the state was year-to-date, and the average growth required to hit the forecast.

Chairman Wiles asked if there was concern with the decline in baccarat growth. All other revenue sources were either stable or growing, but the unknown was what the hold was, because volumes were declining and the hold was higher.

Mr. Lawton replied the reason he was not more aggressive on the forecast was because he felt good about slot win, and non-baccarat table game win; however, the metrics for baccarat were not there, and there were four increases in baccarat win in the last 25 months, which was propped up by hold percentages. He indicated there were some easy comparisons for baccarat for the first five months with 8.8% single-digit hold. Earlier in FY 2016, there was another easy baccarat hold comparison, so that was what was holding the state on baccarat. For the next seven months, baccarat hold gets more difficult and averaged around 14.3%, which was an improvement in FY 2016 and was what the state faced for the remainder of the fiscal year. Currently, baccarat hold percentage was holding at 14.4%; at the same time last year, the baccarat hold percentage was holding at 11.8%, which propped up the baccarat numbers. Mr. Lawton stated, if baccarat could hold its own, it could decline some and the forecast would still be okay based on what was seen in slot win and non-baccarat table win. He said that was the one thing holding the forecasters back from "firing on all cylinders" in the forecasts.

Chairman Wiles asked if there were any fundamental changes expected over the next few years in terms of baccarat players coming to the state. He was aware there were currency restrictions and some of the baccarat players were going to Australia.

Mr. Lawton replied that he heard the current baccarat win numbers might be the new "normal" for a while and the state might not see the baccarat numbers experienced in FY 2014 and FY 2015. In November 2016, Mr. Lawton said that he presented the

TGR to win ratio, when baccarat was up that ratio improved, and it was counterintuitive and helped the percentage collections and taxable gaming win.

Chairman Wiles asked if baccarat win stabilizes or improves some, the opportunities on the upside were very soft baccarat numbers on the downside in the forecast. Looking at the distribution, the midpoint estimates, the forecast was more likely to be higher or lower, with the key variable being baccarat, and the forecast accounted for the downside, but there still was the potential upside opportunity.

Mr. Lawton replied there was the potential for baccarat volume to improve, but he reiterated that the metrics were not there. He said the forecasts could be wrong and gaming win could improve more if baccarat volume suddenly comes back.

Mr. Maddox added that baccarat hold was just a function of luck, so they did not want to rely on hold. In addition, gaming volumes were down 25% at Wynn Las Vegas, which was 12% of the market in FY 2016, and they were not expecting baccarat to come back in FY 2017, because baccarat customers were traveling to other destinations. He said that Hainan Airlines recently added direct flights from the Far East, so mid-to-lower-end baccarat volume could increase from a large influx of nongaming Chinese guests that usually played slots, but were now playing baccarat. He agreed with the GCB's conservative forecast for baccarat volume, which would be offset by the domestic side of the market.

Ms. Rosenthal asked Mr. Lawton the assumption he used for baccarat hold in the GCB's forecast. She asked if baccarat hold went back to normal levels in the forecast, because there were some "headwinds" in the future comparisons.

Mr. Lawton replied the GCB forecast the state would not finish the fiscal year with 14.4% hold percentage, which was way above normal. He believed table game hold would decline and the state would hit some bumps, but those bumps were going to be withstood, because of what was seen in the core slot play and the non-baccarat game and table win. Mr. Lawton added that the increased growth was not just on the Las Vegas Strip, but also the Las Vegas Locals' and the widespread markets across the board, which was unanticipated growth. Looking at the calendar year with only two markets down, one market was flat and the other with 1% growth, it was an easier feeling than in the past where the Las Vegas Strip was driving all revenue based on one game, which was a narrow forecast model. He said the current forecast model was broader and what the forecasters wanted to present to the Forum for a long time.

Mr. Maddox said that volume was all that mattered on an annual basis. He said baccarat was like slot machines, there were rules and no decisions. Baccarat volume decreased in Budget's forecast approximately 12% in FY 2017, and decreased 10% in FY 2018, which he believed is a very conservative forecast. Therefore, to think that baccarat volume would go back to the levels seen ten years ago, there would have to be additional constraints on outbound travel, which no one was predicting. Mr. Maddox reiterated that he thought Budget's forecast was too conservative considering the flights opening up from the Far East, bringing a new segment of people to the market, which was the "mass market" baccarat.

Mr. Lawton stated the GCB charts did not include a forecast for baccarat. He said the GCB baccarat win forecast for the period showed a decrease of 2.7% for FY 2017, decreasing 2% for FY 2018, and decreasing 2% for FY 2019 on the win side. He said the GCB's forecast was very conservative.

Ms. Powers stated the forecast for Budget's baccarat volume showed a decline of 14% in FY 2017, 8% in FY 2018, and increased by 1% in FY 2019.

Mr. Maddox stated Budget's and the Agency's forecasts were very conservative for baccarat volume. Obviously, Budget was forecasting much higher domestic table and domestic slots, than the Agency, but the overall forecasts were close.

Mr. Guindon stated that he did not provide a separate forecast for baccarat volume. He argued, the variance was always there for baccarat, but the mean value of baccarat was less now than it was two years ago. Therefore, he chose not to pull baccarat volume out of the forecast, because he did not want to forecast baccarat separately versus letting it be subsumed into the total table win. He referenced pages 37 and 39 (Exhibit E), which showed the drop per game and coin-in per slot. Mr. Guindon said he had the drop per game falling by 0.8% in FY 2017, coming back by 1.5% in FY 2018, and increasing by 1.7% in 2019. The coin-in per slot percent change was 2.8% in FY 2017, 1.7% in FY 2018 and 1.6% in FY 2019. Mr. Guindon said the Fiscal's forecast had the average number of games and slot machines falling, which would drive the per unit up. He noted slot win was coming back, not only in the larger counties, but also in the smaller counties, because those counties were making the transition through the new devices that had average higher hold. Looking at Fiscal's forecast, the slot win percent continued to increase, but not increasing at the rates seen in 2016. Mr. Guindon stated he had a hard time continuing to push on the average hold percent by double-digit increases in the average slot hold, although he is not saying it would not happen, but there had to be a ceiling some place. He thought some of the growth in the statewide slot win was due to the other markets adjusting, but also Washoe County and Clark County would see the average hold increases. He said that table games win was hard to forecast because there are so many games with different holds and playing styles, but he let it wash into one variable.

Mr. Leavitt observed the FY 2017 forecasts were close for all forecasters. He questioned the reason the GCB forecast anticipated 3% growth for FY 2019, compared to the 2% growth shown in the other forecasts.

Mr. Lawton replied that his forecast was a little higher based on the continuing momentum and pattern seen in the state for gaming win. He felt good about the economic indicators seen for these markets; visitation was up in addition to convention attendance, which was finally translating into the gaming market. In past years, Mr. Lawton indicated there were great visitation metrics, but those metrics did not flow to the gaming floors. The GCB forecast model was built on the growth seen in the state, which he believed would continue.

Mr. Leavitt stated that November 2016 was a fairly good month and he was surprised that Moody's Analytics decreased their percentage fee collections forecast for FY 2017, FY 2018 and FY 2019.

Mr. Lawton believed that forecasters could not let one month determine a trend. He said the percentage fee tax revenue increased by approximately $100 million in November 2016; however, it was hold-driven and he thought the state was going to give some of it back next month. He reiterated that November 2016 was a robust month for gaming win; although, he wished different metrics were driving that increase

Ms. Rosenthal commented that she had more confidence in the Agency's forecast for gaming tax revenue, because they reached out to the operators to find out specifically what was happening in gaming and LET collections and what was on the horizon versus just using the econometric models. She stated the forecasts were close, but given the comment Mr. Lawton made that he believed his forecast was a little conservative even though it was a little higher than the other forecasts presented, she made a proposal to accept the Agency's forecast for all three years presented.

Mr. Maddox directed the committee to page 35 (Exhibit A). He asked if the state needed to see a decline in gaming percentage fee tax of 1.1% over the next five months compared to FY 2016, to achieve the FY 2017 forecast number, and Mr. Lawton agreed.

Mr. Maddox asked why gaming percentage fee tax was forecast to decline over the next five months, and Mr. Lawton replied that he thought the state would hit some bumps and was being propped up by the spectacular win in July, and the January 2017 numbers would be down a little.

Mr. Maddox asked when a decline in state gaming percentage fees was last seen. Mr. Lawton replied there were six consecutive years of percentage fee increases. He clarified that he was not forecasting a decrease in percentage fees; however, he did not think the state would stay on the same upward trajectory it was currently on.

Mr. Maddox asked if the Forum adopted the Agency's forecast if the forecast would show a 1.1% decrease in the next five months year-over-year.

Mr. Guindon confirmed that was correct. He added the members also needed to look at the actual year-to-date gaming percentage tax collections, and the state was up 8.9% in FY 2017 against -2.9% in FY 2016.

Mr. Maddox interjected that the 8.9% increase in FY 2017 was hold related. He asked why the Agency forecast a decrease of 1.1% in the next five months and if there were large hold month comparisons.

Mr. Lawton replied the forecasters would be facing a very difficult comparison in January 2017. Total win comparison in January 2016 was an increase of 7.8% and the increase for slot win was 13.2%, so he thought the state would be brought back "down to earth" in that month. He reiterated that baccarat hold for the next seven months averaged 14.3% and there were no more single-digit soft comparisons, and the state was facing higher than average hold comparisons. He believed that FY 2017 was being supported by a spectacular gaming win in July 2016. Mr. Lawton reiterated that he did not think the state could hold the current upward trajectory, and percentage fees collections would be more realistic; although, he did not think collections would decrease.

Mr. Maddox asked if any of the forecasters provided a slot volume forecast, because volumes were not going down over the next five months.

Mr. Lawton responded that slot volume was projected to increase in the GCB forecast.

Mr. Maddox stated with baccarat becoming less of the numbers that percentage fees collections were going to increase relatively. Therefore, domestic tables and slot volumes should be increasing over the next five months. He said if Budget's forecast was right on domestic tables and slots, but wrong on an awful baccarat forecast, he believed the forecast was too conservative. Mr. Maddox commented the numbers would be significantly different if Fiscal's forecast showed a 2% decline in baccarat like the Agency forecast, instead of a 14%, and 12% decline.

Mr. Guindon stated, when he looked at percentage fee collections, the state was up strong against a weak year ago.

Mr. Lawton explained the slot win comparison in the Agency's forecast for the seven months left in FY 2017 showed a growth rate of 2.8%. He added that the first five months of FY 2017 for percentage fee collections were great, and it would be nice if every month was like those months with four months of increases, two of the five months had single-digit baccarat hold, and one month had 10% increases.

Mr. Maddox said the Agency projected slot volume to increase 2.8%, so the forecast had to project tables down at least 7% or 8% in order to have a 1.1% decline in percentage fees, and he did not think table revenue would decrease 8% in the next seven months.

Mr. Guindon directed the members to TABLE 1B, page 35 (Exhibit E), which provided some perspective on why percentage fee collections were up strong at 8.9% in FY 2017 year-to-date through five months. He said a lot of the strong growth had to do with the estimated fee adjustment (EFA), which was the truing-up from the credit play. Currently, fiscal year-to-date through five months, the percentage fees from taxable gaming revenue (TGR) was up 4.7% in FY 2017 compared to 0.1% in FY 2016. Then the EFA was -$1.6 million in FY 2017 compared to -$12.5 million a year ago, which was why the 4.7% from TGR increased to 8.9% in FY 2017 against -2.9% a year ago. Looking at the bottom of the chart on page 35 (Exhibit E), the forecast for percentage fees from TGR was growing by 1% for the remainder of FY 2017 versus 2.6% in FY 2016, but then ended up with the -0.4% that FY 2017 needed to average over the last seven months for total percentage fees against the 3.8% for the same period for FY 2016. Mr. Guindon stated that was due to the interaction of forecasting win, but translating that over to collections and the EFA. He said some of the forecasters had

TGR percentage fees increasing 1% compared to only 2.6% percent a year ago. However, the net EFA in Fiscal's forecast decreased the forecast to -0.4% for FY 2017 against the 3.8% in FY 2016 for the remainder of each fiscal year. Mr. Guindon stated, as a forecaster, he struggled with volume and translating that into win, but the EFA could swing things around compared to where the state was year-to-date and what the state had to do for the remainder of the fiscal year to get to the ending point.

Mr. Maddox thought that there was a mismatch in the forecasts for percentage fee collections. The forecasters projected that things looked good and operators were excited with the current growth, and 3.8% growth was forecast in the next two years; however, the next seven months would see a decline in collections year-over-year. He asked if there was a hold issue that he was not seeing.

Mr. Guindon said the Fiscal forecast for slot and games win only had to increase 0.7% in FY 2017 compared to the 2.8% in FY 2016 over the remainder of the fiscal year to hit the slot win forecast, and 0.0% growth in games win over the remainder of FY 2017 compared to -2.6% in FY 2016 to hit the forecast, which may be weak. He stated that was where his comfort level was when he prepared the Fiscal forecast – knowing what the state had through the first five months and then the comparisons against the last seven months of the prior year.

Chairman Wiles stated that it was odd looking out to the next two to three years with growth in the forecast, except for the next seven months.

Ms. Rosenthal noted the difference in the forecast was the decline in the seven months was in relation to the first five months and they were still looking at a full year forecast. The first five months were so strong, and to meet the forecast presented, there was room for a decline to still meet the forecast.

Mr. Maddox asked if the growth for percentage fee collections was for the seven months year-over-year and not month-over-month growth.

Ms. Rosenthal replied that she thought they were looking at the full year forecast and there were five months of actuals; therefore, to meet the forecast for the next seven months, they needed to know the percentage change the state would realize to hit the forecast, which was the -2.9%, because the first five months were so strong for the whole year compared to the previous year.

Mr. Guindon explained that percentage fee collections were up 8.9% in FY 2017 against the -2.9% in FY 2016, five months to five months. The Agency forecast 2.8% growth in FY 2016, so collections were up 3.8% the last seven months of FY 2016, and the state would have to average -1.1% against those seven months to hit the 2.8%.

Mr. Guindon said the GCB forecast was the second least conservative for FY 2017, but the most optimistic in FY 2018 and FY 2019 in percentage fee growth rates, purely looking at growth rates and not dollar amounts.

Mr. Maddox asked for clarification that there was 3.8% growth in FY 2016 compared to FY 2015 in the seven-month period, and now percentage fee growth rates would decline by 1.1% in FY 2017 compared to FY 2016, which if he was correct, made no sense. He asked why the forecasts showed a decline in percentage fee collections in FY 2017, when collections were increasing in the out years. Mr. Maddox thought the forecasters were sticking close in their forecasts; the first five months of collections came in strong, and the forecasters did not want to forecast increases because they already had the “money in the bank.”

Chairman Wiles said it was one thing if the forecast was flat, but it was odd with the positive visitation numbers that the next seven months’ collections would be down, and then increase in FY 2018 and FY 2019.

Mr. Guindon explained the Fiscal Division forecast had year-to-date total win up 5.2% in FY 2017 against the -2.4% in FY 2016. He added the slot win in November 2016 was very strong; however, the coin-in volume was not that strong, because it spills over from month-to-month, which he thought was part of the reason Mr. Lawton pointed out that January 2017 was probably not going to be a good slot win month.

Mr. Maddox asked if percentage fee collections would be down compared to FY 2016 if October and November 2016 percentage fee collections were added together.

Mr. Guindon replied that percentage fee collections were up 5.2% year-to-date in FY 2017 knowing they were down 2.4% year-to-date in FY 2016.

Mr. Maddox said January 2017 collections might be down, but were collections going to decrease so much that it would actually take the two-month combination as being lower than FY 2016.

Mr. Guindon replied that he could not answer Mr. Maddox’s question without going into his database. He remarked that total win was only up 0.8% over the last seven months of FY 2016, and he had to increase Fiscal’s forecast 0.5% against that, which was possibly too weak of a forecast. He said it was not a big comparison; however, part of the 5.2% increase in FY 2017 was because of the weak comparison a year ago.

Chairman Wiles reiterated his previous concerns that it was odd collections were so strong in the first five months of FY 2017, but were forecast to be lower for the remaining five months. He said that January 2017 collections may be lower for certain reasons, but was it the two-month period and the seven-month period was the average. Fundamentally, it came down whether the next seven months were going to decline. If collections were so good the first five months, he asked why the forecast reflected a decline in the next seven months.

Mr. Maddox echoed Chairman Wiles’ concerns on percentage fee collections declines for the next seven months, which were forecast over really strong growth in the first five months.

Chairman Wiles commented that clearly, gaming and some of the other expenditures on the Las Vegas Strip were luxury items, and from a net household wealth effect, there was positive movement the last month. Therefore, there were more macroeconomic factors other than interest rates, but in terms of household wealth, there was positive movement. He stressed there had to be something, either at the macro or micro level that would argue that the next seven months should be lower as an aberration over the past five months of FY 2016. Historically, going back five months and looking out three years, there is one seven-month period where collections were lower, which was the seven months they were forecasting.

Ms. Powers stated that baccarat win was driving the forecast for the last seven months in the Budget forecast, which showed negative growth for the remainder of the year. However, overall the last seven months was holding steady in Budget's forecast.

Mr. Maddox stated Budget's baccarat forecast reflects a decline of 14% for 2017, which was driving the number. He added if Budget's forecast showed a 2% decline, the forecast would be very different.

Ms. Powers stated Budget's forecast for baccarat volume year-to-date was -15.8%, and for the last seven months -13.8% growth was needed.

Mr. Maddox said he was uncomfortable forecasting a decline in percentage fee collections for the next seven months of FY 2017, given the forecast for the future, unless there was some large hold aberration in table games.

Mr. Leavitt suggested using Fiscal's forecast for FY 2017, instead of the Agency's forecast, which would add at least $3 million to the forecast.

Mr. Maddox requested more data, such as the hold percentages in table games the last seven months, because if the percentages were abnormally high, then he thought the forecast made sense.

Mr. Lawton stated for the record that baccarat hold percentage for the remainder of the comparison period was 14.3%; baccarat hold fiscal year-to-date was 14.4%. If baccarat volumes continued on that track, which they were doing with four increases in 25 months, and fiscal year-to-date baccarat hold percentages decreased to more normalized ranges, the state would hit bumps in baccarat. He stressed that his forecast was not projecting declines, but less robust growth for the remainder of the fiscal year. The Agency's forecast for win was a little above 5% for the next seven months of FY 2017, based on a tough comparison in baccarat hold for the remainder of the fiscal year. The GCB's slot win forecast was facing some tougher comparisons, and the comparison over the last seven months of FY 2016 was an increase of 2.8%; currently the state was up 4.6%. The GCB's forecast models were not showing the state would continue on the current upward trajectory.

Mr. Maddox stated he was seeing a 1.1% decline in the forecast, with no growth, for the next seven months of FY 2017, and Mr. Guindon clarified the 1.1% was the average decline to hit the gaming percentage fees with the EFA built in.

Mr. Maddox understood what Mr. Guindon said, but the forecasts reflected a decline in percentage fee collections for the next seven months. Mr. Guindon responded that would be the average growth over the seven months in the tax, not in the components, which was a combination of volume, hold and EFA.

Mr. Maddox stated the tax should be increasing as it relates to the win and the volume, because they were getting fewer discounts, which was baccarat, and getting more straight money, which were slots.

Mr. Guindon interjected the one thing that drives the numbers was the TGR to win ratio increased from 93.8% to 95.9% in FY 2016. However, he did not think TGR would increase another 2.1%, which was part of the reason the forecast was softening in FY 2017. He stated part of the strength in the forecast was due to total win declining 0.5% in FY 2016, but there was a 1.7% increase in TGR because of the 2.1% increase in the TGR to win ratio; therefore, the increase in percentage fees was due to the ratio and not the win.

Mr. Maddox stated that was a proper business makeshift and not a fluke.

Mr. Guindon explained the Fiscal Division forecast had the TGR to win ratio only increasing from 95.9% in FY 2016 to 96% in FY 2017, increasing to 96.1% in FY 2018 and increasing to 96.2% in FY 2019. Looking at where the TGR to win ratio was, through the first five months of FY 2016, the ratio was below where it was year-to-date in FY 2015, so it had to recover to get back to the 96% forecast for FY 2017. Mr. Guindon stated he did not disagree with Mr. Maddox about whether the forecast was too soft on the volume or win side, but in addition, they had to look at the ratio of TGR to win and the rate of increase would not repeat, which then softens the growth in collections in FY 2017 compared to FY 2016, especially when the forecast was up 4.7% on TGR in FY 2017, compared to 0.1% in FY 2016. Consequently, the Fiscal forecast had TGR percentage fee collections softening to only increase 1% in the remainder of in FY 2017 compared to 2.6% in FY 2016, before the EFA was taken into account.

Mr. Maddox stated the Forum was comfortable with sales tax increasing 5% in the next seven months; however, gaming percentage fees were forecast to decline. He asked the reason gaming percentage fees were projected to decline.

Mr. Guindon replied that he was unsure how to respond to Mr. Maddox's question, other than the sales tax does not have TGR to win ratios and the EFA.

Mr. Maddox asked Mr. Guindon if it was solely a matter of the 93.8% to the 95.9% TGR to win ratio. Mr. Guindon believed the TGR to win ratio played a significant role in the growth seen in FY 2016 compared to FY 2015, which he did not think would repeat in FY 2017.

Mr. Maddox thought the growth should be stable, because all the forecasters were forecasting baccarat to decrease and as baccarat becomes less of a mix in the gaming revenue, the ratio increased.

Mr. Guindon replied that looking at Fiscal's forecast, the 2.4% growth in total win for FY 2017 translates into 2.5% growth in TGR in FY 2017 and 2.5% growth in percentage fees from TGR, because he only had the ratio going from 95.9% to 96%, so the forecast did not have that level of improvement. Knowing the TGR to win ratio was currently at 95.9% fiscal year-to-date versus 96.3% a year ago, it was actually down 0.4%.

Mr. Maddox asked what 0.4% did to the volumes – if volumes were increasing 2% to 3%, like the forecast in every out year, and the ratio was only 0.4%, that was not going to get to a 1.1% decline.

Referring back to TABLE 1B, (page 35, Exhibit E), Mr. Guindon explained the table showed Fiscal's forecast for TGR to win ratio averaged 96.13% over the last five months of FY 2017, so it increased above where it averaged the last seven months of FY 2016 to increase by 0.4% to get back to where it was for the fiscal year. He had TGR improving in the forecast, but that increase only translates to 2.5% growth in TGR win. If the Forum liked the 2.5% growth in FY 2017, then they had to like only increasing 1.1% over the last seven months. Mr. Guindon stated that in Fiscal's forecast, TGR increased 1%, but when he factored in the EFA, the forecast declined 0.4%. If the Forum liked the 2.5% growth in percentage fees from TGR, then they had to like that growth would only average 1% over the last seven months of FY 2017. However, if the Forum did not like the -0.4% in FY 2017 averaging against the 3.8% in FY 2016, then they would not like the EFA. As a forecaster, Mr. Guindon stated the EFA was tough to forecast, and could move the needle.

Mr. Maddox expressed it was strange that declines were projected for the next seven months, and Mr. Guindon agreed with Mr. Maddox.

Ms. Powers stated that July 2016 was a large hold month and baccarat collections increased 11.6% with 44.5% win.

Chairman Wiles restated his previous concerns with the decline projected in the next seven months when there was growth in the first five months of the fiscal year.

Mr. Maddox asked if any of the forecasters projected a decline in FY 2017 over the extraordinary first five months, because if a decline was forecast for FY 2017, it was okay; however, it did not make sense to then project an increase in month eight. Mr. Maddox said that either the forecasts for the first five months were wrong, or the next seven months were wrong, but could not be both.

Chairman Wiles commented there was some disagreement among the Forum members on the forecasts, and although there were small incremental differences between the estimates, the forecasts were all following the same pattern of decline.

Mr. Maddox expressed that maybe the forecast was right looking at the next 19 months. He did not agree with the Agency's forecasts for the next seven months, or the five months after that; however, over the three-year forecast period, he felt 3% growth was probably close.

Chairman Wiles understood Mr. Maddox was looking at the average growth over the forecast period versus fictitious monthly components, and agreed with his statement.

Chairman Wiles stated that there were four forecasts – Agency, Fiscal, Budget, and Moody's Analytics, and the Forum could select one forecast for all fiscal years, or different forecasts for each fiscal year or accept the growth rates off a different base.

Mr. Maddox said he was okay with the Agency's forecast over the three-year forecast period, echoing the forecast would probably be wrong in the next seven months, and larger declines would occur in the next five months.

Chairman Wiles recognized Ms. Rosenthal's initial proposal to accept the Agency's forecast and asked for a motion to second that proposal. Mr. Maddox stated as long as the members of the Forum felt comfortable with being wrong in the middle of the forecast period, but right at the end, he was good with the Agency's forecast.

Ms. Rosenthal suggested the Forum adjust the forecasts for FY 2017 and FY 2018, while still getting to the same end result. She voiced the importance of giving the 2017 Legislature accurate forecasts for budgeting purposes. She asked what the Agency's forecast would be for percentage fee collections for FY 2017 if flat results were shown for the next seven months versus the decline.

Mr. Guindon replied the total percentage fees with the EFA, if they were flat, was approximately $5 million.

Ms. Rosenthal asked the members of the Forum if they wanted to entertain a motion based off the Agency's December 6, 2016, forecast, but to increase the forecast from $720.189 million to $725 million for FY 2017; lower the forecast from $740.137 million to $735 million in FY 2018; and accept the Agency's forecast of $762.535 million for FY 2019.

Mr. Maddox stated, without having all the spreadsheets in front of him, that forecast felt more logical knowing the tough comparisons that will need to be met in the first five months of FY 2018.

> MS. ROSENTHAL MOVED THAT THE ECONOMIC FORUM APPROVE PERCENTAGE FEE TAX COLLECTIONS OF $725.000 MILLION FOR FY 2017, $735.000 MILLION FOR FY 2018, AND APPROVE THE AGENCY'S FORECAST OF $762.535 MILLION FOR FY 2019.
>
> THE MOTION WAS SECONDED BY MS. LEWIS.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

## B. LIVE ENTERTAINMENT TAX - GAMING

Mr. Guindon stated that per the request of Mr. Maddox at the November 10, 2016, meeting, he provided TABLE 1 and TABLE 2, Live Entertainment Tax – Gaming and Nongaming – Actual Collections by Month and Fiscal Year (Exhibit F), which displayed the LET revenue by month for FY 2015, FY 2016, and FY 2017 for the gaming and nongaming portion. In addition, the bottom of the chart showed the fiscal year total, the share of the total between the gaming and nongaming, in addition to the average collections per month. TABLE 2 on the back of the chart showed the forecasts from the Agency, Fiscal, Budget, and Technical Advisory Committee (TAC) for LET gaming and nongaming, along with the percent change, average collections per month and average growth needed to achieve the FY 2017 forecast based on fiscal year-to-date collections.

### *Michael Lawton, Senior Research Analyst, Gaming Control Board*

Mr. Lawton reported the GCB's forecast for Live Entertainment Tax (LET) revenue was increased slightly since the November 10, 2016, forecast. He said the October 2016 LET collections equated to $9.3 million, which was a 57.2% or $3.4 million increase from October 2015. Fiscal year-to-date collections were currently down 24.6% or $11.9 million. Mr. Lawton reiterated that at the November 10, 2016, meeting, LET collections were down drastically through the first four months because they were still comparing against the old LET law for the first three months. In addition, September 2016 LET revenue decreased by 49.3% or $9 million. The decrease was magnified due to the effective date of the new law, which was October 1, 2015, and licensees were required to report their advance admission sales made on or before September 30, 2015, on their September 2015 tax return. He said the most recent month, although he was comparing new law to new law, collections in October were obviously impacted by the effective date of the new law, which was why there was such a large increase in October 2016. After incorporating the results of the new law in the model, Mr. Lawton adjusted the GCB forecast up slightly from the November 10, 2016, forecast and for FY 2017, LET collections were projected to decrease 7.2% or $8 million from FY 2016, with $103.9 million in collections, which compared to the GCB's initial projection provided in November of $102.1 million. The average growth required over the last eight months of FY 2016 to achieve the GCB forecast was 6%. Mr. Lawton stated that average collections over the last eight months of FY 2016 were approximately $8 million, and the last eight months of the GCB's forecast period, collections were projected to average $8.4 million. In FY 2018, the GCB forecast LET collections to grow 3.1% with $107.2 million in collections, and in FY 2019, the forecast was 2.5% growth with $109.9 million in collections. The assumptions the GCB used in their models did not change since the November 2016 forecast, which included a new venue opening on the Las Vegas Strip in December 2016; the continued trend of licensees that have experienced some negative impacts from other more compelling entertainment options that might not be taxable for their later production shows; and the majority of new programming developed recently was geared more toward music festivals or offsite concert venues.

***Susanna Powers, Economist, Budget Division, Governor's Finance Office***

Mr. Powers stated the Budget's LET revenue forecast for Las Vegas visitors showed that visitation to Las Vegas was on a steady upward trend since the end of the recession. Record visitation was expected, although at a softening pace and fiscal year-to-date visitation was up 1.5%. Moving to the Budget Division LET gaming forecast for FY 2017, Ms. Powers stated that she used actual collections in the Controller's system through October 2016, and the amount forecast was $1.7 million lower than what was included in the handout, which was due to the timing of the when the revenue was deposited. For the December 2016 forecast, she stated that she did not incorporate an adjustment to include the new venues coming online; however, the adjustment was made for the FY 2017 forecast. For FY 2018 and FY 2019, Ms. Powers stated that she faced a dilemma since her Las Vegas visitors forecast did not change from the November 2016 forecast, and with more shows, visitors were faced with more choices, and she wondered if a new venue would leave an empty seat in an existing venue. Therefore, she thought the gaming base of the LET was probably more driven by Las Vegas visitation than the nongaming base, resulting in Budget's LET forecast for FY 2018 and FY 2019 being more consistent with her visitor forecast.

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

Mr. Guindon said the LET revenue forecast was shown on TABLE 2, page 53 (Exhibit E), but directed members to the table provided outside of the packet, TABLE 2 (Exhibit F). He stated that he revised Fiscal's forecast up substantially from his November 10, 2016, forecast. The average LET revenue averaged $8.8 million a month; and for the first four months of FY 2017, LET revenue averaged $9.1 million. Mr. Guindon stated that he incorporated the new venue opening on the Las Vegas Strip in the LET revenue forecast for FY 2017, which was part of the upward swing, but in addition, he had the average per month too low in the November 2016 forecast. To hit Fiscal's forecast, the average LET collections for FY 2017 was approximately $8.87 million, knowing the first four months were averaging $9.1 million, so the average per month over the remaining eight months to hit his forecast was approximately $8.7 million. Mr. Guindon said that when he looked at that he realized he went from having the lowest forecast in November to being the most optimistic forecast in December. Mr. Guindon stated he looked at LET collections and what it was yielding on average per month. He believed the LET gaming had a more stable base than the nongaming component, because the nongaming side could be driven by events, such as Electric Daisy Carnival, Burning Man and other events occurring every year. He stated there were other events the forecasters probably do not pick up under the tax that perhaps the collections gets annualized against. It was harder to know if these events always repeat or not. On the gaming side, shows could come and go but there was just a more stable tax base and more stable set of people attending the events. He stated that he looked at what the state was averaging from the February to October period and from the July to October period and what he would have to average, which was approximately $8.7 million to hit the forecast; therefore, he was not uncomfortable with the significant upward revision in the forecast. Mr. Guindon indicated he had the same growth rates for FY 2018 and FY 2019 as in the November 10, 2016, forecast of

3% and 3.1%, respectively. With the upward adjustment of the forecast for FY 2017 carrying forward into FY 2018 and FY 2019, the forecast was higher in all three years.

Chairman Wiles asked Mr. Guindon if visitation growth was from the domestic customer from Southern California or visitors from the rest of the country.

Mr. Guindon replied that the forecasters do not see the type of visitors in the monthly numbers. He could not recall the latest breakout of customers from the Las Vegas Visitor Profile Study.

> MR. MADDOX MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL DIVISION'S REVENUE FORECAST FOR THE LIVE ENTERTAINMENT TAX - GAMING OF $106.449 MILLION IN FY 2017, $109.598 MILLION IN FY 2018 AND $112.946 MILLION IN FY 2019.
>
> THE MOTION WAS SECONDED BY MR. LEAVITT.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

## C. STATE 2% SALES TAX

***Jeremey Hays, Economist, Department of Taxation***

Mr. Hays referenced the Department of Taxation – Economic Forum Projections – Sales and Use Tax (Exhibit G). He said the chart on the first page of the Department of Taxation (Taxation) handout showed Nevada's Taxable Sales. He indicated the chart showed an obvious upward trend in taxable sales, which combined with movements in Nevada's labor market, visitation and factors in the national economy, helped to forecast Taxation's forecast model. Page 2 of (Exhibit G) showed the results of those factors and for FY 2017, Taxation projected year-over-year growth of 4.9% or an increase of $51.2 million; for FY 2018 Taxation projected a moderate increase of 3.8% or $41.3 million; and for FY 2019, a slight moderation was projected of 3.4% or $38.8 million.

***Susanna Powers, Economist, Budget Division, Governor's Finance Office***

Ms. Powers stated that the Consumer Confidence Index has risen to pre-financial crisis levels, which should bode well for the 2016 holiday shopping season, compared to the prior year. She referred to page 14 (Exhibit D) and stated the latest month of sales tax collections were better than expected, which was one reason for the upward revision in the FY 2017 forecast. In addition, legalization of recreational marijuana would generate State 2% Sales Tax revenue, which was why there was an increase in the forecasts for FY 2018 and FY 2019. Overall, the State 2% Sales Tax revenue was forecast to increase, but at a decreasing rate, and would still be reflected in Nevada's eroding sales tax base due to reduced spending on taxable goods versus increased sales spending on services that were not captured by the tax.

Ms. Rosenthal asked if medical marijuana was subject to the State 2% Sales Tax, but it was uncertain how it would be taxed by the Legislature since it was a new law.

Mr. Guindon replied that medical marijuana was subject to the State 2% Sales Tax; although he thought Ms. Rosenthal was referring to recreational marijuana, which was also tangible personal property and subject to sales tax, in addition to local rates. He added the tax not only applied to recreational marijuana in bud form, but also included infused products, which were also considered tangible personal property.

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

Mr. Guindon referred the members to Moody's Analytics State 2% Sales Tax forecast on TABLE 8 (Exhibit B). He stated the State 2% Sales Tax forecast was revised down slightly in FY 2017 by -0.1% to 6.4% growth; by -0.3% in FY 2018 to 8.8% growth, and the forecast growth for FY 2019 remained unchanged at 7.29%.

Mr. Guindon directed the members to Fiscal's forecast starting on page 65 (Exhibit E). He stated the Fiscal Division's December 6, 2016, forecast was revised upward by 0.5% or $5.1 million since the November 10, 2016, forecast. He added that September 2016 was a good month, which he missed in his November forecast; he forecast an increase in statewide taxable sales of 4.2% against the 6.9% a year ago for that month. However, statewide sales tax increased by 6.1% against the 6.9%, and he missed the forecast by approximately 2%, which was $1.7 million. Consequently, $1.7 million of the $5.1 million upward revision was because he did not correctly forecast the month of September. He reran the updated regression equation, which included the July, August and September period to complete the quarter. He subjectively reduced the equation for the stronger growth that was occurring in FY 2019, in the November 10, 2016, forecast, and for the December 2016 forecast, he was letting the equation run unadjusted. He agreed with Ms. Powers that recreational marijuana would have some influence, but he was unsure of that effect, because as an economist, he was a firm believer in the substitution effect for both visitors and residents. He said unless residents or visitors increased their budgets and had more disposable income, and they started to consume recreational marijuana, then something would have to give in the purchases of other goods. For visitors it could be LET, gaming or room taxes, because those people were substituting part of their budget on recreational marijuana as a new consumer good, then something had to give. Mr. Guindon stated that once he reran the equation and made adjustments for September in the Fiscal Division forecast, he was comfortable with State 2% Sales Tax growing at 5.8% for FY 2017, 5.4% for FY 2018 and 5.1% for FY 2019, which was a 0.5% upward revision in the growth rate for FY 2019. The Statewide Taxable Sales, CHART 5, page 73 (Exhibit E), showed taxable sales per $1,000 of personal income started to increase versus running flat. However, if visitor growth continued, and visitors were purchasing, then the forecast would be higher for taxable sales, but lower for personal income. Mr. Guindon said after rerunning the forecast and allowing the growth to occur more in FY 2018 and FY 2019, and seeing the effect it had, he was not overly bothered with the increase. Mr. Guindon referred to TABLE 9, page 35 of (Exhibit A) showing the growth that was required over the remainder of FY 2017 to achieve the forecasts presented.

In response to Mr. Leavitt regarding the growth seen by industry, Mr. Guindon stated he looked at the industries generating growth in taxable sales, but could not recall the details for the specific industries. He referred to the chart on the committee webpage that showed the industries by growth (Chart 1 – Statewide Taxable Sales – Total Taxable Sales for all NAICS Categories versus Taxable Sales for 17 Selected NAICS Categories). Mr. Guindon said there was a lot of growth the previous month in Storey County due to the Tesla Gigafactory project, which he took into account in his forecast because it generated taxable sales, but not collections. He made a downward adjustment in the forecast by approximately $21 million for FY 2017, and $17 million for FY 2018 and FY 2019, not only to account for the Tesla Gigafactory or Faraday Futures project, but for the star bond districts, because these things generate taxable sales that does not go to State 2% Sales Tax revenue.

Mr. Leavitt stated he was concerned with the decrease in sales tax revenue for retail businesses in the prior month. He questioned the impact Internet sales had on statewide taxable sales and if it would have a dampening effect in the future.

Mr. Guindon replied that Assembly Bill 380 passed during the 2015 Legislative Session to collect sales tax on Internet sales through the affiliated nexus laws, although he was unsure of the revenue generated since the law went to effect. However, when the issue was addressed during the 2015 Legislative Session, there was no expectation the state would pick up a lot of the revenue from Internet sales, because many of the online sales had a physical nexus and were already in the tax base. He thought there might be some leakage especially with the smaller online stores that lacked a physical nexus, and that do not meet the affiliated nexus standards established in Assembly Bill 380.

Ms. Powers interjected that she had the chart with statewide taxable sales by industry. She stated September 2016 taxable sales, for the stores that included online retailers, such as Amazon, did fairly well. In September 2016, the year-over-year change was 10.9% and the share of the total was slightly up in terms of ranking. General merchandise stores also had very similar results and year-over-year sales were up 5.2%; however, it did not really change the share of total, and still accounted for 8% of the total taxable sales as in the past. Ms. Powers said what was surprising, for the most recent month, clothing and accessory sales were up 3.7%, which were negative in the past. She added that sales tax collections were up 6.8% for eating and drinking establishments. Sales tax collections for construction were down 14.8%, which typically fluctuates; and sales tax collections for motor vehicles and auto part dealers were up 8.5%.

Ms. Rosenthal recalled at the November meeting there was discussion on the lower than expected sales tax collections and it appeared Nevada residents were saving more versus spending. She asked if the forecast for the out years was adjusted for lower sales tax collections in the assumptions.

Mr. Guindon replied that he decreased the November forecast for sales tax collections in Fiscal's equation to account for people spending less. However, after seeing some strength in the current month, and with the net effect of recreational marijuana, and the projects anticipated in Clark County in the 2017-19 biennium, he adjusted the December 6, 2016, forecast upward. He was unsure he could exclusively say it was consumers spending less. He looked at the data, what the equation was telling him, visitors, consumers and the economy in Northern Nevada and Clark County for residential and non-residential activity.

Mr. Guindon added that looking at the November 10, 2016, forecast in inflation adjusted terms, sales tax collections only increased by 1.7% in FY 2019. Looking back 20 years, inflation adjusted taxable sales have never declined less than 2% growth, except for negative economic events. For the December 6, 2016, Fiscal forecast, with the 5.1% growth, there was 2.2% growth in inflation adjusted taxable sales, which then translated over into collections. Mr. Guindon said inflation growth would show in retail prices; therefore, in inflation adjusted terms, he thought Fiscal's November forecast was too low at less than 2% growth. He added that less than 2% real growth in taxable sales could happen, but if there was 2.7% inflation then he did not think 5.1% nominal growth was bad.

Chairman Wiles observed that all the forecasts for State 2% Sales Tax revenue were remarkably similar for the three fiscal years.

Mr. Leavitt said he was comfortable with Fiscal's forecast. He felt better about the sales tax revenue forecasts because the state has recovered in some of the categories he had concerns with previously. He said the forecasts had good growth percentages, and were still in line with what the state has experienced. He added that the Economic Forum's forecast was somewhat high for the previous two years.

Chairman Wiles added that Fiscal's forecast was the most aggressive through FY 2019, and the quarterly tax growth rates were fairly consistent over the last several years.

Mr. Maddox asked if anyone listened to Dan White, Economist, Moody's Analytics, on Nevada Public Radio, explaining his concerns with sales tax in Nevada. He asked if anyone knew why Mr. White's forecast was up over $100 million in the biennium over the forecasts presented at the meeting.

Mr. Guindon thought that Moody's Analytics equation translated U.S. and Nevada economic activity and how that related to sales tax, and typically, their forecasts had a tendency to be fairly optimistic in relation to other forecasts.

> MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL DIVISION'S DECEMBER 6, 2016, REVENUE FORECAST FOR THE STATE 2% SALES TAX OF AN INCREASE OF 5.8% TO $1,097.045 BILLION IN FY 2017, INCREASE OF 5.4% TO $1,156.198 BILLION IN FY 2018, AND INCREASE OF 5.1% TO $1,214.657 BILLION IN FY 2019.
>
> THE MOTION WAS SECONDED BY MR. MADDOX.
>
> THE MOTION WAS UNANIMOUSLY APPROVED

Chairman Wiles called for a short recess at 11:31 p.m. The meeting reconvened at 11:47 p.m.

## D. INSURANCE PREMIUM TAX

***Jeremy Hays, Economic, Department of Taxation***

Mr. Hays directed the members to page 4 of the presentation material, State of Nevada Department of Taxation Economic Forum Projections (Exhibit G). He stated that the Taxation's forecast for the Insurance Premium Tax was revised from the November 10, 2016, meeting and took into account movements in Nevada's population, employment and the health care industry. He noted the numbers that he presented were slightly different from what was shown in the packet, because the Insurance Division was responsible for the surplus lines insurance portion, which was combined with Taxation's forecast. In FY 2017, Taxation projected year-over-year growth of 6.5%, an increase of $19.4 million; in FY 2018 a slightly more robust growth was projected at 6.6% or $21.1 million; and in FY 2019, the upward trend continued with 6.8% growth or $23 million.

***Susanna Powers, Economic, Budget Division, Governor's Finance Office***

Ms. Powers directed the members to the table on page 17 (Exhibit D). She indicated there was a slight change to the Insurance Premium Tax forecast for FY 2017, because of updated information, which changed the FY 2017 forecast base resulting in a change to the forecast in the out years. She stated the updated amount for the FY 2017 Medicaid premium for enrolling was actually higher than what she had initially estimated resulting in higher health care premium estimates. In addition, she received a revised population forecast from the State Demographer, which resulted in a lower non-health premium estimate resulting in a revision across the board.

Ms. Powers stated that FY 2017 Insurance Premium Tax revenue collections were benefitting from a reduction in home office credits, and for FY 2018 and FY 2019 there were no major drivers beyond the fundamentals. Medicaid enrollment was projected to increase but at a decreasing rate and the same was true for the state Health Insurance Exchange, and non-health premiums were growing slightly stronger than population growth in the forecast.

Ms. Powers stated the increase for FY 2017 collections was largely due to a reduction in the home office tax credits and she expected to see a steady increase in collections beyond FY 2017 as well, with a 3.7% increase for FY 2018, and 3.4% increase for FY 2019. Overall, even though she received updated information for FY 2016 base, the actual forecast for FY 2017, FY 2018 and FY 2019 did not change. The health premium increased, but there was a downward revision on the non-health premium, so the overall effect had the same outcome as the November 2016 forecast.

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

Mr. Nakamoto presented Fiscal's forecast for the Insurance Premium Tax shown on page 79 of the Fiscal Analysis Division Forecast Information Packet (Exhibit E). Mr. Nakamoto explained that Fiscal's forecast used a regression equation that measures Insurance Premium Tax collections per Nevada employee as a function of the non-wage and wage components of personal income and that particular forecast had to be adjusted because it was not picking up the effect of the home office credit law change that limited the amount of the home office credit to $5 million per year. He noted there was an adjustment to the first two quarters of FY 2017 of approximately of $6.050 million per quarter based on the original estimates that the home office credit would add approximately $25 million per year. He told the members at the November 10, 2016, meeting that he wanted to look further at that particular component and would provide the information to the members. He stated that Fiscal's forecast had the most significant revision because he looked at the home office credit. Mr. Nakamoto said that he received taxpayer information from the Department of Taxation for the first two quarters pertaining to the home office credit. The Fiscal Division previously estimated an adjustment of approximately $25 million per year; the adjustment for the Insurance Tax was approximately $20 million for the first two quarters of calendar year 2016. That add was approximately $45 million per year, which caused a significant upward revision in the forecast, page 79 (Exhibit E), which was shown by the actual collections for the first quarter of FY 2017 of $92.5 million. Fiscal's forecast in November 10, 2016, for the first quarter was $83.5 million, so a portion of the upward revision of $9 million was because of the adjustment. In addition, there was a further revision of $6.5 million to the second quarter to get to a more realistic point of where he thought the home office credit was going to be on a quarterly basis, as opposed to the $6 million they had before in the November forecast. The home office credit would then annualize because it would be quarter-to-quarter against the home office credit, which would actually continue to grow because the home office credit was calculated as a percentage of the premiums.

Continuing, Mr. Nakamoto stated that while he could not discuss the particular companies involved with the home office credit because of confidentially issues, his belief was that premiums would continue to grow adding the amount of revenue that would have been home office credit, which due to the law change, now becomes Insurance Premium Tax revenue. Thus, the upward revision of approximately $15.9 million for FY 2017, $16.2 million for FY 2018 and approximately $17.2 million for FY 2019 results from accounting for the updated information on the home office credit. He said that other than the home office credit adjustment in the first quarter there was no substantial revision to the Insurance Premium Tax forecast, it just showed up in the numbers as a result of those two things he looked at.

Responding to Mr. Leavitt's concern about the possibility of the repeal of the Affordable Care Act (ACA) and the effect it would have on the Insurance Premium Tax estimates, Mr. Nakamoto stated he was uncertain of the effects if the repeal of the ACA happened. He said it depended on what the federal government implemented in replace of the ACA. Mr. Nakamoto said after listening to Speaker Paul Ryan discuss the issue, whatever change made would be phased in slowly and the federal government intended to have as little effect on individuals as possible. However, what that potentially meant for insurance prices, how many people were covered, whether there was a shift of coverage from Medicaid and public programs to private programs, which would then be subject to the tax or vice versa, remains to be seen. If there was a downside risk to any of the forecasts, it would be because the ACA was repealed and it went back to something that resembled the status quo pre-ACA, then fewer people would be covered and there would be fewer collections, but it was really too soon to tell.

Mr. Leavitt asked Mr. Nakamoto if he knew the percent of the Insurance Premium Tax that relates to people covered under the ACA that were not getting health insurance from employers that existed before the ACA went into effect.

Mr. Nakamoto replied the information he received from the Insurance Division indicated that health insurance, as a whole, was between 25% to 30% of total insurance. He did not have any information as to what component of that was specifically related to the ACA, other than he has seen movements of the number of insured people decrease from close to one in five to one and ten; however, some of that movement may have been employer purchased health care, insurers on the Exchange, and insurers who have gone on Medicaid or other public programs.

Mr. Leavitt stated that the increase in health insurance costs have been greater among the people enrolled in the ACA then people enrolled in the general insurance market. He thought if the ACA was repealed that the growth in the Insurance Premium Tax would decrease.

Chairman Wiles stated that given the clarity and insight they had into the national health care process the last seven years, he thought the current visibility and challenges in forecasting remain unchanged.

Mr. Maddox asked the reason for the extraordinary growth rate in Insurance Premium Tax from FY 2015 to FY 2017.

Mr. Nakamoto replied that in addition to premiums and covered lives under the ACA, the big movement in the Insurance Premium Tax was the law change that was approved by the Legislature during the Telsa Special Session in FY 2014, which reduced the amount of the home office credits that could be taken by Nevada-based insurance companies.

Chairman Wiles requested an update from the Insurance Division at the May 2017 Economic Forum meeting regarding the ACA, although he suspected any changes would take some time to implement and there would be no additional risks for the current forecast. However, going out a few years there would be significant changes, so he thought it would be helpful to have representation from the Division of Insurance to update the committee on the changes anticipated.

Mr. Guindon replied that he would work with the Division of Insurance for an update on the ACA at the May 2017 Economic Forum meeting. Mr. Guindon added that, if the federal government repealed the ACA, there would be a transitioning phase and the ACA would not actually be repealed until the federal government had a plan in place to replace the ACA.

Chairman Wiles stated that excluding exogenous impacts for any of the major categories, he thought the Insurance Premium Tax revenue would have the greatest regulatory uncertainty. All the other revenues were volumes and average daily room rates and the Insurance Premium Tax would have wholesale changes in the structure.

Chairman Wiles stated the forecasters were in agreement with Insurance Premium Tax forecasts. He asked if any members had questions on the processes that were followed for the forecasts. If the committee was relatively indecisive on the forecasts presented, typically, the committee was inclined to adopt the middle forecast, especially if they did not have strong opinions either way about growth. He added that Budget's forecast fell in the middle of the three forecasts.

MS. LEWIS MOVED TO APPROVE THE BUDGET DIVISION REVENUE FORECAST FOR INSURANCE PREMIUM TAX OF $373.840 MILLION IN FY 2017, $387.533 MILLION IN FY 2018 AND, $400.520 MILLION IN FY 2019.

THE MOTION WAS SECONDED BY MR. MADDOX.

THE MOTION CARRIED UNANIMOUSLY.

## E. MODIFIED BUSINESS TAX

***Jeremey Hays, Economist, Department of Taxation***

Mr. Hays recalled at the November 10, 2016, meeting, he felt his Modified Business Tax (MBT) forecast was insufficient for presentation because of an error; therefore, he deferred to Fiscal's and Budget's forecasts. However, he has since built an econometric model he was more confident with. He explained that in order to model the MBT revenue as a whole, he considered movements in Nevada's labor market, population and indicators in the national economy. In addition, after he arrived at the full forecast, he used a combination of share analysis and manual adjustments to break the forecast down into its constituent parts. Taxation's forecast for the nonfinancial component, page 4 (Exhibit G), year-over-year growth was 4.3% for FY 2017 an increase of $22.1 million, FY 2018 had slightly more robust growth of 5.4% or a $28.8 million increase, and continued annual growth was projected at 5.7% or a $32.6 million increase for FY 2019.

***Susanna Powers, Economist, Budget Division, Governor's Finance Office***

Ms. Powers stated there were no changes in the general business employment outlook and approximately 30,000 jobs were estimated to be added to each of the fiscal years. General business wages would continue to improve as the labor market tightens. She said the Department of Employment, Training and Rehabilitation (DETR) quarterly data was used to predict movement in MBT wages and there was a minor upward revision in the wage forecast, which was basically recalibrating the relationship. Gains in MBT-Financial for general business were driven by the employment and wage forecast.

Ms. Powers said the employment outlook in MBT-Financial services industry was stable and a moderate increase was expected over the next three fiscal years. The financial rates outlook was driven by employment forecast and trends point toward increasing demand for financial skills and continued to drive salary growth in the industry through FY 2019. Collections for financial institutions were essentially the same as presented at the November 2016, meeting. She referenced the metal ore mining employment forecast, page 28 (Exhibit D), which was driving her mining outlook and employment in this sector and followed a trend of gold prices and subsequent production. She indicated the assumption was metal ore mining employment was the major driver behind her MBT mining collections. Mining wages showed sectors that were subject to the net proceeds of minerals tax. In addition, she recalibrated the relationship between DETR wages that she used to guide MBT wage movements based on the latest data.

She added there was a major missing taxpayer in the file she used for FY 2016, which added $20 million of annual wages to the Budget forecast.

Ms. Powers said that she had to make some revisions to MBT mining collections, which had to do with the wage correction she made for the missing taxpayer. However, the decline in collections was driven by the metal ore mining employment outlook.

Chairman Wiles asked if the number of jobs being added were full-time or part-time jobs.

Ms. Powers replied that the database she used was establishment driven and not based on residence; therefore, did not differentiate between part-time or full-time jobs.

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

Mr. Reel said that Fiscal's forecast for the MBT was shown on page 94 of the Fiscal Analysis Division Forecast Information Packet (Exhibit E). Mr. Reel stated that he did not change the economic outlook significantly in the forecast, and most of the changes were in the first quarter of FY 2017, which drove the changes to the forecast. Looking at the actual taxable wages and collections for the first quarter of FY 2017 – the taxable wages had 12.7% growth compared to the same quarter a year ago, which was stronger than what Fiscal was forecasting in November. Fiscal's forecast showed 7.3% growth in taxable wages for the first quarter. In terms of actual collections, nonfinancial institutions showed strong first quarter collections of $144.9 million, approximately $9.3 million more than the Fiscal forecast for the quarter in November. The anticipated forecast was 11.5% growth and collections came in at 19.2%. Fiscal anticipated growth would be a strong because of the average effected tax comparison to a year ago, with the transition in the new tax structure. In the first quarter a year ago, the effective rate was lower than what was experienced for the next several quarters with the tax changes. As a result of that difference, the Fiscal Division expected a strong quarter.

Mr. Reel explained that in addition, one of the factors contributing to the higher collections was the ratio of the health care deductions for that quarter, which was less than a year ago, so there were more wages subject to tax for the first quarter than last quarter as well. Fiscal expected the health care deduction to represent 7.1% of gross wages and ended up only being approximately 6.6%.

Mr. Reel said that based on the first quarter of FY 2017, the revisions to Fiscal's forecast showed an upward revision was made of approximately $2.2 million in FY 2017, approximately $540,000 in FY 2018, and approximately $230,000 in FY 2019 (TABLE 8, Exhibit B) .

Chairman Wiles asked why taxable wages were up so dramatically in the first quarter of FY 2017 compared to the prior year with $12 billion in the first quarter of FY 2017 compared to $10.6 billion in the first quarter of FY 2016.

Mr. Reel replied it was the same tax structure in taxable wages and was an apples-to-apples comparison to the first quarter of FY 2016. He said that taxable wages were anticipated to be strong, but came in stronger than was originally forecast. He said the MBT nonfinancial taxable wages was difficult to forecast because of the changes that have occurred. When there was a change in the tax structure, typically the first quarter would be weaker. He said taxable wages were stronger, but the average effective tax rate was lower in the first quarter a year ago, which was a contributing factor on the collections side. However, on the taxable wages component, there was a lot of taxpayer behavior that occurred from quarter-to-quarter in terms of when information was reported by businesses, so typically from quarter-to-quarter some variation was seen that was not always explainable.

Mr. Leavitt asked where the growth in the state was coming from. He asked if the information was analyzed by counties, such as Clark County, Washoe County and the rest of the state.

Mr. Reel replied that employment in general was what drives most of the growth, and the stronger growth that occurred across the state was in Clark County.

Chairman Wiles stated they were back to the same gaming percentage problem, in terms of taxable wages, and the growth for the second, third and fourth quarter looked like it was significantly less than the last three years.

Mr. Reel stated there was a clear break in series with the taxable wages and because of the change in the tax structure, in FY 2009 to FY 2015, non-financial wages included the mining industry. By removing mining from the non-financial wages, it made an unfair comparison to the taxable wages that were reported for the prior years compared to the forecast going forward. Therefore, mining was taken out of the forecast, which changed the comparisons that could be made to the prior periods.

Chairman Wiles asked that with mining out of the forecast, the forecast went from $9.4 billion in the first quarter of FY 2015, which included mining, to $12 billion in the first quarter of FY 2017, which did not include mining.

Mr. Reel replied that mining was taken out of the forecast, but also there was the change in the tax structure, whereby, the exemption threshold was changed from $85,000 to $50,000, so the wage base was increased by changing the tax rate.

Chairman Wiles commented there was remarkable consistency in the forecasts for the MBT.

Mr. Maddox said it was helpful to look at TABLE 4, page 25 of (Exhibit A) that displayed all the forecasts over the biennium for each forecaster.

> MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE MBT-NONFINANCIAL REVENUE FORECAST PREPARED BY THE BUDGET DIVISION OF $547.083 MILLION FOR FY 2017, $577.066 MILLION FOR FY 2018, AND $607.468 MILLION FOR FY 2019.
>
> THE MOTION WAS SECONDED BY MR. MADDOX.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

Chairman Wiles asked for a motion for the MBT-Financial forecast.

> MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE MBT-FINANCIAL REVENUE FORECAST PREPARED BY THE AGENCY OF $28.224 MILLION FOR FY 2017, $29.819 MILLION FOR FY 2018, AND $31.372 MILLION FOR FY 2019.
>
> THE MOTION WAS SECONDED BY MS. ROSENTHAL.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

Chairman Wiles asked for a motion for the MBT-Mining forecast.

> MR. LEAVITT MOVED TO ADOPT THE MBT MINING REVENUE FORECAST PREPARED BY THE FISCAL DIVISION OF $22.099 MILLION FOR FY 2017, AND $22.055 MILLION FOR FY 2018, AND ADOPT THE BUDGET DIVISION FORECAST OF $21.988 MILLION FOR FY 2019.
>
> THE MOTION WAS SECONDED BY MS. LEWIS.
>
> THE MOTION CARRIED UNANIMOUSLY.

## F. REAL PROPERTY TRANSFER TAX

***Jeremey Hays, Economist, Department of Taxation***

Jeremy Hays, Economist, Nevada Department of Taxation, began his presentation by informing the Economic Forum members that, in his forecast of the Real Property Transfer Tax (RPTT), he considered movements in Nevada's labor market, income, population and the Case-Schiller Home Price Index. He noted that Taxation's forecast has been modified from the forecast presented at the November 10, 2016, meeting to smooth the growth rates over the forecast period. For FY 2017, he projected growth of 7.9%, an increase of $6 million relative to FY 2016; for FY 2018, he projected growth of 8.4%, an increase of $6.8 million; and for FY 2019 his model showed moderation in the growth rate to 3.6%, which was an increase of $3.2 million.

***Susanna Powers, Economist, Budget Division***

Susanna Powers, Economist, Budget Division, Governor's Finance Office, indicated that her RPTT revenue forecast was driven by residential factors, and existing home sales had been trending downward since FY 2012. She noted that the data she received did not isolate commercial property transactions or land sales.

Ms. Powers said there were no revisions to the Budget forecast from the November presentation, with the exception of updating the FY 2017 forecast to include the most recent month of actual collections. Ms. Powers said single-family permits were improving. Fiscal year-to-date, the number of permits was up 13%. Her FY 2017 forecast for permit activity was a little lower at 12.1%, which she expected to soften in the subsequent biennium. She reported that the Federal Housing Finance Agency (FHFA) House Price Index increases have been strong, but were not aligned with wage growth. The affordability of housing was a key driver of the Budget forecast. She noted that Moody's predicted affordability to decline to 2008 levels. Her forecast was based on the expectation that the Federal Reserve would normalize the monetary policy, which would have a cooling off effect on the housing market. Ms. Powers predicted that, if mortgage rates normalized toward the 6% range over the forecast horizon, there would be a major impact on buyers' financial ability to buy homes.

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

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said that most of the RPTT revenue data through the first quarter, except for one county, had been available before the November 2016 meeting of the Economic Forum. Additional information that was made available after the November meeting resulted in an increase in revenue collections of $6,000 for the first quarter of FY 2017. That increase was the only revision to Fiscal's November forecast, and no changes were made to the assumptions as to the housing quantity, completions or prices on which the forecast is based.

Ms. Lewis said she noticed a softening in the Clark County real estate market, and there were questions about the interest rate. Therefore she recommended that the Economic Forum adopt the Budget Division's more conservative forecast for the RPTT revenue.

Ms. Rosenthal noted that the Budget forecast a continued decline in existing home sales, but the Fiscal forecast continued growth in both existing and new single-family home sales.

Mr. Nakamoto referred to the RPTT revenue and housing information shown on page 125 of the Fiscal Analysis Division Forecast Information Packet (Exhibit E). He noted that Fiscal staff had observed increases in housing completions, but had year-over-year declines in single-family home sales starting in FY 2011. He pointed out that growth in FY 2009 and FY 2010 included the effect of the federal government's incentives for homebuyers, which ended in mid-2010. After that, with the exception of FY 2012, there were year-over-year declines in FY 2013, FY 2014, FY 2015 and FY 2016.

In response to a question from Ms. Rosenthal, Mr. Nakamoto said Fiscal staff expected growth to rebound slightly, but the Budget Division expected a decline, which was a fundamental difference between the two forecasts.

Mr. Leavitt asked about the data underlying the RPTT revenue forecast. Mr. Nakamoto said the only data Fiscal staff received was the collection information posted on the State Controller's system by county, and by month or quarter, depending on when the information was posted.

In response to a question from Mr. Leavitt, Mr. Nakamoto said the data did not indicate how much of the collections were the result of residential versus commercial property transactions. Mr. Leavitt noted that in a commercial property transaction the land may not actually be sold; rather, the entity that owned the land may transfer it through means resulting in the transaction not being subject to the RPTT.

Ms. Rosenthal noted that Ms. Lewis had expert knowledge of the real estate business, and asked her opinion on the Fiscal and Budget forecast assumptions. Ms. Lewis said her expectations were less optimistic than the Fiscal forecast assumptions. She had been monitoring what was being mapped by developers, and noted there were land constraints. She said the Federal Housing Administration (FHA) had not increased its limits in regard to housing loans. She was concerned with the wage versus housing price gap, which continued to widen. She said houses were becoming more expensive, but wage growth was not commensurate. She noted, however, that some corporations had mandates to expand their presence in Southern Nevada and Northern Nevada.

Ms. Rosenthal pointed out that in Washoe County there was growth everywhere. She recalled in the November meeting there was discussion that the new housing being built was multi-family homes rather than single-family homes, making a purchase more affordable. She noted that homes in the lower price ranges were sold as soon as they were put on the market. She said that was contrary to what she was hearing from the forecasters and Ms. Lewis.

Ms. Lewis said that there was no inventory of houses in the lower ranges, and nobody was building them. She said there was pressure between the cost of land and fees that did not allow developers to get the product cheap enough. She pointed out that the attached housing was being built as apartments, which were not subject to the RPTT, because a buyer would purchase the entity rather than the land.

> MS. LEWIS MOVED THAT THE ECONOMIC FORUM APPROVE THE BUDGET DIVISION FORECAST OF THE REAL PROPERTY TRANSFER TAX REVENUE OF $80.964 MILLION FOR FY 2017, $84.856 MILLION FOR FY 2018, AND $87.559 MILLION FOR FY 2019.
>
> THE MOTION WAS SECONDED BY MS. ROSENTHAL.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

This next item was taken out of order.

## G. COMMERCE TAX

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

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB, said he would be referring to TABLE 1 on page 3 of the Economic Forum meeting packet (Exhibit A) in his presentation of the Commerce Tax. In addition, he provided a handout titled “Commerce Tax – Summary Statistics by Business Category for FY 2016 Current Information to Date” (Exhibit H).

He explained that the information in the Commerce Tax – Summary Statistics by Business Category for FY 2016 Current Information to Date (Exhibit H) was compiled by staff of the Fiscal Analysis Division using taxpayer data that was provided to both the Budget Division and the Fiscal Analysis Division. He said it was important to note that the summary included information “to date”; the actual Commerce Tax payment amounts for FY 2016 would not be known until February or March of 2017. He explained that, even though the tax was due on August 15, under the law there was a six-month grace period, and it was unknown how many returns would be paid within the grace period, or the value of those returns.

Mr. Guindon noted that the total gross revenue year-to-date was approximately \$183.1 billion (Exhibit H). After the \$4 million exemption for smaller businesses, and any other statutorily-allowed deductions, the amount of taxable revenue was \$121 billion. He noted taxable revenue was about 66% of gross revenue.

Mr. Maddox asked about the deductions for the mining category. Mr. Guindon explained that the mining industry’s gross proceeds were not subject to the Commerce Tax, which was a constitutional issue. He noted that the Finance and Insurance category was similar in that insurance premiums were not subject to the Commerce Tax. In addition, gross gaming revenue was not subject to the Commerce Tax.

Mr. Guindon noted that the Commerce Tax due was approximately \$156.8 million, an amount close to what was paid and deposited by the Department of Taxation for FY 2016 year to date.

Mr. Guindon explained that, because there was no history available on which to base the forecasts for gross revenue or Nevada taxable revenue, gross domestic product (GDP) and other economic indicators were considered for use as a proxy. He said the forecasters utilized regression analysis based on employment, visitor and personal income projections, as well as other analytical methods, to forecast the GDP. The forecasters then attempted to align the resulting GDP forecast with the categories shown in the Commerce Tax – Summary Statistics by Business Category for FY 2016 Current Information To Date handout (Exhibit H) to determine the average growth over three and five years. He noted that the GDP was a value-added concept, which did not include the mark up from wholesale to retail, but the Commerce Tax did include that mark up for almost all of the industries subject to the tax.

Referring to Commerce Tax Due Estimates for FY 2017, FY 2018 and FY 2019 (Exhibit I), Mr. Guindon said staff from the Budget Division and the Fiscal Analysis Division compiled information under different growth rate scenarios, but using the same growth rate for each year of the forecasting period. He noted that the forecasters were most comfortable with a forecast based on 4.8% growth.

Mr. Guindon explained, because final FY 2016 actual collections were unknown at this point, the forecasters estimated collections for FY 2016, and then applied the growth rate. Referring to the bottom of TABLE 1 (Exhibit I), he said the FY 2016 actual collections of $143.5 million were paid and recorded for FY 2016, and deposited in FY 2016. Another $13.5 million of actual FY 2016 collections have been collected and deposited in FY 2017, which amounted to approximately $157 million, which was close to the $156.7 million amount of Commerce Tax due shown on the Commerce Tax – Summary Statistics by Business Category for FY 2016 Current Information To Date sheet (Exhibit H).

Mr. Guindon said the forecasters expected approximately another $8 million would be collected for FY 2016 in the February 2017 period. He noted that $2.7 million was in a holding account, but had not yet been posted. He cautioned that some of those collections could be refunded or adjusted. Another $5.3 million was forecast to be collected in the February 2017 period. This amounted to an estimated $165 million total collection for the FY 2016 reporting period, on which the 4.8% growth rate was applied to arrive at the forecast for FY 2017. TABLE 1 (Exhibit I) showed the difference in the projected revenue amounts by fiscal year and biennium, in addition to the difference between the growth rate scenarios.

Mr. Guindon pointed out that every .10% increase or decrease in the growth rate resulted in a change of about $200,000. Even adjusting the percentage rate by half a percent did not result in a big change in the forecast amount for this revenue source.

Mr. Guindon said page 2 of the Commerce Tax Due Estimates Under Alternative Growth Rate Scenarios (TABLE 2, Exhibit I) showed the forecast based on a growth rate scenario of 4.8% using the amount of revenue that was actually collected in FY 2016.

Moving to TABLE 6 on page 4 (Exhibit I), he noted the 4.8% growth scenario was selected by the forecasters to compare to other economic indicators. He commented that the expectation of 5% annual growth for GDP could be a little low. Mr. Guindon recalled that the Nevada population growth estimate was provided by the Nevada State Demographer, Jeff Hardcastle, and the Consumer Price Index (CPI) forecast was prepared by Moody's Analytics. Mr. Guindon noted that the forecast for Nevada personal income and employment was prepared by the Fiscal Analysis Division, but the forecast was not much different from the Budget forecast.

Continuing the review of TABLE 6, Mr. Guindon said it was assumed that the Commerce Tax would keep pace with some of those economic indicators, but it could grow a little less than GDP, because of the value added issue and deductions allowed in the Commerce Tax. He reiterated that GDP involved the gross economy. He noted that the Commerce Tax involved "pyramiding," but was subject to deductions and the $4 million exemption. He pointed out that there were only about 5,800 Commerce Tax taxpayers, but there were about 63,000 taxable sales filers, and 50,000 to 60,000 MBT filers. That showed there were many businesses in the state whose gross revenues did not exceed $4 million. Some of the forecast for FY 2017, FY 2018 and FY 2019 was from growth of those smaller businesses. That growth would affect the GDP, but not Commerce Tax revenue collections.

Mr. Guindon noted that the Economic Forum had already approved the forecasts for gaming and insurance, both of which were activities that increased the GDP, but would not affect the Commerce Tax revenue. Similarly, mining would not affect the Commerce Tax revenue. In addition, deductions are allowed for health care providers and health care institutions for revenue from Medicaid and Medicare; those were growing parts of the economy that would not be subject to the Commerce Tax. That is why the forecasters believed the Commerce Tax revenue would grow more slowly than the GDP, and why the forecasters were comfortable with a forecast for growth of 4.8%.

Mr. Maddox asked if GDP data for large and small taxpayers over the last ten years was available. Mr. Guindon clarified that the forecasters used the total GDP. He explained that the average growth over the last five years for each of the categories shown in the Commerce Tax – Summary Statistics by Business Category for FY 2016 Current Information To Date handout (Exhibit H) was used to estimate the Commerce Tax revenue of 4.5%. The forecasters believed growth would be a little stronger, because the five-year average that resulted in the 4.5% result included some of the economic recovery period.

Mr. Guindon noted that three quarters of GDP information was available for FY 2016, which was estimated to grow about 6%. He clarified that this information only included the private sector, not the government sector. He said the Congressional Budget Office projected U.S. GDP growth for FY 2018 and FY 2019 at just under 4%. He explained that economic forecasting required a balance of art and science, but there was more art involved in making the forecast for the Commerce Tax revenue. However, more information on actual collections for FY 2016 would be known in May 2017, which would give the forecasters additional information on which to base the forecast.

Mr. Leavitt observed that the most widespread tax in the state was the Sales and Use Tax, which the Economic Forum projected to grow 5.8% in FY 2017, 5.4% in FY 2018 and 5.1% in FY 2019, which, in each case, was higher than the 4.8% forecast for the Commerce Tax. He noted that the forecasters were not familiar with the Commerce Tax, but were very familiar with the Sales and Use Tax. He said the Sales and Use Tax forecast seemed to confirm the Commerce Tax forecast, because the taxes were similar in that they were based on the ability of people in the state to spend money.

Mr. Guindon agreed. He added that the wholesale and retail trade categories shown in the Commerce Tax – Summary Statistics by Business Category for FY 2016 Current Information To Date handout (Exhibit H) made up approximately 27% of total taxpayers and 45% of total Nevada taxable revenue. That was because there were not any deductions for wholesale and retail trade, except for the smaller businesses that generated under $4 million in gross revenue. He noted that the markup from wholesale to retail would be captured by the Commerce Tax. In addition, the Commerce Tax base was a little larger than the Sales and Use Tax base, because food sold by grocery stores was not exempt under the Commerce Tax.

Mr. Maddox said, given the uncertainty, he thought the forecasters did a good job. He noted 4.8% was strong growth, but was supportable by actual collections in other tax revenue streams.

MR. MADDOX MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL ANALYSIS DIVISION AND BUDGET DIVISION FORECAST OF COMMERCE TAX REVENUE BASED ON GROWTH OF 4.8% OF $194.412 MILLION FOR FY 2017, $181.22 MILLION FOR FY 2018, AND $189.919 MILLION FOR FY 2019.

THE MOTION WAS SECONDED BY MR. LEAVITT.

THE MOTION WAS UNANIMOUSLY APPROVED.

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

Mr. Guindon explained that, under current law, taxpayers are allowed to deduct an amount equal to 50% of the Commerce Tax paid for the preceding fiscal year and apply it to tax due for the MBT in the current fiscal year. He said that information for the first quarter of the MBT revenue collections showed that about 23% of the MBT taxpayers took 100% of their 50% credit against the MBT in that quarter, which accounted for the total amount that would have made up the 50% of the Commerce Tax paid. He said it was possible to show mathematically the relationship between the Commerce Tax 50% credit and the MBT. For example, for retail, for every dollar of taxable MBT, after the $85,000 exemption per quarter, a tax filer's taxable revenue would need to be 26 times that. He said the credits for the Commerce Tax would be 50% of the estimates approved by the Economic Forum, or $82.50 million in FY 2017, $86.46 million in FY 2018, and $90.61 million in FY 2019.

Mr. Maddox had thought that the low margin businesses, such as retail, with large gross sales, but not a large labor pool would not be able to take the full 50% credit against the MBT. Mr. Guindon noted the MBT rate was 1.475%, and the Commerce Tax on retail was .111%. He explained that, for every dollar of taxable MBT, for the retail business not to be able to deduct 50%, their taxable revenue would need to be 26 times that amount. He added that, if the Commerce Tax credit for these types of companies was below 50%, he did not believe it would be that far below 50%.

MR. MADDOX MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL ANALYSIS DIVISION FORECAST FOR THE 50% CREDIT OF THE COMMERCE TAX REVENUE AGAINST THE MODIFIED BUSINESS TAX.

THE MOTION WAS SECONDED BY MS. LEWIS.

THE MOTION WAS UNANIMOUSLY APPROVED.

This next agenda item was taken out of order.

## H. CIGARETTE TAX

***Jeremey Hays, Economist, Department of Taxation***

Jeremy Hays, Economist, Nevada Department of Taxation, noted that Taxation's forecast for the Cigarette Tax has been revised since the meeting on November 10, 2016. He said the revised forecast puts more emphasis on movement in Nevada's population, income, and visitation, as well as the legislative changes that resulted in a large increase in revenue in FY 2016.
Mr. Hays said that in FY 2017, Taxation predicted a year-over-year increase of 7%, or $10.7 million as the full effect of the legislative changes took hold. For FY 2018, he projected that revenue would decline by .5%, for a decrease of $800,000. In FY 2019, the moderation continued with a decrease of .8%, or $1.3 million.

In response to a question from Chairman Wiles, Mr. Nakamoto explained that the tax per pack increased from $.80 per pack to $1.80 per pack. All of that revenue, except $.10 per pack, was directed to the General Fund.

Mr. Maddox recalled that at the November 10, 2016, meeting, the Economic Forum discussed reviewing the revenue projections by month, because there was a large decline in sales immediately before the new stamp was imposed.

Mr. Nakamoto said the most recent data was presented at the November 10, 2016, meeting, and there was not another month of Cigarette Tax revenue collections data available.

***Susanna Powers, Economist, Budget Division***

Susanna Powers, Budget Division, Economist, Governor's Finance Office, said she began forecasting the Cigarette Tax by forecasting cigarette consumption using a regression model based on trend, as shown on page 37 of the Executive Budget Office Forecast handout (Exhibit D). She said consumption was measured by the number of packs or stamps reported by the Department of Taxation. She reported that consumption was expected to trend downward, which would have an effect on the Cigarette Tax revenue collections.

Mr. Maddox asked how much consumption data was available.

Mr. Nakamoto replied that the only data available was the number of stamps that were sold by the Department of Taxation through September 2016. He noted that cigarette consumption analysis by the Fiscal Analysis Division was broken down by month going back to July 2009 on page 132 of the Fiscal Analysis Division Forecast Information Packet (Exhibit E). Data on average packs per month and total packs sold going back to FY 1991 was shown on page 133.

In response to an observation by Mr. Maddox, Ms. Powers confirmed that the annual decline in Cigarette Tax revenue for the month of January was due to consumers' New Year's resolutions to quit smoking.

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

Mr. Nakamoto said the Fiscal forecast for Cigarette Tax revenue was shown on page 131 of the Fiscal Analysis Division Forecast Information Packet (Exhibit E). He reported that there were no significant revisions to the forecast presented to the Economic Forum at its November meeting. He said the Fiscal forecast for Cigarette Tax revenue was based on cigarette packs per Las Vegas visitor, which was tracked on a monthly basis. He said Las Vegas visitor information was available on a monthly basis, whereas per capita information for the state's population was only available on an annual basis.

Mr. Nakamoto reported that the Fiscal forecast for Cigarette Tax revenue was adjusted downward from its November forecast by $54,000 in FY 2017, but increased in FY 2018 and FY 2019 by $146,000 and $63,000, respectively. He explained that the FY 2017 forecast was revised downward slightly due to changes in the Las Vegas visitor forecast for FY 2017. To reach these projections, Cigarette Tax revenue would decrease 1.1% for the remainder of FY 2017 compared to FY 2016. He noted the downward trend was due to people continuing to quit smoking.

Mr. Nakamoto said that the Cigarette Tax revenue collection amounts were mostly beyond the timeframe of any effect due to the tax increase. That would allow for clearer year-over-year comparisons in the future.

Mr. Maddox noted that Cigarette Tax revenue collections for FY 2016 were an aberration, because of the large number of packs purchased in FY 2015. He asked why FY 2018 and FY 2019 revenue forecasts were so low.

Mr. Nakamoto said FY 2015 and FY 2016 revenue collections were distorted due to the tax changes. The lower forecasts for FY 2018 and FY 2019 were due to the increase in the price of cigarettes, and people quitting smoking for health reasons. He said, implicit in the Fiscal forecast is an assumption that an increase in the price of a pack of cigarettes of 10% would decrease the demand by approximately 4%. He could not make a comparison to FY 2015, because consumers purchased a large number of cigarette packs in FY 2015 to avoid the tax increase that took effect July 1, 2015, which was the beginning of FY 2016.

In response to a question from Mr. Maddox about sales in April, May and June of FY 2016, Mr. Nakamoto said after that period, the downward trend continued based on smokers quitting due to health reasons, or due to the increased price of a pack of cigarettes.

Chairman Wiles asked about the price per pack of cigarettes in neighboring states. Mr. Nakamoto said Nevada was among the neighboring states with a higher tax rate, but California recently raised its tax to a rate that is higher than Nevada's rate. He noted that Nevada's Cigarette Tax increase could result in residents of Utah or Idaho deciding to buy their cigarettes in state rather than traveling to Nevada.

Mr. Maddox added that some former smokers had switched to electronic cigarettes, or "vaping," which was not taxed. He preferred the Fiscal forecast, because it was more conservative.

> MR. MADDOX MOVED THAT THE ECONOMIC FORUM ACCEPT THE FISCAL ANALYSIS DIVISION FORECAST FOR CIGARETTE TAX REVENUES OF $173.301 MILLION FOR FY 2017, $170.402 MILLION FOR FY 2018, AND $167.534 MILLION FOR FY 2019.
>
> THE MOTION WAS SECONDED BY MS. ROSENTHAL.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

## VI. REVIEW AND DISCUSSION OF FORECASTS OF MINOR GENERAL FUND REVENUES AND TAX CREDITS FOR FY 2017, FY 2018, AND FY 2019 APPROVED BY THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) AT ITS NOVEMBER 29, 2016, MEETING.

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

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB, reported that, on November 29, 2016, staff to the Technical Advisory Committee (TAC), comprised of the Department of Taxation, Fiscal Analysis Division and Budget Division staff, prepared a consensus forecast for the select minor revenue sources to the TAC at the direction of the Economic Forum. He referred to the forecasts approved by the TAC beginning with TABLE 5 on page 39 of the Economic Forum meeting packet (Exhibit A). He noted that the 12 minor General Fund revenues on TABLE 5 accounted for about 82% of the total revenues considered by the TAC.

Mr. Guindon pointed out that the forecast for the Transportation Connection Tax shown on TABLE 5 was expected to decrease in FY 2018, then increase in FY 2019. He explained that was because the first $5 million generated from the tax in every even-numbered year is allocated directly to the Highway Fund.

Mr. Guindon noted that, for the Governmental Services Tax shown on TABLE 5, there was no revenue shown for FY 2018 or FY 2019, because, beginning in FY 2018, 100% of the proceeds were allocated directly to the Highway Fund. Further, he explained that the decline in FY 2017 was because the revenue was to be split 50/50 between the Highway Fund and the General Fund.

In response to a question from Mr. Maddox, Mr. Guindon noted that there was no sunset on the statutes that channeled revenue to the Highway Fund from the Transportation Connection Tax and the Governmental Services Tax.

Mr. Guindon said the Net Proceeds of Minerals Tax shown on TABLE 5 was transitioning from a pre-payment method, to a payment based on the activity of the actual preceding calendar year. When this revenue source was forecast in May 2015, the expected revenue for FY 2017 was zero. He explained that the revenue for FY 2017 was no longer estimated to be zero, because the estimated pre-payment for calendar year 2017 that was paid for in FY 2016, was determined by the Department of Taxation to be too low. The forecast shown on TABLE 5 was the TAC's estimated adjusted amount that the mining industry would pay in late FY 2017, for actual activity for calendar year 2016, compared to what was pre-paid in FY 2016. He noted that the $13.6 million forecast shown on TABLE 5 was the average of the three forecasts provided by the Department of Taxation, Fiscal Analysis Division, and Budget Division.

Moving to the topic of tax credits, Mr. Guindon referred the Economic Forum members to TABLE 6 on page 45 of the Economic Forum meeting packet (Exhibit A), which showed the TAC forecast for the six tax credit programs that applied under current law.

- The Film Transferrable Tax Credit amount was authorized for $10 million under current law. Not all of those tax credits were used in FY 2016, and $5.6 million was carried over into FY 2017.

- The Catalyst Account Transferrable Tax Credits maximum was adjusted during the 30th Special Session in December 2016.

- The Nevada New Markets Jobs Act Tax Credits was adjusted slightly downward by $2 million for both FY 2018 and FY 2019, based on staff reanalyzing how that tax credit program worked.

- The Education Choice Scholarship Tax Credits amount was the maximum allowed under current law, carrying forward a portion from FY 2016 to FY 2017.

- The College Savings Plan Tax Credits amounts were provided by the State Treasurer's Office.

- The Economic Development Transferrable Tax Credits were awarded to the Faraday Futures and Tesla Gigafactory projects.

Mr. Guindon said amounts shown on TABLE 6 for the Economic Development Transferrable Tax Credits of $37.57 million for FY 2017, $31.41 million for FY 2018, and $46.97 million for FY 2019, were agreed upon after lengthy discussion by the TAC of information provided by the Governor's Office of Economic Development (GOED). Since then, GOED provided additional information on an outstanding audit of the Tesla Gigafactory and additional information on the Faraday Futures project. Based on those updates, the forecast was adjusted downward for FY 2017 by $1.1 million to $36,475,946. For FY 2018, the forecast increased by $1.1 million based on information about the Tesla Gigafactory, and decreased by $950,000 for Faraday Futures, resulting in a net increase of $150,000, bringing the forecast to $31,562,500 for FY 2018. For FY 2019, the forecast was adjusted upward by $950,000, to $47,925,000 to account for an increase in the number of Faraday Futures employees, and in which fiscal years the employees would be counted. He explained that the handout, Economic Development Transferrable Tax Credits (Exhibit J), showed the updated projections for the Economic Development Transferrable Tax Credits.

MR. LEAVITT MOVED THAT THE ECONOMIC FORUM ACCEPT THE TECHNICAL ADVISORY COMMITTEE FORECAST FOR THE MINOR GENERAL FUND REVENUES of $459,201,444 FOR FY 2017, $462,632,163 FOR FY 2018, AND $459,685,451 FOR FY 2019, WITH ADJUSTMENTS TO THE ECONOMIC DEVELOPMENT TRANSFERRABLE TAX CREDITS FORECAST TO $36,475,946 FOR FY 2017, $31,562,500 FOR FY 2018, AND $47,925,000 FOR FY 2019.

THE MOTION WAS SECONDED BY MS. LEWIS.

THE MOTION WAS UNANIMOUSLY APPROVED.

## VII. APPROVAL OF THE ECONOMIC FORUM'S DECEMBER 6, 2016, REVENUE FORECAST REPORT.

*A discussion on the draft report to the Governor under this Agenda Item was taken out of order at 9:57 a.m.*

Mr. Guindon noted that the Economic Forum would provide the Governor and the Legislature with its forecast of state revenues, along with a report on the process used to make the forecast. He said members had been provided with a draft of that report, and asked that they provide comments or recommended changes to staff. There were no recommended changes or comments from the members of the Economic Forum. Mr. Guindon said the Economic Forum would return to this agenda item after the afternoon recess.

*(The Forum then heard the presentations under Agenda Item IV)*

Mr. Wiles called for a recess at 1:26 p.m. to allow staff to finalize the Economic Forum's forecast. The Economic Forum reconvened at 2:33 p.m.

Mr. Guindon explained that forecasts the Economic Forum approved were incorporated into the Forecast of Future State Revenues report, which included General Fund revenue forecasts for FY 2017, FY 2018, and FY 2019 for the 2017-19 biennium.

He noted that the Economic Forum agreed upon the following forecast at its December 6, 2016, meeting: Total Nevada General Fund revenues, before the application of any tax credits approved by the Legislature, were forecast at $3.939 billion for FY 2018 and $4.091 billion for FY 2019. The 2017-2019 biennial total of $8.030 billion was 5.7 percent higher than the current revised estimate for FY 2017 and the actual collections for FY 2016 of $7.594 billion for the 2015-2017 biennium.

After including the estimates for the various tax credit programs, the forecast for FY 2018 is $3.875 billion and $4.012 billion for FY 2019 for a total of $7.887 billion for the 2017-19 biennium net after tax credits. This forecast for the 2017-19 biennium was approximately $424.2 million or 5.7% higher than the revised forecast for the 2015-17 biennium of $7.463 billion, based on the actual collections for FY 2016 and the Economic Forum's revised estimate for FY 2017. The forecast of $7.887 billion for the 2017-19 biennium was approximately $541.3 million or 7.4% higher than the original forecast for the 2015-17 biennium of $7.346 billion approved by the Economic Forum on May 1, 2015.

MS. ROSENTHAL MOVED TO ACCEPT THE FORECAST OF FUTURE STATE REVENUES TO THE FINDINGS OF THE ECONOMIC FORUM AND THE REPORT.

THE MOTION WAS SECONDED BY MR. MADDOX.

THE MOTION WAS APPROVED UNANIMOUSLY.

## VIII. INSTRUCTIONS TO TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) CONCERNING THE GENERAL FUND REVENUE AND TAX CREDIT FORECASTS AT ITS NEXT MEETING.

Chairman Wiles directed the Technical Advisory Committee to continue its process and forecast the same minor General Fund revenues and tax credits for FY 2017, FY 2018, and FY 2019 for presentation to the Economic Forum at its May 2017 meeting.

## IX. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

Mr. Guindon recommended that the Economic Forum meet on Monday, May 1, 2017, to approve its final revenue forecast report. Chairman Wiles said he preferred that the Economic Forum meet on Friday, April 28, 2017.

Mr. Guindon explained that it would be difficult for staff to develop its forecast in time for an April 28, 2017, meeting, because that was very close to the date the Department of Taxation and the Gaming Control Board released the latest revenue collection numbers. He explained that staff would make the April 28, 2017, date work if the members were not available to meet on Monday, May 1, 2017.

Chairman Wiles said he would speak with Fiscal staff about the future meeting date, and would then ask staff to poll the Economic Forum members as to their availability.

## X. 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.)

There was no public comment.

## XI. ADJOURNMENT.

Chairman Wiles thanked the members of the Economic Forum and the forecasters for their work. The meeting was adjourned at 2:40 p.m.

Respectfully submitted,

________________________________
Becky Lowe, Committee Secretary

________________________________
Donna Thomas, Committee Secretary

APPROVED:

________________________________
Ken Wiles, Chairman

Date:____________________________

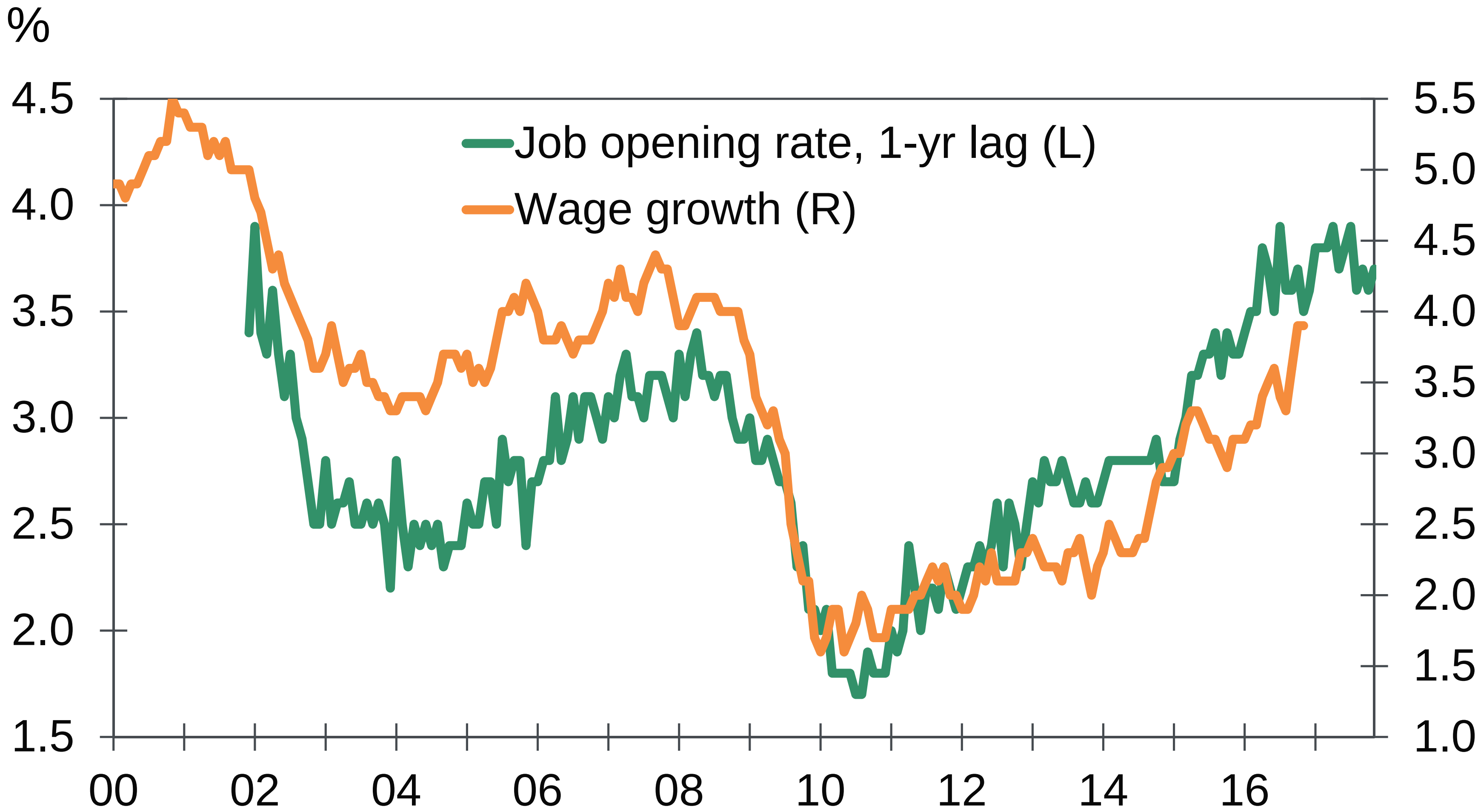
**Copies of exhibits mentioned in these minutes are on file in the Fiscal Analysis Division at the Legislative Counsel Bureau, Carson City, Nevada. The division may be contacted at (775) 684-6821.**

# U.S. and Nevada Economic Outlook

**DAN WHITE**, DIRECTOR

Nevada Economic Forum – May 1, 2017

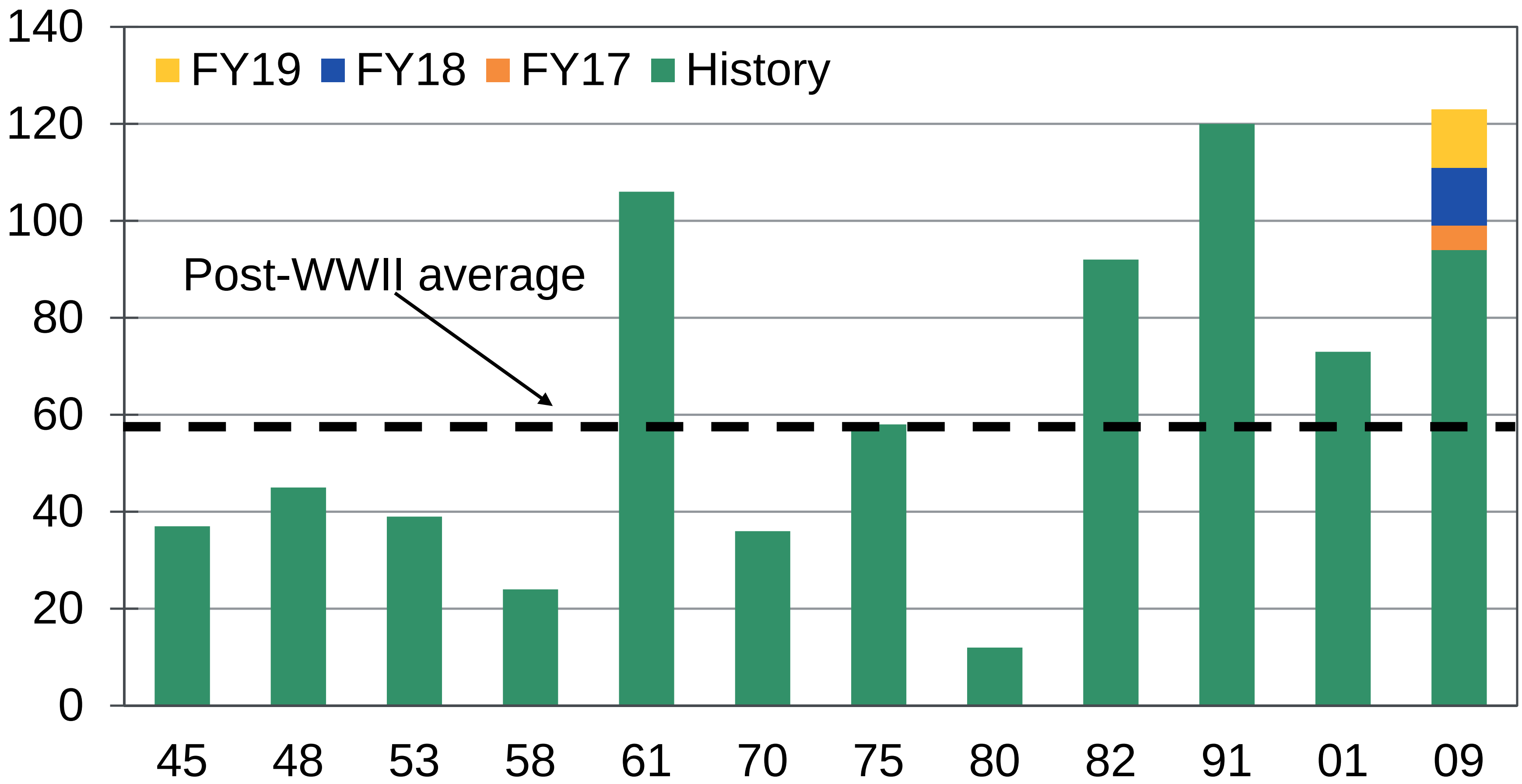
# Wage Growth Is Normalizing




Sources: Atlanta Fed, Moody's Analytics

# Pushing the Envelope…

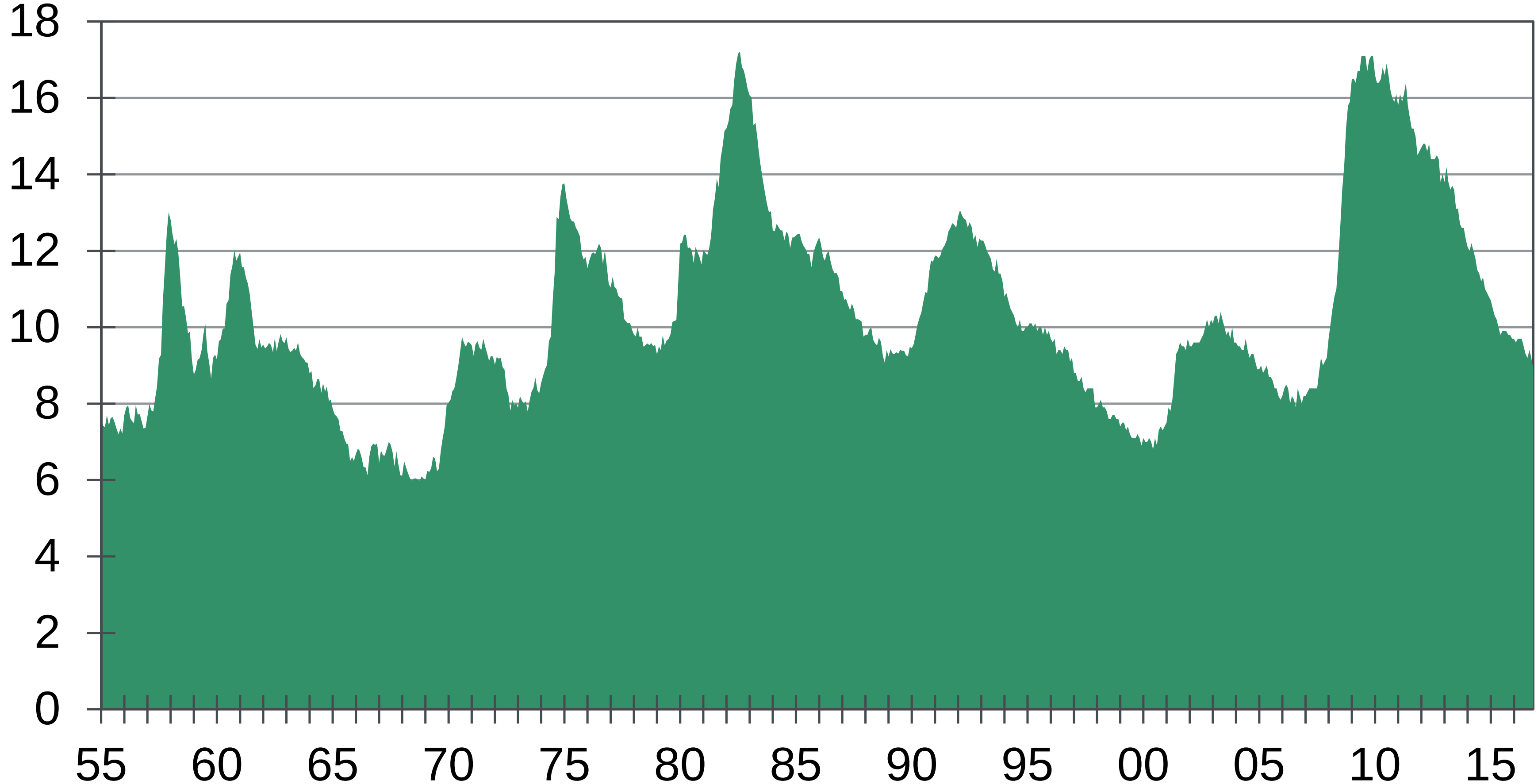
Duration of business cycle expansion, months, federal fiscal year




Sources: NBER, Moody's Analytics

# …But Still Some Room to Run

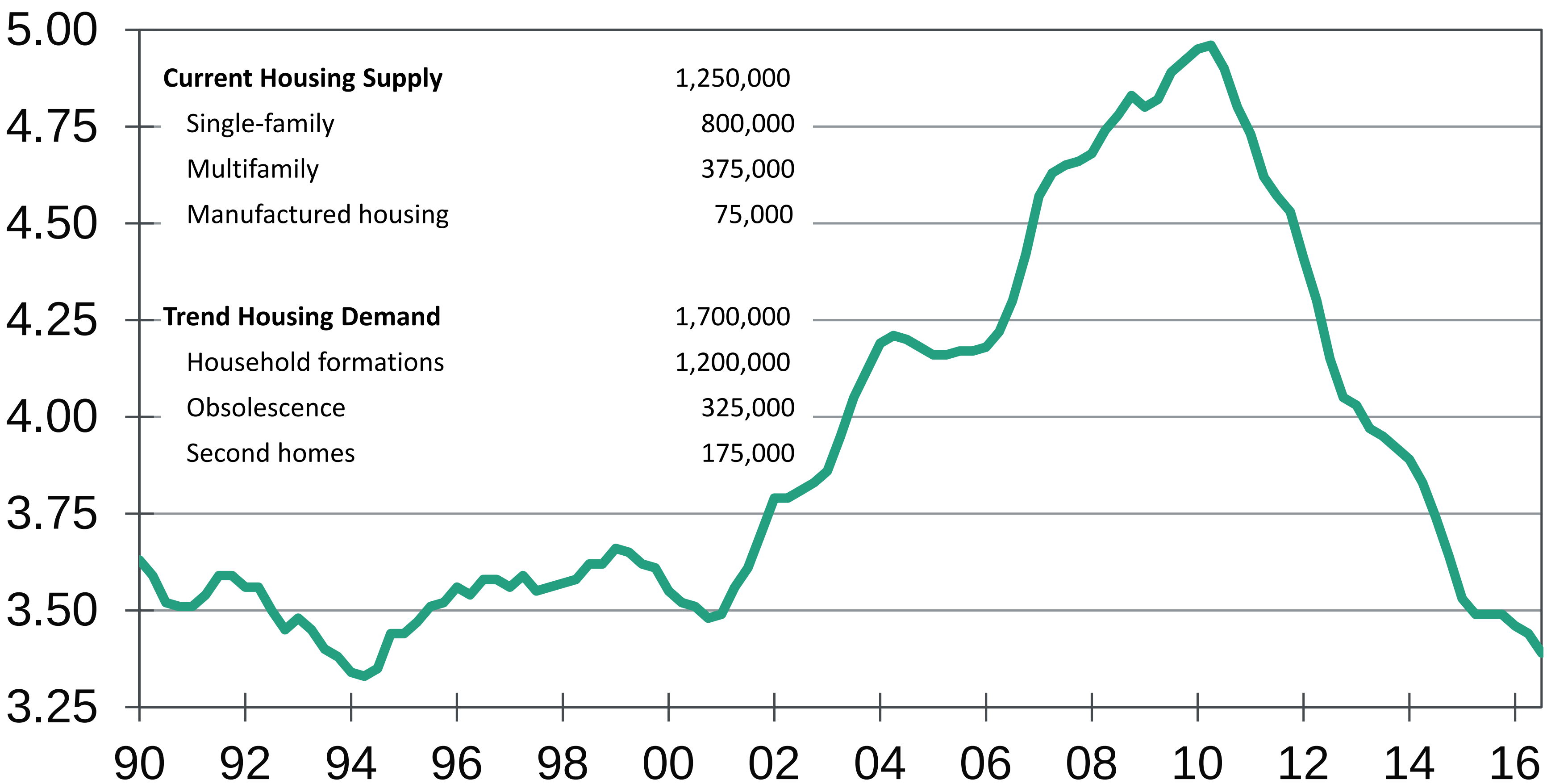
U-6 unemployment rate, %




Sources: BLS, Moody's Analytics

# Housing Vacancy Is Low and Falling

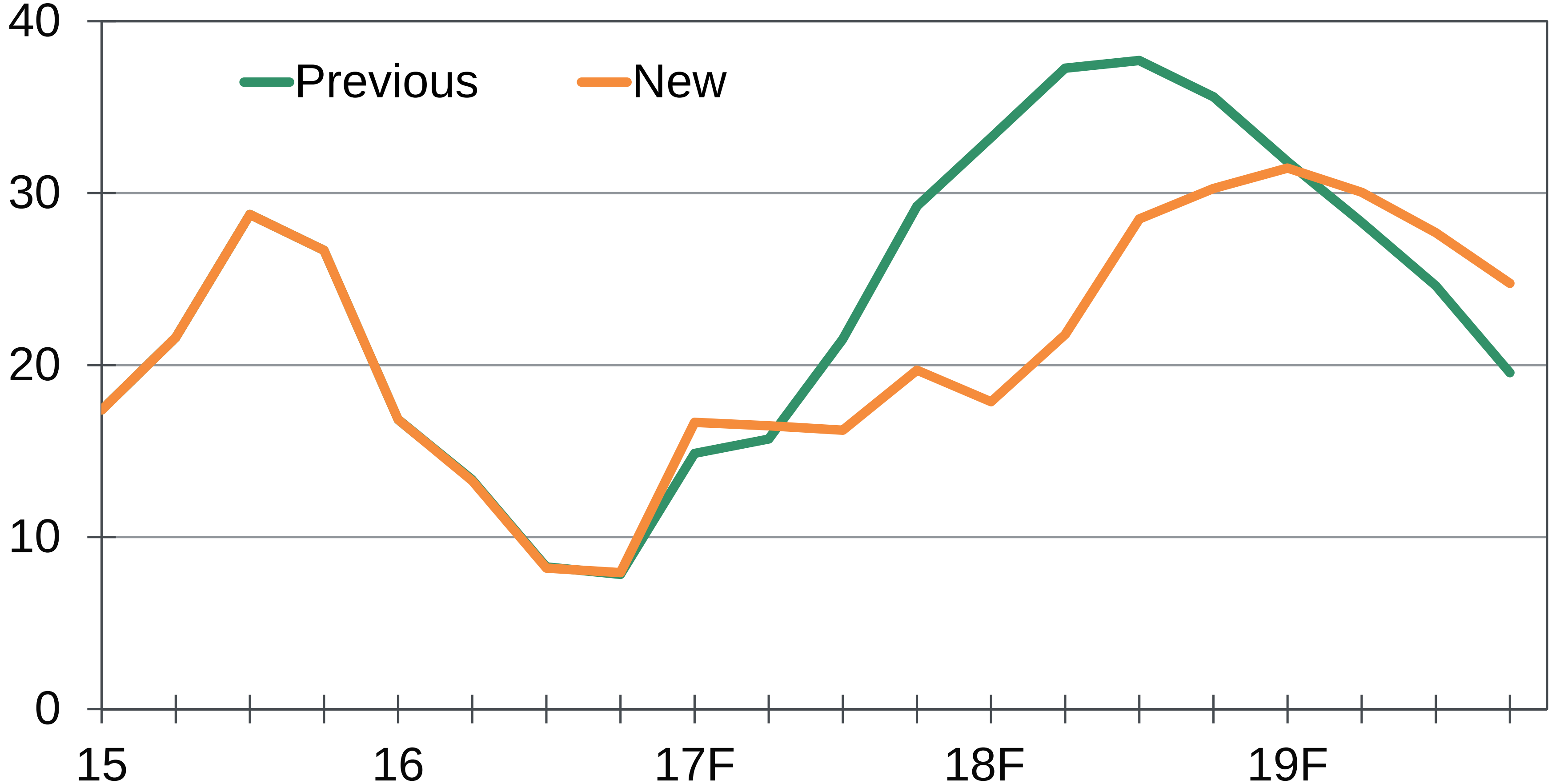
Vacancy rate, homes for sale and rent, 4-qtr MA, %




Sources: Census Bureau, Moody's Analytics

# Nevada Housing Completions Revised

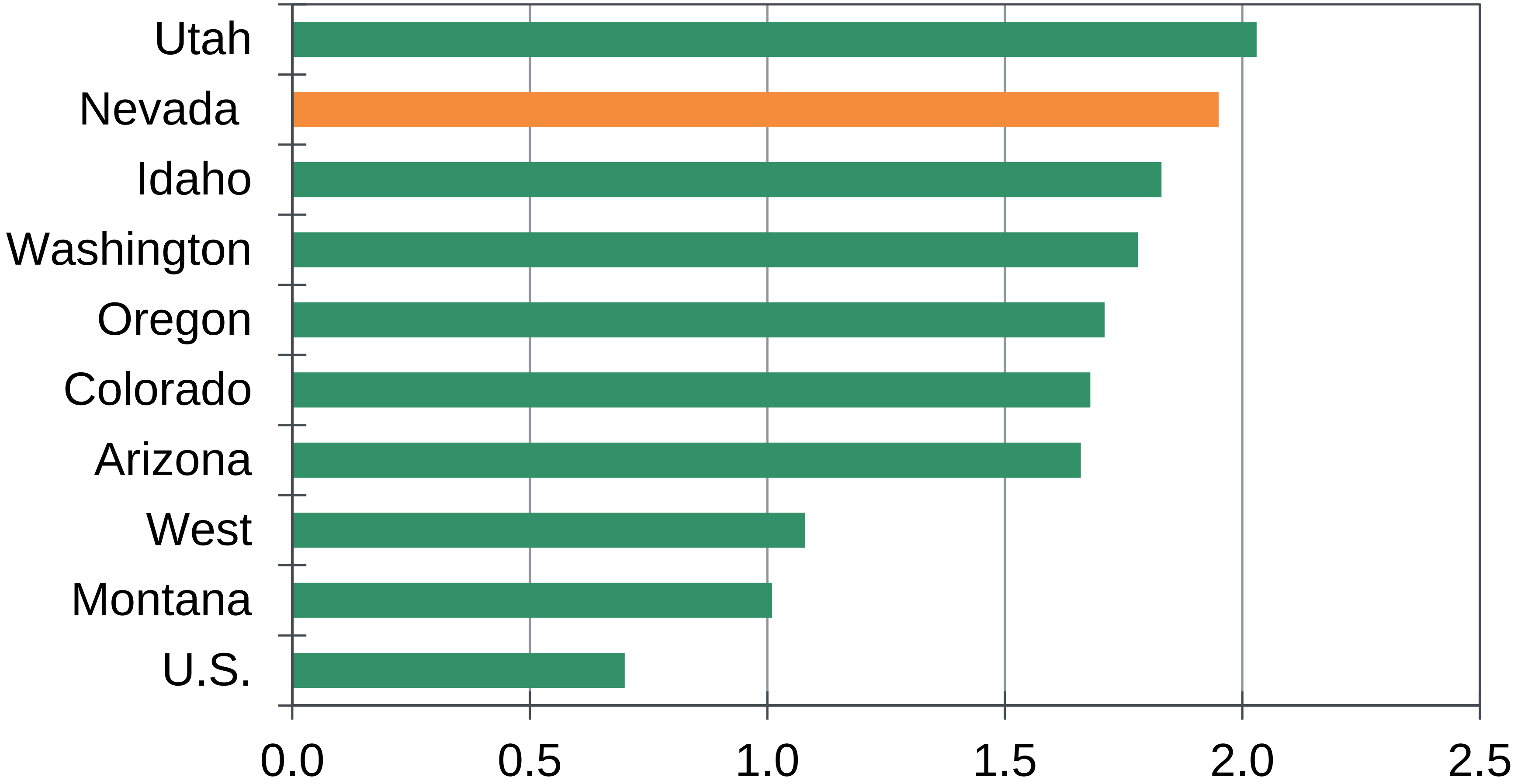
Nevada housing completions, % change yr ago




Sources: Census Bureau, Moody's Analytics

# Strong In-Migration a Boon for Nevada

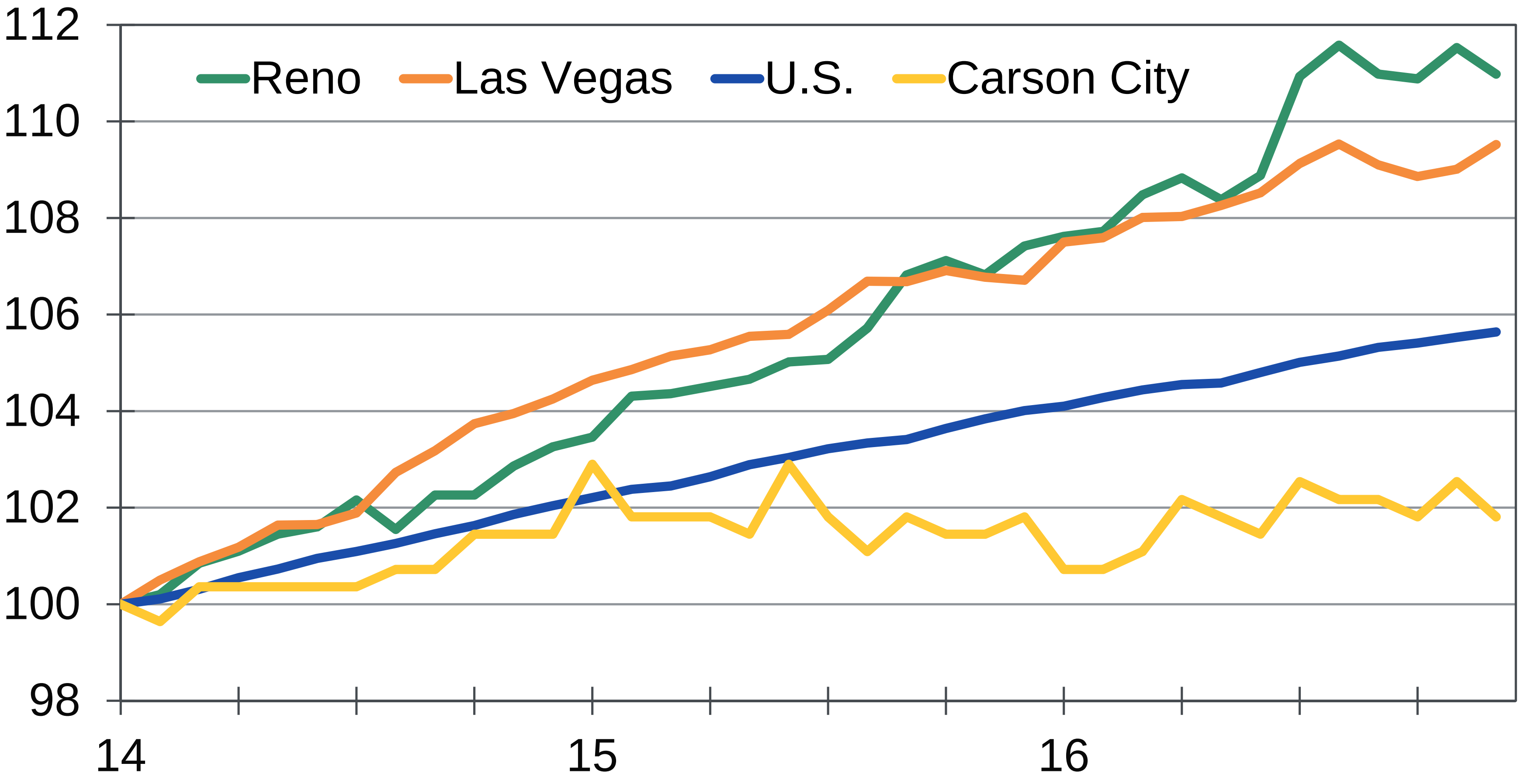
Population growth, 2016, %




Sources: Census Bureau, Moody's Analytics

# Greater Reliance on Reno for Growth

Payroll employment, Jan 2014=100

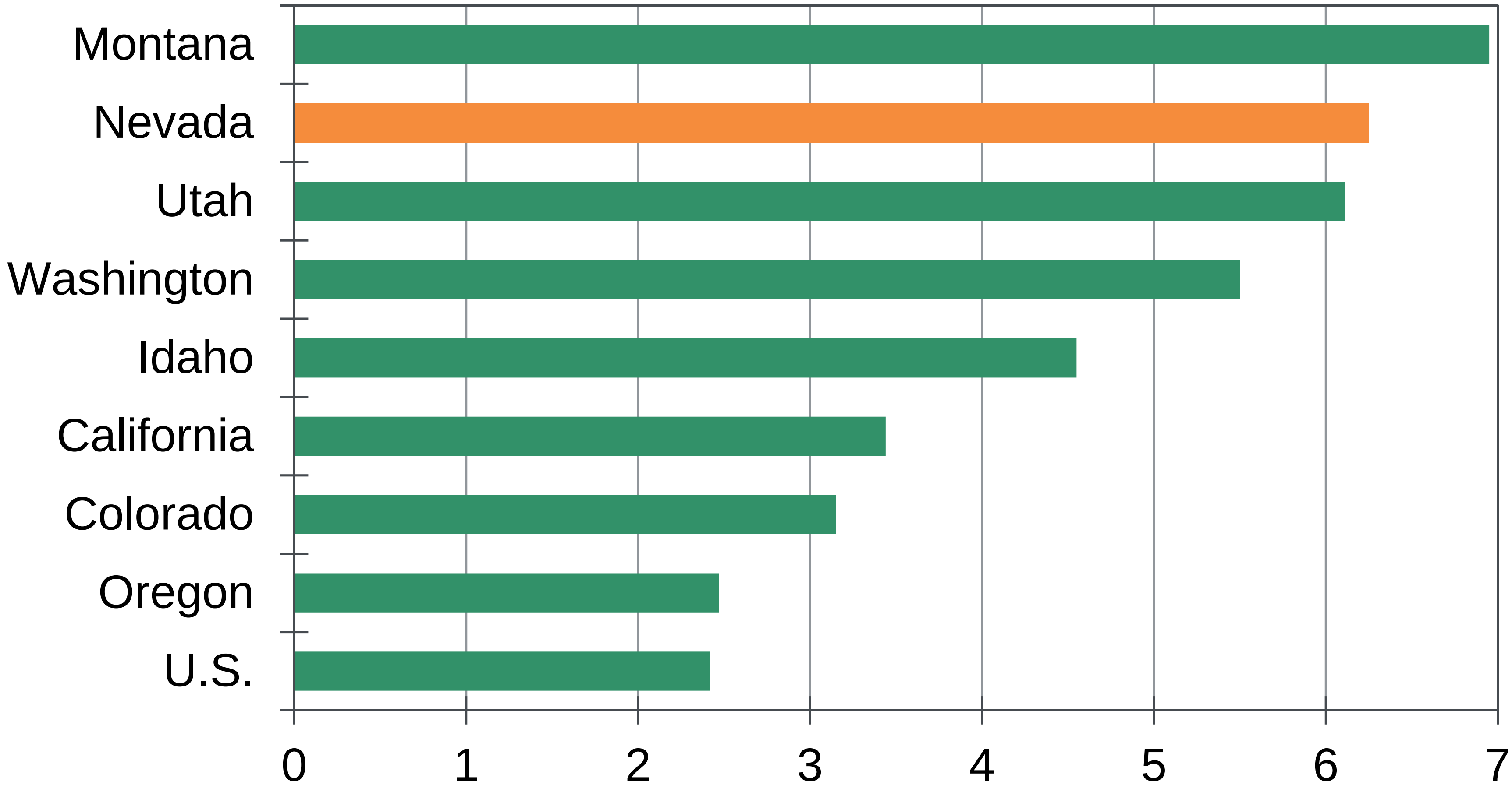



Sources: BLS, Moody's Analytics

Moody's Analytics

# Tesla Boosts High-Tech Employment

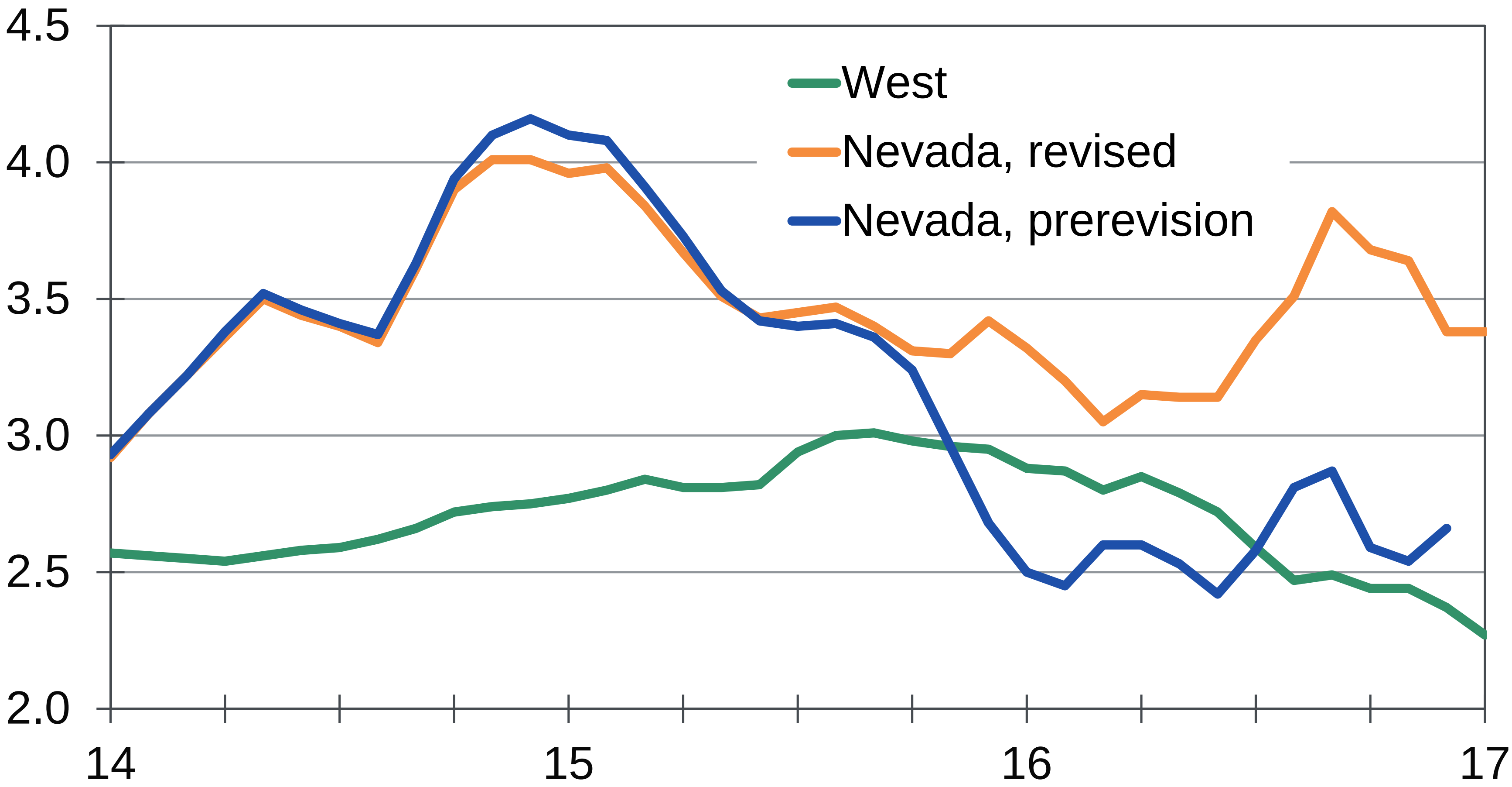
High-tech employment, 2016, % change yr ago




Sources: BLS, Moody's Analytics

# Revisions Widen Nevada's Lead

Payroll employment, % change yr ago, 3-mo MA




Sources: BLS, Moody's Analytics

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MOODY'S
ANALYTICS

May 2017

NEVADA ECONOMIC FORUM

# Revenue Outlook: State 2% Sales and Use Tax, Gaming Percentage Fees

Prepared by
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Associate Economist
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### Economic Outlook Conference

Our two-day flagship event, providing comprehensive insight on all the components that drive macro and regional economies.

| | |
|---|---|
| Philadelphia PA | May 2017 |

### Regional Economic Outlook Conference

A full day event, providing comprehensive insight on the components that drive regional economies.

| | |
|---|---|
| West Chester PA | November 2017 |

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Forecasts of RCA CPPI™
Housing Stock Forecast Database (U.S.)
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### Economic Historical Databases

Global National & Subnational Database
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American Bankers Association Delinquency Database (U.S.)
Case-Shiller® Home Price Indexes (U.S.)
CoreLogic Home Price Indexes (U.S)
CreditForecast.com (U.S.)
LPS Home Price Indexes (U.S.)
National Association of Realtors:
  Pending Home Sales (U.S.)
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*Data packages can be customized to clients' geographic areas of interest.*

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### Economic Advisory Services

Client Presentations
Consumer Credit Analytics
Credit Risk Management
Custom Scenarios
Economic Development Analysis
Market Analysis
Product Line Forecasting
Stress-Testing

# Revenue Outlook: State 2% Sales and Use Tax, Gaming Percentage Fees

BY BRITTANY MEROLLO

The following revenue forecasts link Nevada's general sales and use tax revenues (NRS 372) and its gaming percentage fee revenues (NRS 463) to measures of underlying economic growth. Sales tax collections for the first half of fiscal 2017 were in line with expectations and are growing moderately. Despite recent volatility, gaming percentage fee collections through the third quarter of fiscal 2017 are outperforming compared with the same period in fiscal 2016. Nevertheless, it will take time for gaming revenues to fully recover from a severely depressed base given changing consumer dynamics.

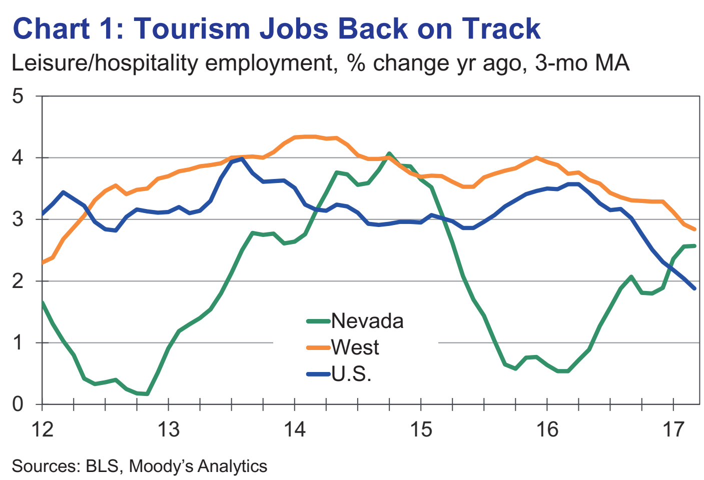
## Regional economy

Job growth in Nevada has been mixed since the end of 2016, despite outperforming the national average and that in many of the state's western neighbors. Rising national recreational services spending is helping reignite job growth in leisure and hospitality (see Chart 1). However, positions in professional/business services are being filled less quickly as qualified workers become harder to find. This is also true in goods production, particularly in construction. The unemployment rate continues to set post-recession lows, but the labor force is still growing at less than half its prerecession pace.

Nevada tourism is booming. Las Vegas set another visitor volume record in 2016, and passenger volume at Reno-Tahoe International Airport surged 6% year over year thanks in part to the addition of new routes. Visitor volume and leisure/hospitality hiring should be even stronger over the next few years thanks to rising national disposable incomes. Tightening labor markets across the country are beginning to push up wages and put extra cash into consumers' pockets to spend on recreation. However, the strengthening U.S. dollar and weak global economy provide a bit of an offset, as foreigners are faced with more costly Vegas vacations and Americans benefit from cheaper overseas travel. These trends, if exacerbated further, could slow leisure/hospitality growth more than expected in the baseline, but the risk can be kept in check as long as the U.S. economy keeps improving.

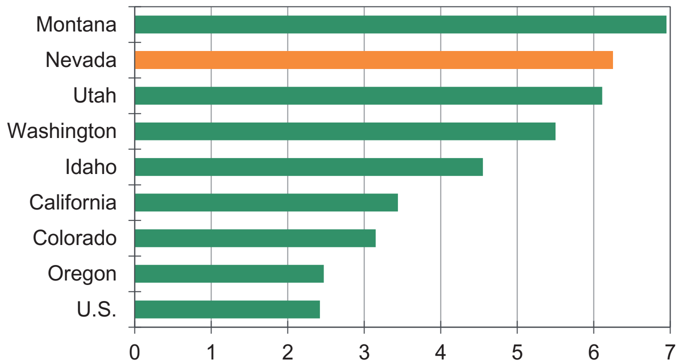
In addition to stronger growth in the state's main economic driver, a more diversified mix of secondary industries are adding positions at a healthy clip and contributing more to growth. High-value-added business investment over the last few years has created more dynamic work opportunities, and high-tech employment is growing at the second fastest pace in the West as a result (see Chart 2). Tesla and Panasonic are hiring thousands of new workers at the Gigafactory as battery production at the plant ramps up over the next year. Manufacturing, in turn, is adding high-paying positions at the fastest pace in years, widening its lead over the U.S. This stands to have the biggest impact on the state's historically low level of per capita income and will help to dampen some of the extremes historically present in Nevada's business cycle.

With thousands of new work opportunities coming on line in the next few years, strong in-migration will increase demand for



### Chart 2: Tesla Boosts High-Tech Employment

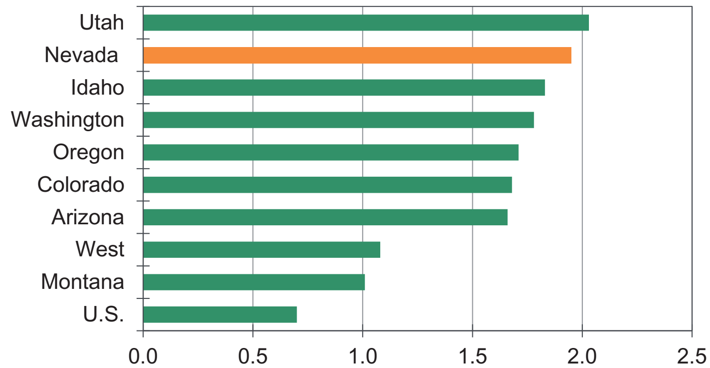
High-tech employment, 2016, % change yr ago




Sources: BLS, Moody's Analytics

### Chart 3: Strong In-Migration a Boon for Nevada

Population growth, 2016, %




Sources: Census Bureau, Moody's Analytics

housing. Heady business investment and an improving state economy helped Nevada's population grow at the second fastest pace in the U.S. in 2016 (see Chart 3). Maintaining this pace of growth, particularly for more skilled workers, is key to the outlook given the state's already-outmatched workforce. Population gains are forecast to be strong over the next several years as new workers and their families relocate to the state for high-paying job opportunities.

This is quickly lifting demand for housing, particularly in the tighter real estate markets up north. Fortunately, builders are beginning to do a better job of keeping up in recent months, and rapid house price appreciation has fallen back to a more sustainable pace. Labor constraints will also remain an obstacle to homebuilding, however, as skilled tradesmen are still scarce. Rapidly rising industry wages also signal some tightening in the labor market. Fortunately, rising wages and more opportunities are boosting in-migration and helping to increase the industry's labor pool.

However, it is important to also note that under Tesla's tax credit agreement, half of the new Gigafactory's employees must be Nevada residents. This will require new workforce development programs to play a role as well. The share of Nevada's population with at least a bachelor's degree is just 23%, compared with 30% for the U.S. With Tesla and other high-tech firms expected to hire thousands of workers over the next several years, the state in conjunction with the private sector has invested heavily in workforce education. As long as the workforce rises to the occasion, high-tech employment will grow moderately over the next several years, with most of the job gains occurring in and around Reno. The inability to develop the state's workforce in a timely enough manner as expected, for Tesla as well as other high-value-added opportunities popping up around the state, will remain a risk to the forecast for the next several years.

## Sales and use taxes

**Forecast.** Sales and use tax collections grew moderately through the first half of fiscal 2017, in line with expectations. Continued strength in the national economy and more construction activity from homebuilders will enable 6.6% growth in fiscal 2017 thanks to a pickup in the second half of the year. The increase in residential construction, advances in household formation, stronger visitor volume, and rising consumer prices will help to push collections higher by 8.6% in fiscal 2018 before softening slightly to 7.4% in fiscal 2019 (see Table 1).

**Drivers.** The major drivers of sales and use tax collections include statewide residential construction and U.S. recreational spending, which serves as a proxy for Nevada tourism, particularly that of Las Vegas. Even with gaming becoming legalized in more places across the globe, Las Vegas tops most other locations from an overall entertainment perspective. Las Vegas set another visitor volume record in 2016, and hotel occupancy rates reached a post-recession high. In addition, traffic at McCarran International Airport was up 4.5% in 2016, another strong year following a record 2015. Visitor volume will expand as the national expansion matures and rising incomes and low gasoline prices encourage more recreation spending.

The near-term forecast is in line with previous iterations of the forecast with a few changes due to revisions to the national rec-

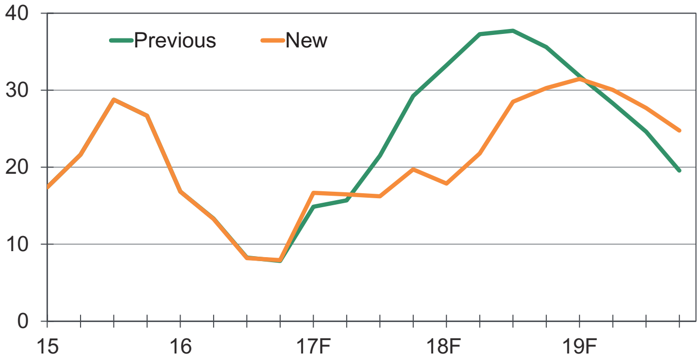
### Table 1: May Sales and Use Tax Forecast

| | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| Fiscal 2016, $ mil | 253.95 | 267.58 | 249.30 | 265.71 | 1,036.55 |
| % change yr ago | 4.49 | 5.09 | 2.94 | 4.24 | 4.20 |
| Fiscal 2017, $ mil | 268.30 | 279.17 | 268.66 | 289.21 | 1,105.34 |
| % change yr ago | 5.65 | 4.33 | 7.77 | 8.84 | 6.64 |
| Fiscal 2018, $ mil | 290.84 | 304.80 | 290.59 | 313.79 | 1,200.03 |
| % change yr ago | 8.40 | 9.18 | 8.16 | 8.50 | 8.57 |
| Fiscal 2019, $ mil | 314.13 | 329.04 | 313.28 | 332.61 | 1,289.05 |
| % change yr ago | 8.01 | 7.95 | 7.81 | 6.00 | 7.42 |

Sources: Nevada Legislative Counsel Bureau, Moody's Analytics

### Chart 4: Housing Completions Revised

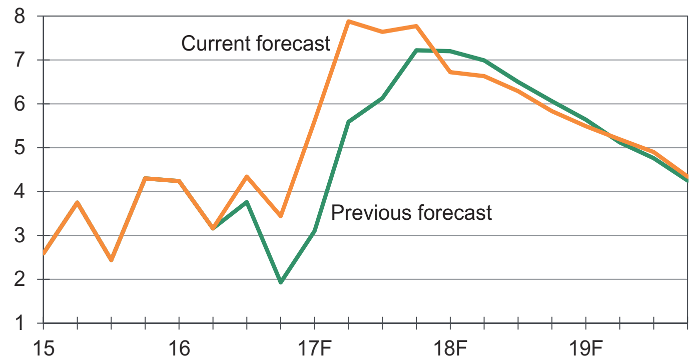
Nevada housing completions, % change yr ago




Sources: Census Bureau, Moody's Analytics

### Chart 5: National Recreational Spending Revised

U.S. recreation services expenditures, % change yr ago




Sources: BEA, Moody's Analytics

reational spending outlook and state housing forecast. Although homebuilding will pick up early next year, the pace of acceleration will be a bit slower than previously expected (see Chart 4). In addition to expectations for higher interest rates, much of this revision is a result of supply constraints. The tighter labor market is leaving many employers with difficulty filling open positions. This is especially true for builders, who are having difficulty finding skilled construction workers with so many already employed on large, lucrative commercial projects throughout the state. Residential building will still contribute to substantial increases in sales and use tax collections throughout the forecast, but the impact will be softened as builders struggle to keep up with demand.

Upgrades to the national recreational services spending forecast will help spur stronger growth in the second half of fiscal 2017 than previously expected (see Chart 5). Actual spending has been greater than projected in recent months, providing a boost to the near-term forecast. Greater disposable income lifts consumer confidence and spending on other activities such as recreation. Prices have also begun to rebound, raising the nominal value of taxable sales and thus overall collections.

Risks to the outlook still revolve around the potential for financial market volatility as the Federal Reserve raises interest rates, and uncertainties related to weaker expansion in China and other emerging market economies. In addition, there are a number of unquantifiable risks to the forecast for sales tax collection. In April 2012, Amazon announced an agreement with the state to begin collecting sales tax on items purchased by Nevada residents. The forecast does not explicitly account for this development, because the latest taxable sales data indicate that the impact on overall collections is marginal.

Finally, though some of the economic effects are beginning to be built into the baseline outlook, this revenue forecast has not been add-factored to explicitly account for the direct effects of the deal between the state and Tesla. Most of the direct construction activity will be exempt from the state sales tax, and the spillover impact and timing of the new factory are not yet quantifiable. As more detailed information is released on timelines, for both hiring and the sale and use of tax expenditures, Moody's Analytics will attempt to more explicitly incorporate this development into the forecast. For now, however, this forecast represents a gross forecast of sales and use tax collections, and does not incorporate the net effects of Tesla tax incentives.

## Gaming percentage fees

**Forecast.** Although increases in gaming percentage fee collections have been uneven, fiscal 2017 collections through the third quarter are growing stronger than in the previous year. A strong fourth quarter is forecast to help collections accelerate 4% for fiscal 2017. Nonetheless, a structural break in the relationship between visitor volume and gaming percentage fees will keep long-term growth well below the historical average, increasing just 2.5% in fiscal 2018 and 1.9% in fiscal 2019 (see Table 2).

**Drivers.** The cyclical drivers for Nevada's gaming percentage fees are similar to sales and use taxes but with a few crucial exceptions. Gaming percentage fees tend to have a higher correlation with national and global

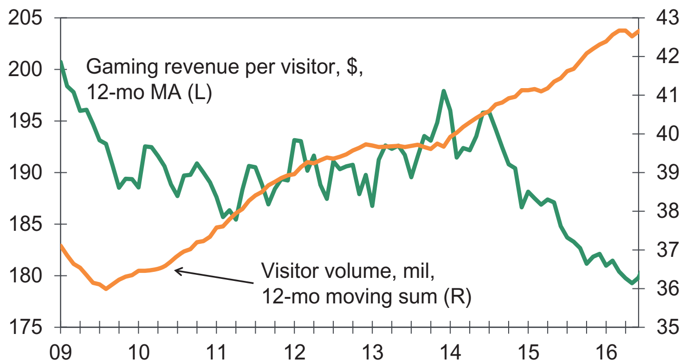
### Table 2: May Gaming Percentage Fee Forecast

| | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| Fiscal 2016, $ mil | 159.50 | 171.75 | 189.20 | 180.33 | 700.78 |
| % change yr ago | 7.39 | -4.78 | 11.29 | -7.20 | 1.08 |
| Fiscal 2017, $ mil | 174.64 | 186.68 | 177.37 | 190.28 | 728.97 |
| % change yr ago | 9.49 | 8.70 | -6.25 | 5.52 | 4.02 |
| Fiscal 2018, $ mil | 177.93 | 189.42 | 184.43 | 195.71 | 747.49 |
| % change yr ago | 1.88 | 1.47 | 3.98 | 2.86 | 2.54 |
| Fiscal 2019, $ mil | 181.20 | 192.25 | 189.63 | 198.49 | 761.58 |
| % change yr ago | 1.84 | 1.49 | 2.82 | 1.42 | 1.88 |

Sources: Nevada Legislative Counsel Bureau, Moody's Analytics

### Chart 6: Tourists Taking Less to the Tables

Las Vegas tourism indicators




Sources: Las Vegas Convention & Visitors Authority, Moody's Analytics

economic trends, whereas sales are highly dependent on construction for durable goods consumption. The national unemployment rate and national recreational services spending are the two most substantial factors. Favorable forecast revisions to both series create a more optimistic outlook for gaming percentage fee collections.

Tourism, still the key driver in the gaming space, will perform well thanks to its expanded entertainment options and the strengthening U.S. economy. Gaming revenue collections continue to be unsteady, however, as more play is concentrated across a smaller number of high-dollar games, particularly baccarat. Collections were up 8.7% year over year in the second quarter of fiscal 2017 thanks to above-average sports volume and an increase in non-baccarat tables on the Strip. The 6% decline in the third quarter, however, was almost entirely the result of softer baccarat volume, and the choppiness is anticipated to persist over the next several years. Slower growth in China and other parts of the Asia-Pacific region is a risk to the outlook given the importance of international visitors to baccarat volume in particular. In addition, even with a flood of tourists visiting Nevada, gaming revenue will continue to disappoint on a year-to-year basis as resort revenues shift further from the casino floor to other offerings such as restaurants, retail, entertainment and rooms.

Longer term, the structural break in the historical relationship between recreational spending and gaming is becoming increasingly clear and drives a large part of the disparity in forecast growth rates compared with sales and use taxes (see Chart 6). Increased competition from other states, international destinations such as Macau, and even online betting will further moderate Nevada's share of gaming in the years ahead. Las Vegas tourism has been relatively successful in addressing this by diversifying beyond its traditional gaming image and branding itself more as a comprehensive vacation destination that appeals to a wider range of visitors. As a result, live entertainment and sales and use taxes will continue to increase at the expense of gaming percentage fees.

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Moody's Analytics added the economic forecasting firm Economy.com to its portfolio in 2005. This unit is based in West Chester PA, a suburb of Philadelphia, with offices in London, Prague and Sydney. More information is available at www.economy.com.

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Moody's
ANALYTICS

# Nevada Labor Market Overview

## Department of Employment, Training & Rehabilitation

Don Soderberg, Director

Dennis Perea, Deputy Director

Bill Anderson, Chief Economist

Prepared by the Research and Analysis Bureau and presented to the Economic Forum, May 2017

DETR Nevada Department of Employment, Training and Rehabilitation

Nevada JobConnect

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# Significant Improvement in Nevada's Labor Market Evident During the Recovery Period

## Nevada Recovery Scorecard - 2017:IQ

**212,300 Jobs Added Since Recession**

**185,700** jobs were lost as the recession unfolded
In March, Nevada's employment stood at **1.32 million**

**4th Fastest-Growing Private Sector In the Nation**

**100,000 Small Business Jobs Added**

Over **600,000** Nevadans are employed by businesses with less than 100 employees

**Record High Number of Employers**

**67,700** employers operate in Nevada, an increase of **11,700** since the recession

**Average Wages Reach $950/week, an All-Time High**

Weekly wages have increased in **13** of the past **14** quarters

**Jobless Rate Down Almost 9 Percentage Points**

At **4.8%** in March, down from **13.7%** during the recession

**Unemployment Insurance Claims Have Dropped 60%**

Initial claims for unemployment insurance peaked at **28,600** per month, but have dropped to **11,200**

# Silver State Hit Harder than the U.S. During Recession; Nevada's Jobs Recovery Stronger Than in Nation; Still Room for Improvement

Recession and Recovery Profile, Nevada vs U.S.

*Total Nonfarm Employment, Seasonally Adjusted*

| | | Nevada | U.S. |
|---|---|---|---|
| **Pre-recessionary High (Peak)** | | **1,297,200** | **138,430,000** |
| | *Date* | *May-07* | *Jan-08* |
| **Recessionary Low (Trough)** | | **1,111,500** | **129,733,000** |
| | *Date* | *Sep-10* | *Feb-10* |
| Jobs Lost From Peak to Trough | | 185,700 | 8,697,000 |
| Percentage Employment Lost During Recession | | -14.3% | -6.3% |
| **Current Employment (March 2017)** | | **1,323,800** | **145,858,000** |
| Jobs Gained from Trough to Current | | 212,300 | 16,125,000 |
| Percentage Employment Gained Since Recession | | 19.1% | 12.4% |
| Current Employment as Percentage of Prior Peak | | 102.1% | 105.4% |



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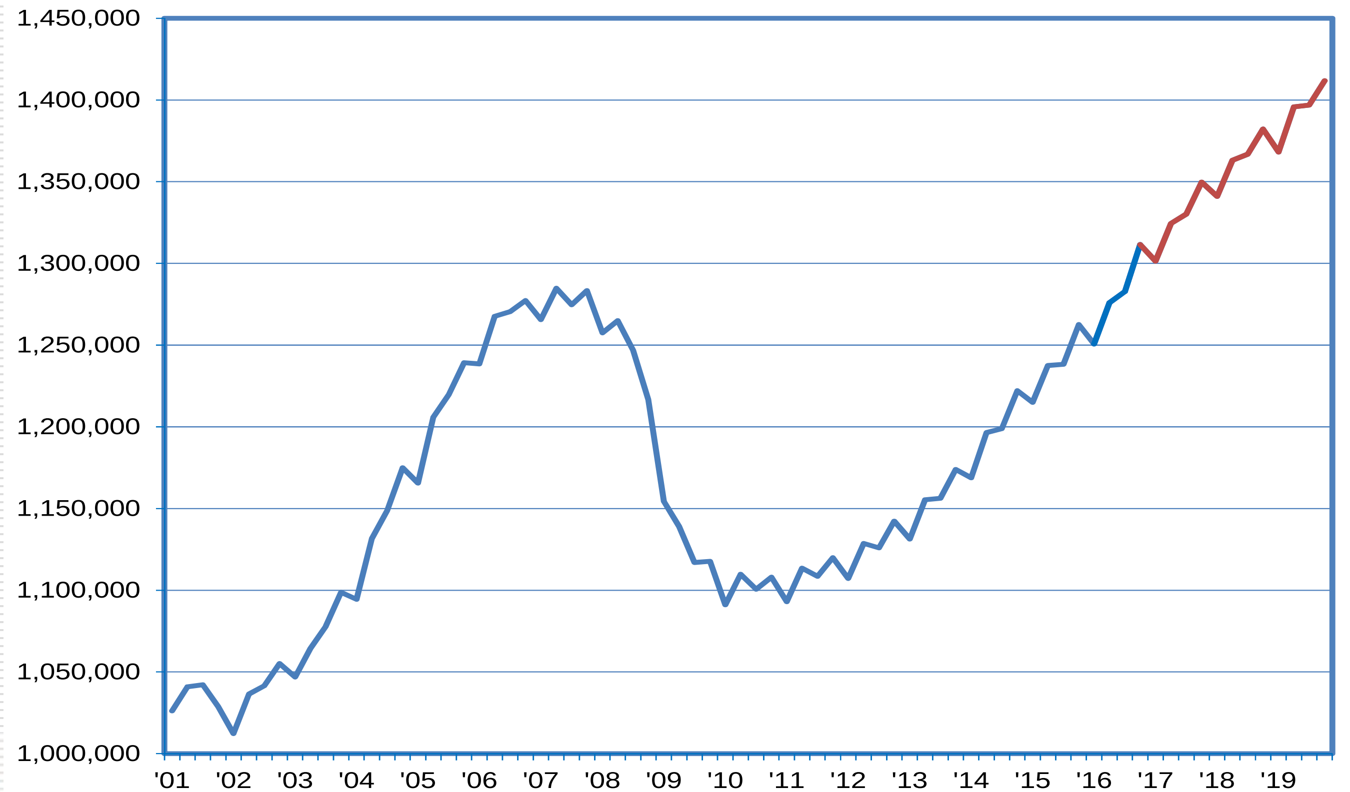
# Job Levels Exceed Pre-Recession Peak by 127K at Year-End 2019

## Total Jobs: History and Forecast



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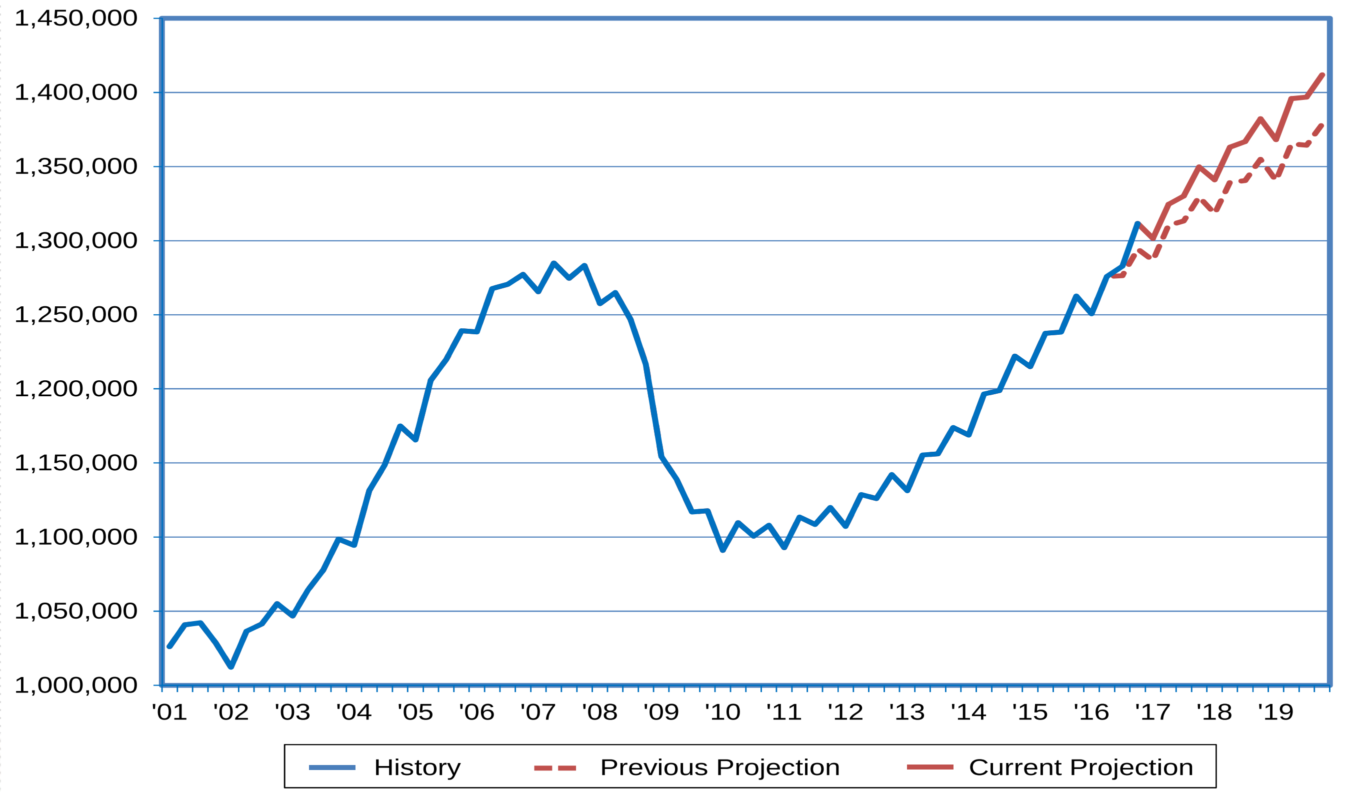
# Latest Projections Add 33K More Jobs By End of 2019 Than Previously Forecasted



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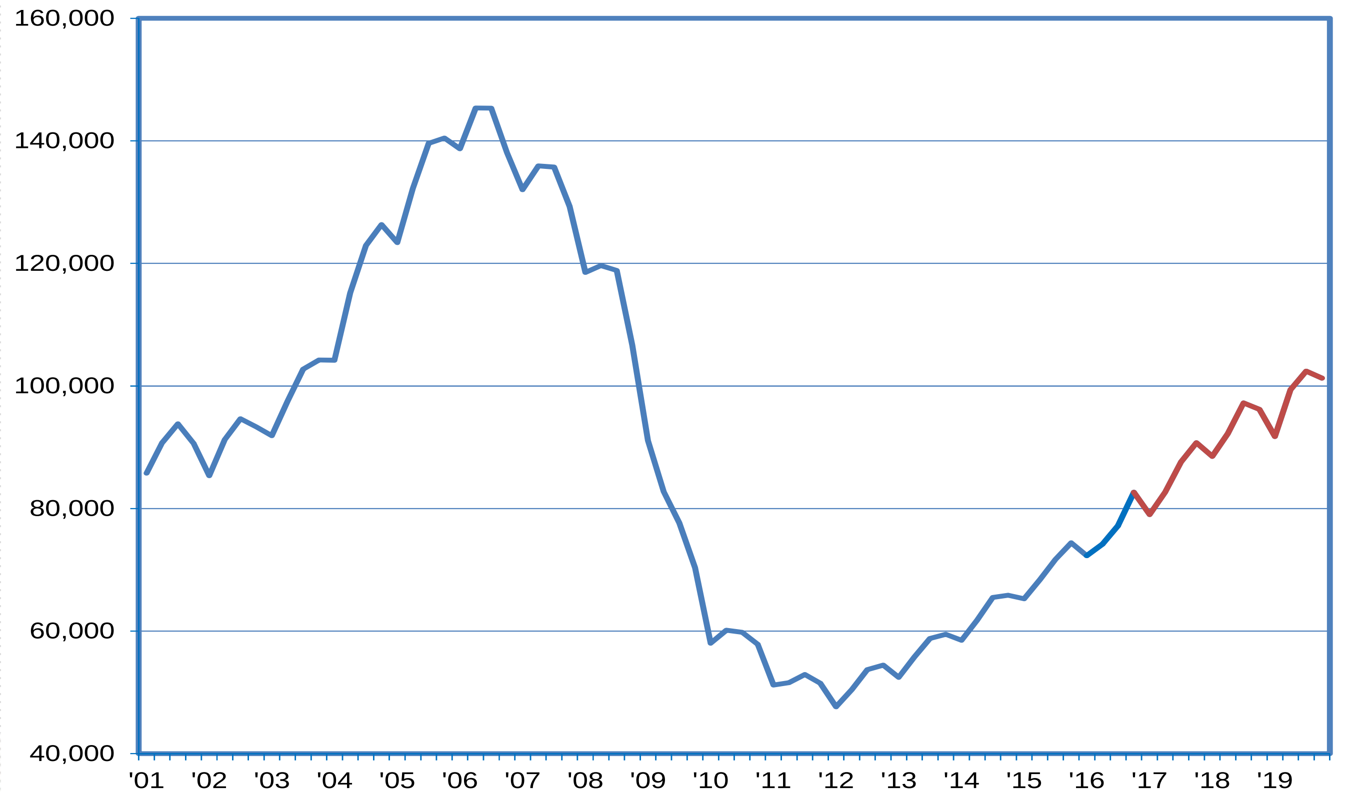
# Projections—Some General Comments

- Growth across all sectors.
- Manufacturing growth driven by Tesla.
- Construction driven by commercial projects like the Las Vegas convention center, Raiders Stadium, Genting and Alon hotel projects, data centers, warehousing, large manufacturing facilities, and residential housing.
- Information sector driven by growth in Data Centers like- SWITCH, Apple, etc.

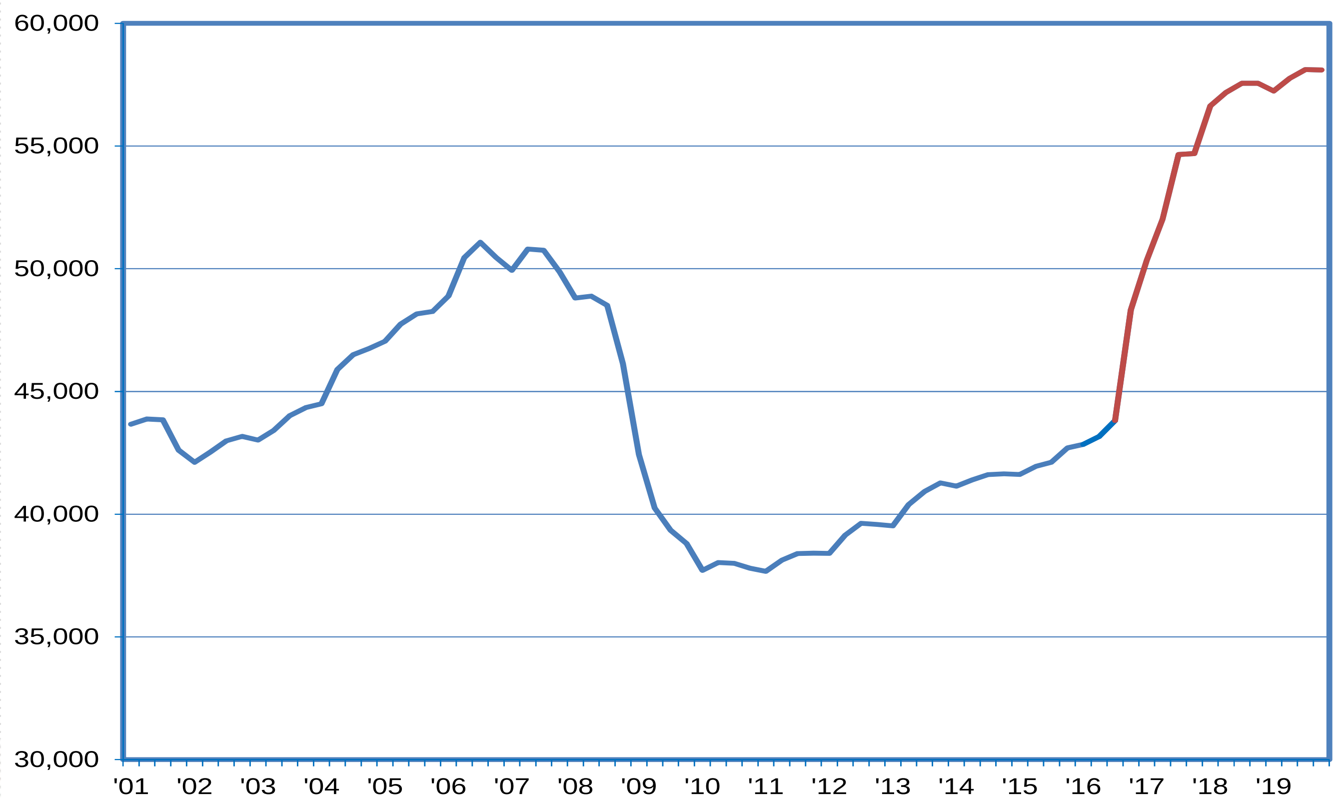
# By the End of 2019, 54K Construction Jobs Added Since Bottoming Out

## Construction Jobs: History and Forecast



# Growth to Strengthen for Manufacturing Jobs; 14,300 New Jobs through 2019

## Manufacturing Jobs: History and Forecast



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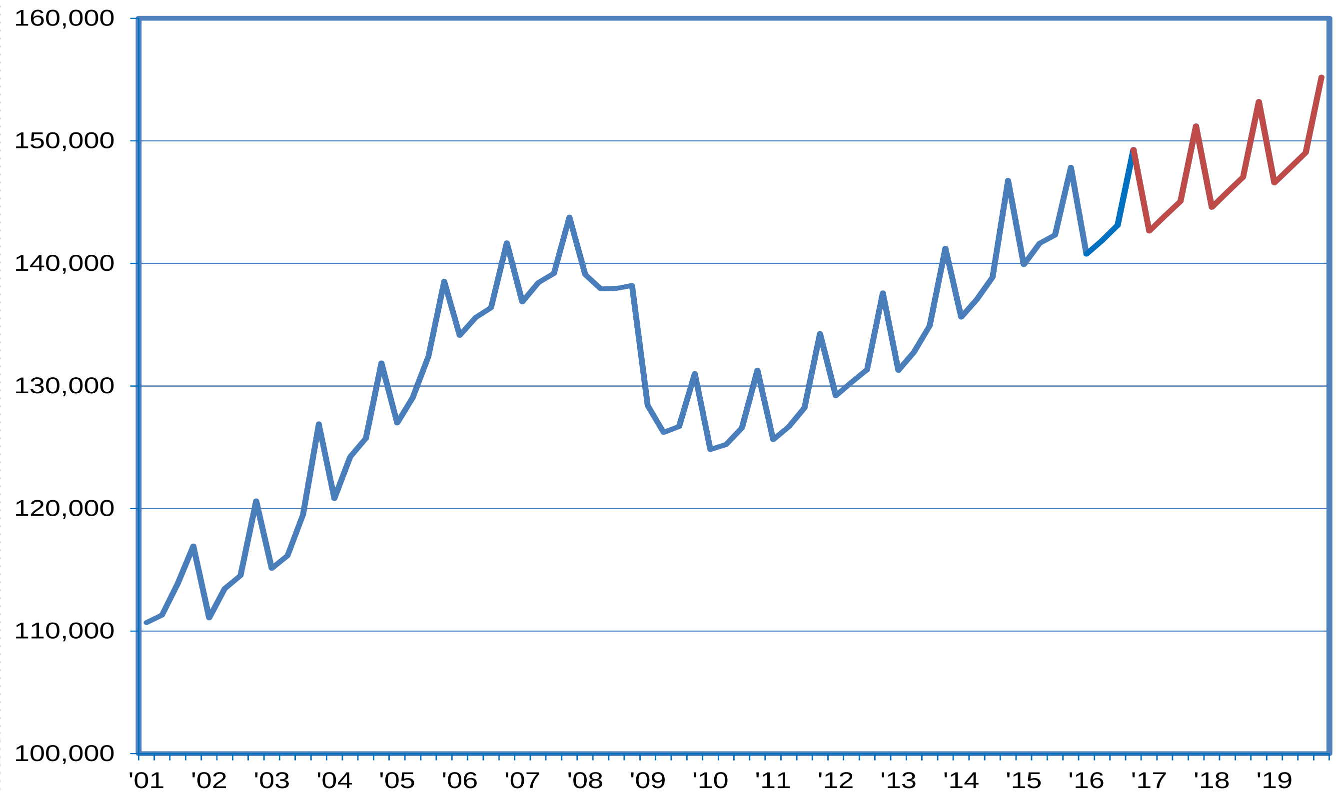
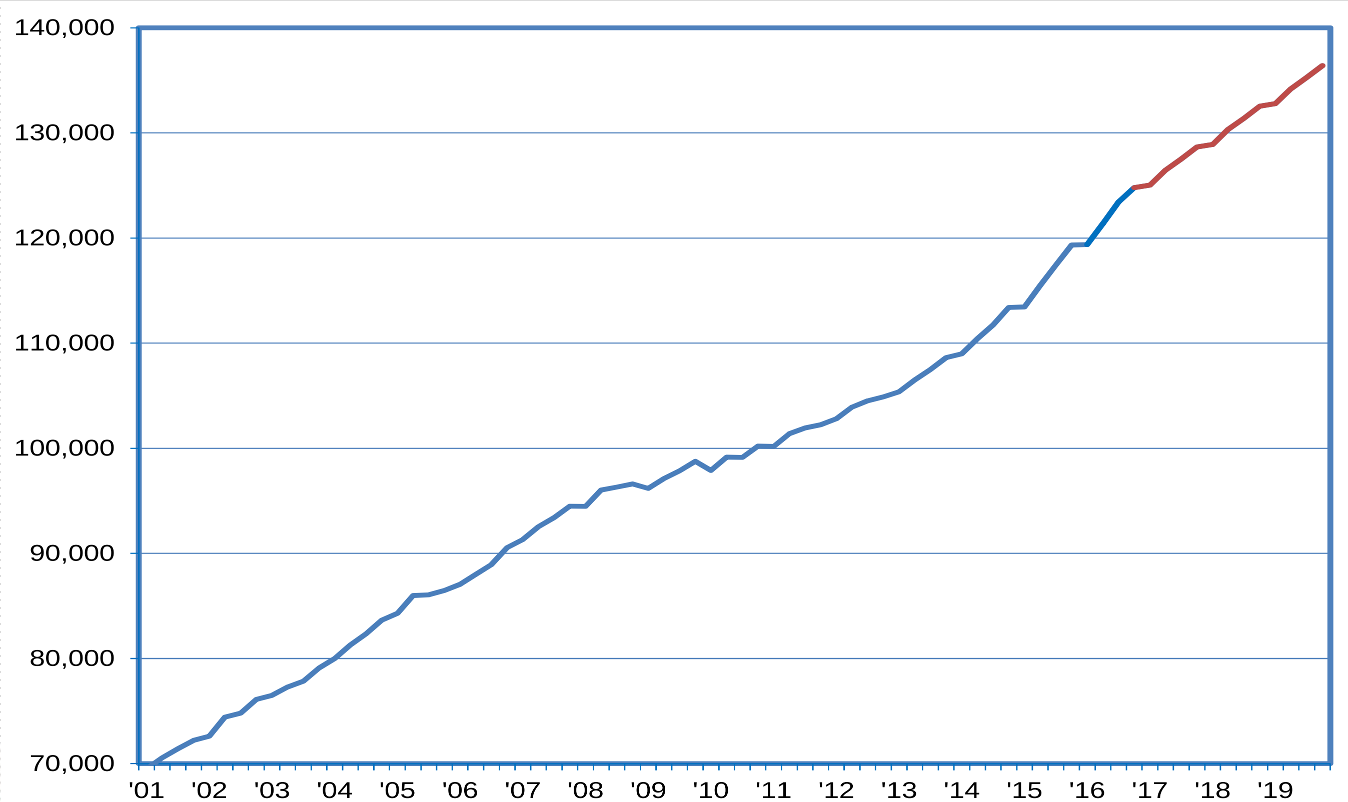
# Retail Trade Should Continue Adding About 2,000 Jobs Annually

Retail Trade Jobs: History and Forecast



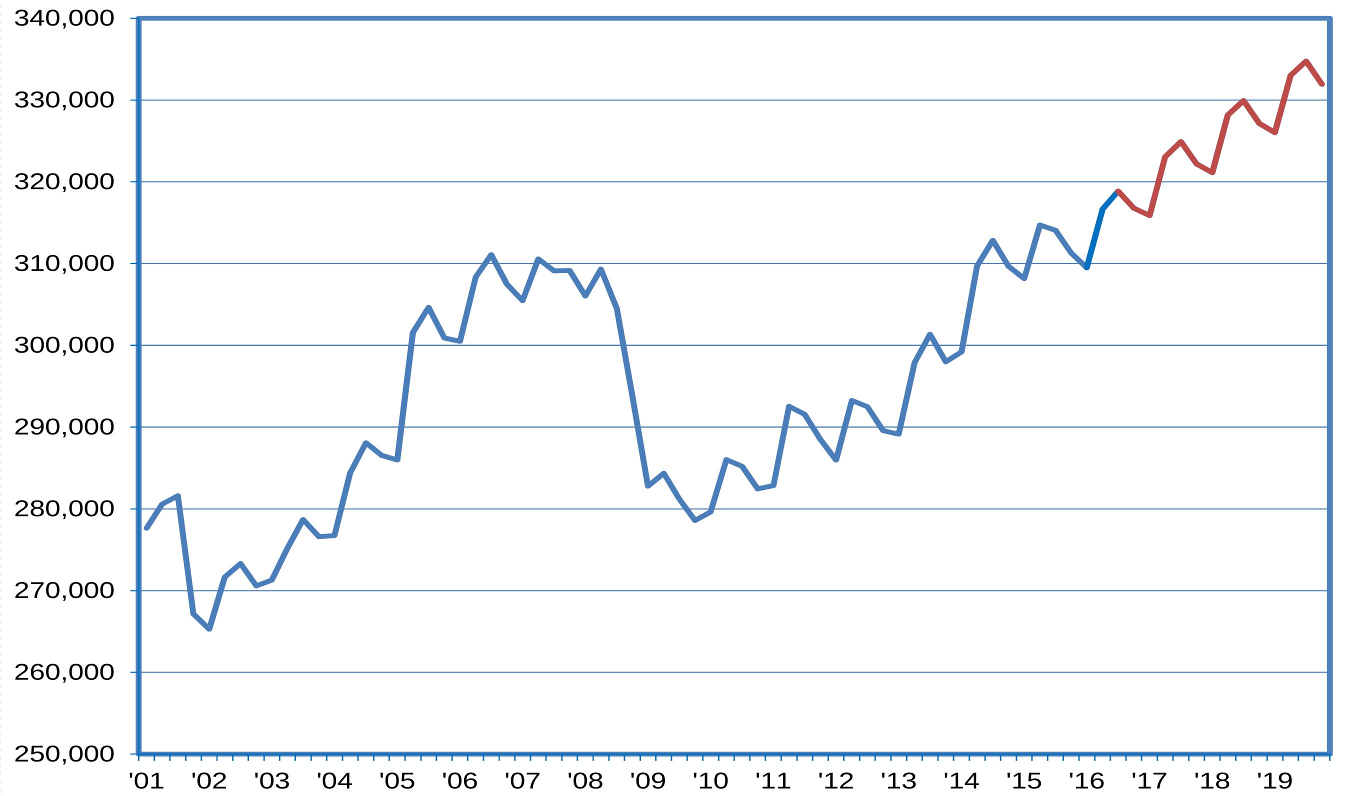
# Expectations are for an Additional 4,000 Healthcare Jobs per Year

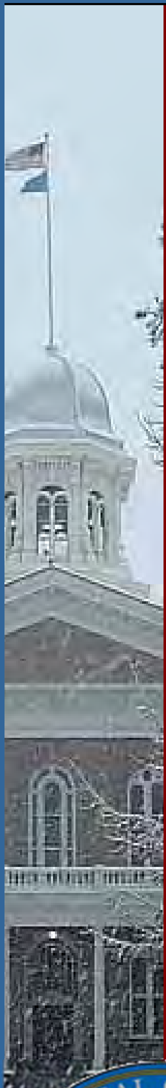
## Healthcare/Social Assistance Jobs: History and Forecast



# AFS Jobs Have Reached Historical High; More than 15K Additional Jobs Expected

## Accommodation/Food Services Jobs: History and Forecast





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# TABLE 1
## GENERAL FUND REVENUES - ACTUALS
## FY 2013 THROUGH FY 2016 AND FY 2017 VERSUS FY 2016 YEAR-TO-DATE THROUGH MARCH
Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| | | | | | | | | | | YEAR-TO-DATE [b.] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | DESCRIPTION | FY 2013 ACTUAL | % Change | FY 2014 ACTUAL | % Change | FY 2015 ACTUAL | % Change | FY 2016 ACTUAL | % Change | FY 2016 MARCH | FY 2017 MARCH | % Change |
| | **TAXES** | | | | | | | | | | | |
| | MINING TAX | | | | | | | | | | | |
| 3064 | Net Proceeds of Minerals [1-12][2-12][1-14][2-14][2-16][3-16] | $111,275,062 | -7.6% | $26,221,970 | -76.4% | $51,733,594 | 97.3% | $34,674,918 | -33.0% | $1,311,594 | $0 | |
| 3241 | Net Proceeds Penalty | | | | | $0 | | $0 | | $0 | $0 | |
| 3245 | Centrally Assessed Penalties | $64,561 | 1392.1% | | -100.0% | $21 | | $68,648 | | $57,011 | $3,149 | -94.5% |
| | TOTAL MINING TAXES AND FEES | $111,339,623 | -7.5% | $26,221,970 | -76.4% | $51,733,615 | 97.3% | $34,743,566 | -32.8% | $1,368,606 | $3,149 | -99.8% |
| | SALES AND USE | | | | | | | | | | | |
| 3001 | Sales & Use Tax | $888,658,964 | 5.4% | $931,319,687 | 4.8% | $994,764,970 | 6.8% | $1,036,549,227 | 4.2% | $598,379,018 | $630,277,765 | 5.3% |
| 3002 | State Share - LSST [4-12][3-14][4-16] | $8,791,462 | 5.8% | $9,194,669 | 4.6% | $9,726,146 | 5.8% | $10,155,240 | 4.4% | $5,861,038 | $6,133,255 | 4.6% |
| 3003 | State Share - BCCRT | $3,893,046 | 5.7% | $4,088,755 | 5.0% | $4,334,753 | 6.0% | $4,506,053 | 4.0% | $2,602,733 | $2,731,464 | 4.9% |
| 3004 | State Share - SCCRT | $13,625,039 | 5.7% | $14,305,300 | 5.0% | $15,166,566 | 6.0% | $15,764,607 | 3.9% | $9,105,976 | $9,555,848 | 4.9% |
| 3005 | State Share - PTT | $8,230,334 | 5.8% | $8,797,760 | 6.9% | $9,461,562 | 7.5% | $10,028,644 | 6.0% | $5,710,563 | $6,214,703 | 8.8% |
| | TOTAL SALES AND USE | $923,198,845 | 5.4% | $967,706,171 | 4.8% | $1,033,453,997 | 6.8% | $1,077,003,772 | 4.2% | $621,659,327 | $654,913,034 | 5.3% |
| | GAMING - STATE | | | | | | | | | | | |
| 3041 | Percent Fees - Gross Revenue: Before Tax Credits | $678,852,045 | 3.9% | $682,311,672 | 0.5% | $693,232,048 | 1.6% | $700,773,974 | 1.1% | $520,448,038 | $538,675,859 | 3.5% |
| | Tax Credit Programs: | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | | | | | $0 | | -$4,288,194 | | -$4,288,194 | -$3,908,259 | |
| | Economic Development Transferrable Tax Credits [TC-2] | | | | | $0 | | -$20,461,554 | | -$8,080,930 | -$22,626,864 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | | | | | $0 | | $0 | | $0 | $0 | |
| | Total - Tax Credit Programs | | | | | $0 | | -$24,749,748 | | -$12,369,124 | -$26,535,123 | |
| | Percent Fees - Gross Revenue: After Tax Credits | $678,852,045 | | $682,311,672 | | $693,232,048 | | $676,024,226 | | $508,078,914 | $512,140,736 | 0.8% |
| 3032 | Pari-mutuel Tax | $3,069 | 45.2% | $2,758 | -10.1% | $2,964 | 7.5% | $3,261 | 10.0% | $3,261 | $3,405 | 4.4% |
| 3181 | Racing Fees | $8,698 | -25.1% | $9,258 | 6.4% | $7,456 | -19.5% | $9,293 | 24.6% | $9,293 | $9,935 | 6.9% |
| 3247 | Racing Fines/Forfeitures | $350 | | $0 | | $500 | | $700 | | $700 | $0 | |
| 3042 | Gaming Penalties | $1,456,742 | 217.0% | $7,862,472 | 439.7% | $337,544 | -95.7% | $4,069,112 | 1105.5% | $1,937,546 | $2,078,205 | 7.3% |
| 3043 | Flat Fees-Restricted Slots [5-12] | $8,403,435 | -1.0% | $8,305,289 | -1.2% | $8,291,051 | -0.2% | $8,225,963 | -0.8% | $4,536,459 | $4,551,019 | 0.3% |
| 3044 | Non-Restricted Slots [5-12] | $12,298,703 | -2.6% | $11,383,000 | -7.4% | $11,164,523 | -1.9% | $10,861,213 | -2.7% | $5,776,435 | $5,643,176 | -2.3% |
| 3045 | Quarterly Fees-Games | $6,449,658 | -2.2% | $6,410,111 | -0.6% | $6,522,917 | 1.8% | $6,450,491 | -1.1% | $3,391,855 | $3,307,914 | -2.5% |
| 3046 | Advance License Fees | $1,340,597 | -66.5% | $672,263 | -49.9% | $1,733,482 | 157.9% | $1,780,785 | 2.7% | $1,736,182 | $1,003,348 | -42.2% |
| 3048 | Slot Machine Route Operator | $40,500 | 11.0% | $37,000 | -8.6% | $35,000 | -5.4% | $34,000 | -2.9% | $34,000 | $33,000 | -2.9% |
| 3049 | Gaming Info Systems Annual | $18,000 | 0.0% | $18,000 | 0.0% | $42,000 | 133.3% | $42,000 | 0.0% | $42,000 | $36,000 | -14.3% |
| 3028 | Interactive Gaming Fee - Operator | $437,500 | | $604,167 | 38.1% | $500,000 | -17.2% | $500,000 | 0.0% | $500,000 | $500,000 | 0.0% |
| 3029 | Interactive Gaming Fee - Service Provider | $27,000 | | $75,000 | 177.8% | $61,000 | -18.7% | $63,000 | 3.3% | $62,000 | $54,000 | -12.9% |
| 3030 | Interactive Gaming Fee - Manufacturer | $775,000 | | $700,000 | -9.7% | $200,000 | -71.4% | $175,000 | -12.5% | $75,000 | $50,000 | -33.3% |
| 3033 | Equip Mfg. License | $273,500 | 3.4% | $290,000 | 6.0% | $281,000 | -3.1% | $279,500 | -0.5% | $274,000 | $273,000 | -0.4% |
| 3034 | Race Wire License | $34,889 | -10.2% | $29,736 | -14.8% | $28,406 | -4.5% | $36,391 | 28.1% | $25,973 | $10,218 | -60.7% |
| 3035 | Annual Fees on Games | $106,046 | -8.9% | $105,341 | -0.7% | $107,822 | 2.4% | $115,214 | 6.9% | $0 | $0 | |
| | TOTAL GAMING - STATE: BEFORE TAX CREDITS | $710,525,734 | 3.5% | $718,816,067 | 1.2% | $722,547,713 | 0.5% | $733,419,897 | 1.5% | $538,852,742 | $556,229,079 | 3.2% |
| | Tax Credit Programs | | | | | | | -$24,749,748 | | -$12,369,124 | -$26,535,123 | |
| | TOTAL GAMING - STATE: AFTER TAX CREDITS | $710,525,734 | 3.5% | $718,816,067 | 1.2% | $722,547,713 | 0.5% | $708,670,149 | -1.9% | $526,483,618 | $529,693,956 | 0.6% |
| | LIVE ENTERTAINMENT TAX (LET) | | | | | | | | | | | |
| 3031G | Live Entertainment Tax-Gaming [5-16] | $125,709,500 | 0.3% | $139,156,240 | 10.7% | $130,861,416 | -6.0% | $111,994,620 | -14.4% | $77,659,882 | $67,026,675 | -13.7% |
| 3031NG | Live Entertainment Tax-Nongaming [5-16] | $11,706,670 | 0.5% | $14,979,978 | 28.0% | $14,965,649 | -0.1% | $16,536,346 | 10.5% | $6,930,210 | $14,454,033 | 108.6% |
| | TOTAL LET | $137,416,170 | 0.3% | $154,136,218 | 12.2% | $145,827,065 | -5.4% | $128,530,966 | -11.9% | $84,590,092 | $81,480,707 | -3.7% |
| | COMMERCE TAX | | | | | | | | | | | |
| | Commerce Tax [6-16] | | | | | | | $143,507,593 | | $0 | $25,020,639 | |
| | PASSENGER CARRIER EXCISE TAX | | | | | | | | | | | |
| | Passenger Carrier Excise Tax [7-16] | | | | | | | $11,898,532 | | $2,754,722 | $13,090,431 | |
| | CIGARETTE TAX | | | | | | | | | | | |
| 3052 | Cigarette Tax [8-16] | $83,017,546 | 0.1% | $79,628,983 | -4.1% | $92,774,433 | 16.5% | $153,033,176 | 65.0% | $78,336,080 | $100,759,459 | 28.6% |

# TABLE 1
## GENERAL FUND REVENUES - ACTUALS
## FY 2013 THROUGH FY 2016 AND FY 2017 VERSUS FY 2016 YEAR-TO-DATE THROUGH MARCH
Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| | DESCRIPTION | FY 2013 ACTUAL | % Change | FY 2014 ACTUAL | % Change | FY 2015 ACTUAL | % Change | FY 2016 ACTUAL | % Change | YEAR-TO-DATE [b.] FY 2016 MARCH | YEAR-TO-DATE [b.] FY 2017 MARCH | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **TAXES - CONTINUED** | | | | | | | | | | | |
| | MODIFIED BUSINESS TAX (MBT) | | | | | | | | | | | |
| | MBT - NONFINANCIAL BUSINESSES (MBT-NFI) [6-12][4-14][9-16][10-16][11-16][12-16] | | | | | | | | | | | |
| 3069 | MBT - Nonfinancial: Before Tax Credits | $363,242,006 | 4.1% | $361,095,880 | -0.6% | $387,769,692 | 7.4% | $517,135,234 | 33.4% | $256,150,549 | $287,453,732 | 12.2% |
| | Commerce Tax Credits [13-16] | | | | | | | | | $0 | -$34,592,298 | |
| | MBT - Nonfinancial: After Commerce Tax Credits | | | | | $387,769,692 | | $517,135,234 | | $256,150,549 | $252,861,433 | -1.3% |
| | Tax Credit Programs: | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | | | | | $0 | | -$82,621 | | -$20,849 | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | | | | | $0 | | $0 | | $0 | $0 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | | | | | $0 | | $0 | | $0 | $0 | |
| | Education Choice Scholarship Tax Credits [TC-5] | | | | | $0 | | -$4,401,540 | | -$3,204,818 | -$2,931,666 | |
| | College Savings Plan Tax Credits [TC-6] | | | | | $0 | | $0 | | $0 | $0 | |
| | Total - Tax Credit Programs | | | | | $0 | | -$4,484,161 | | -$3,225,668 | -$2,931,666 | |
| | MBT - Nonfinancial: After Tax Credit Programs | $363,242,006 | | $361,095,880 | | $387,769,692 | | $512,651,073 | | $252,924,881 | $249,929,767 | -1.2% |
| | MBT - FINANCIAL BUSINESSES (MBT-FI) [12-16] | | | | | | | | | | | |
| 3069 | MBT - Financial: Before Tax Credits | $23,368,075 | 12.8% | $23,789,898 | 1.8% | $24,144,270 | 1.5% | $27,188,910 | 12.6% | $11,943,955 | $13,753,342 | 15.1% |
| | Commerce Tax Credits [13-16] | | | | | | | | | $0 | -$356,008 | |
| | MBT - Financial: After Commerce Tax Credits | | | | | $24,144,270 | | $27,188,910 | | $11,943,955 | $13,397,333 | 12.2% |
| | Tax Credit Programs: | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | | | | | $0 | | $0 | | $0 | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | | | | | $0 | | $0 | | $0 | $0 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | | | | | $0 | | $0 | | $0 | $0 | |
| | Education Choice Scholarship Tax Credits [TC-5] | | | | | $0 | | $0 | | $0 | $0 | |
| | College Savings Plan Tax Credits [TC-6] | | | | | $0 | | $0 | | $0 | $0 | |
| | Total - Tax Credit Programs | | | | | $0 | | $0 | | $0 | $0 | |
| | MBT - Financial: After Tax Credit Programs | $23,368,075 | | $23,789,898 | | $24,144,270 | | $27,188,910 | | $11,943,955 | $13,397,333 | 12.2% |
| | MBT - MINING BUSINESSES (MBT-MINING) [11-16] | | | | | | | | | | | |
| 3069 | MBT - Mining: Before Tax Credits | | | | | | | $21,938,368 | | $10,357,693 | $10,931,704 | 5.5% |
| | Commerce Tax Credits [13-16] | | | | | | | | | $0 | -$591,778 | |
| | MBT - Mining: After Commerce Tax Credits | | | | | | | $21,938,368 | | $10,357,693 | $10,339,926 | -0.2% |
| | Tax Credit Programs: | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | | | | | | | $0 | | $0 | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | | | | | | | $0 | | $0 | $0 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | | | | | | | $0 | | $0 | $0 | |
| | Education Choice Scholarship Tax Credits [TC-5] | | | | | | | $0 | | $0 | $0 | |
| | College Savings Plan Tax Credits [TC-6] | | | | | | | $0 | | $0 | $0 | |
| | Total - Tax Credit Programs | | | | | | | $0 | | $0 | $0 | |
| | MBT - Mining - After Tax Credit Programs | | | | | | | $21,938,368 | | $10,357,693 | $10,339,926 | -0.2% |
| | TOTAL MBT - NFI, FI, & MINING | | | | | | | | | | | |
| | TOTAL MBT: BEFORE TAX CREDITS | $386,610,081 | 4.6% | $384,885,778 | -0.4% | $411,913,962 | 7.0% | $566,262,513 | 37.5% | $278,452,197 | $312,138,777 | 12.1% |
| | TOTAL COMMERCE TAX CREDITS [13-16] | | | | | | | | | $0 | -$35,540,085 | |
| | TOTAL MBT: AFTER COMMERCE TAX CREDITS | | | | | $411,913,962 | | $566,262,513 | | $278,452,197 | $276,598,692 | -0.7% |
| | Tax Credit Programs: | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | | | | | $0 | | -$82,621 | | -$20,849 | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | | | | | $0 | | $0 | | $0 | $0 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | | | | | $0 | | $0 | | $0 | $0 | |
| | Education Choice Scholarship Tax Credits [TC-5] | | | | | $0 | | -$4,401,540 | | -$3,204,818 | -$2,931,666 | |
| | College Savings Plan Tax Credits [TC-6] | | | | | $0 | | $0 | | $0 | $0 | |
| | Total - Tax Credit Programs | | | | | $0 | | -$4,484,161 | | -$3,225,668 | -$2,931,666 | |
| | TOTAL MBT: AFTER TAX CREDIT PROGRAMS | $386,610,081 | | $384,885,778 | | $411,913,962 | | $561,778,352 | | $275,226,529 | $273,667,026 | -0.6% |

# TABLE 1
## GENERAL FUND REVENUES - ACTUALS
### FY 2013 THROUGH FY 2016 AND FY 2017 VERSUS FY 2016 YEAR-TO-DATE THROUGH MARCH
Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| | | | | | | | | | | YEAR-TO-DATE [b.] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | DESCRIPTION | FY 2013 ACTUAL | % Change | FY 2014 ACTUAL | % Change | FY 2015 ACTUAL | % Change | FY 2016 ACTUAL | % Change | FY 2016 MARCH | FY 2017 MARCH | % Change |
| | **TAXES - CONTINUED** | | | | | | | | | | | |
| | INSURANCE TAXES | | | | | | | | | | | |
| 3061 | Insurance Premium Tax: Before Tax Credits [1-16] | $248,512,421 | 5.0% | $263,531,578 | 6.0% | $305,075,537 | 15.8% | $335,118,754 | 9.8% | $156,634,773 | $190,407,837 | 21.6% |
| | Tax Credit Programs: | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | | | | | $0 | | $0 | | $0 | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | | | | | $0 | | $0 | | $0 | $0 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | | | | | $0 | | $0 | | $0 | $0 | |
| | Nevada New Markets Job Act Tax Credits [TC-3] | | | | | -$12,410,882 | | -$26,005,450 | | -$9,064,278 | -$7,910,352 | |
| | Total - Tax Credit Programs | | | | | -$12,410,882 | | -$26,005,450 | | -$9,064,278 | -$7,910,352 | |
| | Insurance Premium Tax: After Tax Credit Programs | $248,512,421 | | $263,531,578 | | $292,664,655 | | $309,113,304 | | $147,570,495 | $182,497,485 | 23.7% |
| 3062 | Insurance Retaliatory Tax | $242,383 | -38.9% | $234,807 | -3.1% | $355,819 | 51.5% | $185,855 | -47.8% | $172,428 | $160,958 | -6.7% |
| 3067 | Captive Insurer Premium Tax | $635,037 | -5.9% | $755,517 | 19.0% | $901,712 | 19.4% | $923,869 | 2.5% | $874,309 | $1,036,206 | 18.5% |
| | TOTAL INSURANCE TAXES: BEFORE TAX CREDITS | $249,389,842 | 4.8% | $264,521,903 | 6.1% | $306,333,069 | 15.8% | $336,228,478 | 9.8% | $157,681,510 | $191,605,001 | 21.5% |
| | TAX CREDIT PROGRAMS | | | | | -$12,410,882 | | -$26,005,450 | | -$9,064,278 | -$7,910,352 | |
| | TOTAL INSURANCE TAXES: AFTER TAX CREDITS | $249,389,842 | 4.8% | $264,521,903 | 6.1% | $293,922,187 | 11.1% | $310,223,028 | 5.5% | $148,617,232 | $183,694,649 | 23.6% |
| | REAL PROPERTY TRANSFER TAX (RPTT) | | | | | | | | | | | |
| 3055 | Real Property Transfer Tax | $54,989,831 | 13.7% | $60,047,457 | 9.2% | $64,214,342 | 6.9% | $75,794,844 | 18.0% | $38,357,200 | $41,427,288 | 8.0% |
| | GOVERMENTAL SERVICES TAX (GST) | | | | | | | | | | | |
| 3051 | Governmental Services Tax [5-14][14-16] | $63,503,131 | 1.8% | $62,267,322 | -1.9% | $62,865,504 | 1.0% | $66,731,895 | 6.2% | $41,388,212 | $24,683,699 | -40.4% |
| | OTHER TAXES | | | | | | | | | | | |
| 3113 | Business License Fee [7-12][6-14][15-16] | $69,010,685 | 6.5% | $72,166,482 | 4.6% | $75,359,976 | 4.4% | $103,045,619 | 36.7% | $73,746,614 | $76,129,842 | 3.2% |
| 3050 | Liquor Tax | $39,884,376 | -1.9% | $41,838,536 | 4.9% | $42,707,046 | 2.1% | $43,944,413 | 2.9% | $25,143,376 | $21,903,347 | -12.9% |
| 3053 | Other Tobacco Tax | $10,348,437 | 25.1% | $11,620,286 | 12.3% | $11,458,040 | -1.4% | $13,131,919 | 14.6% | $7,388,218 | $8,486,307 | 14.9% |
| 4862 | HECC Transfer | $5,000,000 | 0.0% | $5,000,000 | 0.0% | $5,000,000 | 0.0% | $5,000,000 | 0.0% | $0 | $0 | |
| 3065 | Business License Tax | $2,941 | 393.0% | $2,814 | -4.3% | $1,850 | -34.3% | $243 | -86.9% | $243 | $281 | 15.5% |
| 3068 | Branch Bank Excise Tax | $2,996,521 | -1.7% | $2,788,166 | -7.0% | $3,129,940 | 12.3% | $2,786,429 | -11.0% | $1,400,429 | $1,387,750 | -0.9% |
| | TOTAL TAXES: BEFORE TAX CREDITS | $2,847,233,762 | 3.8% | $2,851,648,150 | 0.2% | $3,029,320,553 | 6.2% | $3,495,063,854 | 15.4% | $1,951,119,568 | $2,109,258,790 | 8.1% |
| | TOTAL COMMERCE TAX CREDITS [13-16] | | | | | | | | | $0 | -$35,540,085 | |
| | TOTAL TAXES: AFTER COMMERCE TAX CREDITS | | | | | $3,029,320,553 | | $3,495,063,854 | | $1,951,119,568 | $2,073,718,705 | 6.3% |
| | Tax Credit Programs: | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | | | | | $0 | | -$4,370,815 | | -$4,309,043 | -$3,908,259 | |
| | Economic Development Transferrable Tax Credits [TC-2] | | | | | $0 | | -$20,461,554 | | -$8,080,930 | -$22,626,864 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | | | | | $0 | | $0 | | $0 | $0 | |
| | Nevada New Markets Job Act Tax Credits [TC-3] | | | | | -$12,410,882 | | -$26,005,450 | | -$9,064,278 | -$7,910,352 | |
| | Education Choice Scholarship Tax Credits [TC-5] | | | | | $0 | | -$4,401,540 | | -$3,204,818 | -$2,931,666 | |
| | College Savings Plan Tax Credits [TC-6] | | | | | $0 | | $0 | | $0 | $0 | |
| | Total - Tax Credit Programs | | | | | -$12,410,882 | | -$55,239,359 | | -$24,659,070 | -$37,377,141 | |
| | TOTAL TAXES: AFTER TAX CREDITS | $2,847,233,762 | 3.8% | $2,851,648,150 | 0.2% | $3,016,909,671 | 5.8% | $3,439,824,495 | 14.0% | $1,926,460,498 | $2,036,341,565 | 5.7% |

# TABLE 1
## GENERAL FUND REVENUES - ACTUALS
## FY 2013 THROUGH FY 2016 AND FY 2017 VERSUS FY 2016 YEAR-TO-DATE THROUGH MARCH
Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| | | | | | | | | | YEAR-TO-DATE [b.] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| DESCRIPTION | FY 2013 ACTUAL | % Change | FY 2014 ACTUAL | % Change | FY 2015 ACTUAL | % Change | FY 2016 ACTUAL | % Change | FY 2016 MARCH | FY 2017 MARCH | % Change |
| **LICENSES** | | | | | | | | | | | |
| 3101 Insurance Licenses | $16,625,163 | 6.3% | $17,925,429 | 7.8% | $18,347,454 | 2.4% | $19,913,616 | 8.5% | $17,149,002 | $16,640,952 | -3.0% |
| 3120 Marriage License | $378,324 | -6.5% | $371,684 | -1.8% | $371,099 | -0.2% | $367,116 | -1.1% | $185,152 | $185,396 | 0.1% |
| SECRETARY OF STATE | | | | | | | | | | | |
| 3105 UCC | $1,685,928 | -7.9% | $1,714,724 | 1.7% | $1,740,910 | 1.5% | $1,915,810 | 10.0% | $1,431,450 | $1,343,508 | -6.1% |
| 3129 Notary Fees | $571,626 | -1.3% | $544,060 | -4.8% | $516,832 | -5.0% | $514,489 | -0.5% | $360,063 | $394,519 | 9.6% |
| 3130 Commercial Recordings [16-16] | $65,062,391 | -2.4% | $66,661,943 | 2.5% | $68,833,079 | 3.3% | $73,701,665 | 7.1% | $53,364,655 | $54,450,607 | 2.0% |
| 3131 Video Service Franchise | $7,075 | -16.0% | $3,525 | -50.2% | $1,550 | -56.0% | $525 | -66.1% | $300 | $3,200 | 966.7% |
| 3121 Domestic Partnership Registry Fee | $43,956 | 29.7% | $51,621 | 17.4% | $36,437 | -29.4% | $28,790 | -21.0% | $0 | $0 | |
| 3152 Securities | $24,605,322 | 0.3% | $25,947,110 | 5.5% | $27,029,365 | 4.2% | $27,978,707 | 3.5% | $25,825,601 | $25,970,448 | 0.6% |
| TOTAL SECRETARY OF STATE | $91,976,297 | -1.8% | $94,922,982 | 3.2% | $98,158,173 | 3.4% | $104,139,985 | 6.1% | $80,982,070 | $82,162,282 | 1.5% |
| 3172 Private School Licenses [7-14] | $247,504 | 10.4% | $284,569 | 15.0% | $255,613 | -10.2% | $236,690 | -7.4% | $142,799 | $121,770 | -14.7% |
| 3173 Private Employment Agency | $11,700 | -0.8% | $11,400 | -2.6% | $11,000 | -3.5% | $14,800 | 34.5% | $12,700 | $12,500 | -1.6% |
| REAL ESTATE | | | | | | | | | | | |
| 3161 Real Estate License [17-16] | $3,408,649 | -14.9% | $1,372,080 | -59.7% | $1,383,840 | 0.9% | $2,137,010 | 54.4% | $1,514,370 | $1,623,871 | 7.2% |
| 3162 Real Estate Fees | $2,890 | -12.4% | $4,820 | 66.8% | $3,643 | -24.4% | $4,710 | 29.3% | $3,300 | $2,100 | -36.4% |
| TOTAL REAL ESTATE | $3,411,539 | -14.9% | $1,376,900 | -59.6% | $1,387,483 | 0.8% | $2,141,720 | 54.4% | $1,517,670 | $1,625,971 | 7.1% |
| 3102 Athletic Commission Fees [18-16] | $3,867,975 | -24.4% | $5,334,498 | 37.9% | $8,922,606 | 67.3% | $5,041,720 | -43.5% | $3,871,698 | $2,360,306 | -39.0% |
| TOTAL LICENSES | $116,518,502 | -2.2% | $120,227,462 | 3.2% | $127,453,427 | 6.0% | $131,855,647 | 3.5% | $103,861,090 | $103,109,176 | -0.7% |
| **FEES AND FINES** | | | | | | | | | | | |
| 3200 Vital Statistics Fees [8-14] | $1,057,380 | 3.2% | | | | | | | | | |
| 3203 Divorce Fees | $171,211 | -7.4% | $174,376 | 1.8% | $175,202 | 0.5% | $170,348 | -2.8% | $107,971 | $107,278 | -0.6% |
| 3204 Civil Action Fees | $1,324,808 | -4.7% | $1,325,805 | 0.1% | $1,291,308 | -2.6% | $1,316,607 | 2.0% | $628,815 | $634,589 | 0.9% |
| 3242 Insurance Fines | $1,208,502 | -15.6% | $723,272 | -40.2% | $505,360 | -30.1% | $349,206 | -30.9% | $253,379 | $188,618 | -25.6% |
| 3103MD Medical Plan Discount Reg. Fees | $2,050 | -79.3% | | | | | $1,500 | | $500 | $0 | |
| REAL ESTATE FEES | | | | | | | | | | | |
| 3107IOS IOS Application Fees | $8,794 | -10.3% | $7,840 | -10.8% | $6,030 | -23.1% | $5,700 | -5.5% | $4,180 | $5,400 | 29.2% |
| 3165 Land Co Filing Fees [19-16] | $131,320 | -6.6% | $167,495 | 27.5% | $157,592 | -5.9% | $28,530 | -81.9% | $20,055 | $19,447 | -3.0% |
| 3167 Real Estate Adver Fees | $2,745 | -34.3% | $590 | -78.5% | $210 | -64.4% | $2,010 | 857.1% | $2,010 | $6,712 | 233.9% |
| 3169 Real Estate Reg Fees | $18,000 | 14.5% | $15,700 | -12.8% | $15,700 | 0.0% | $8,550 | -45.5% | $5,350 | $3,850 | -28.0% |
| 4741 Real Estate Exam Fees | $171,144 | -21.8% | $174,117 | 1.7% | $174,117 | 0.0% | $387,294 | 122.4% | $187,443 | $190,175 | 1.5% |
| 3171 CAM Certification Fee | | | | | | | | | | | |
| 3178 Real Estate Accred Fees | $80,108 | 1.3% | $86,475 | 7.9% | $95,675 | 10.6% | $93,450 | -2.3% | $66,925 | $65,300 | -2.4% |
| 3254 Real Estate Penalties | $104,165 | 2.8% | $36,835 | -64.6% | $25,455 | -30.9% | $65,595 | 157.7% | $43,650 | $67,360 | 54.3% |
| 3190 A.B. 165, Real Estate Inspectors | $50,650 | -19.9% | $60,150 | 18.8% | $46,960 | -21.9% | $53,860 | 14.7% | $35,730 | $43,570 | 21.9% |
| TOTAL REAL ESTATE FEES | $566,926 | -21.1% | $549,202 | -3.1% | $521,739 | -5.0% | $644,989 | 23.6% | $365,343 | $401,814 | 10.0% |
| 3066 Short Term Car Lease [8-12] | $45,753,454 | 2.8% | $46,151,238 | 0.9% | $48,754,438 | 5.6% | $51,914,285 | 6.5% | $26,228,498 | $27,576,147 | 5.1% |
| 3103AC Athletic Commission Licenses/Fines | $215,822 | -6.9% | $234,245 | 8.5% | $213,145 | -9.0% | $468,376 | 119.7% | $329,411 | $92,450 | -71.9% |
| 3205 State Engineer Sales [9-14] | $2,617,726 | -22.2% | | | | | | | | | |
| 3206 Supreme Court Fees | $193,275 | -8.8% | $216,785 | 12.2% | $186,560 | -13.9% | $201,305 | 7.9% | $151,550 | $150,180 | -0.9% |
| 3115 Notice of Default Fee | $2,765,325 | 11.3% | $1,706,387 | -38.3% | $1,755,460 | 2.9% | $1,400,099 | -20.2% | $954,333 | $648,632 | -32.0% |
| 3271 Misc Fines/Forfeitures | $11,162,515 | 291.4% | $3,125,839 | -72.0% | $9,564,851 | 206.0% | $2,735,813 | -71.4% | $1,530,099 | $1,099,640 | -28.1% |
| TOTAL FEES AND FINES | $67,038,994 | 14.8% | $54,207,150 | -19.1% | $62,968,063 | 16.2% | $59,202,527 | -6.0% | $30,549,899 | $30,899,348 | 1.1% |

# TABLE 1
## GENERAL FUND REVENUES - ACTUALS
## FY 2013 THROUGH FY 2016 AND FY 2017 VERSUS FY 2016 YEAR-TO-DATE THROUGH MARCH
Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| DESCRIPTION | FY 2013 ACTUAL | % Change | FY 2014 ACTUAL | % Change | FY 2015 ACTUAL | % Change | FY 2016 ACTUAL | % Change | YEAR-TO-DATE [b.] FY 2016 MARCH | YEAR-TO-DATE [b.] FY 2017 MARCH | % 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 | | | | |
| 4408 CIP 95-M1, Security Alarm | $2,998 | | $2,998 | | $2,998 | | $2,998 | | | | |
| 4408 CIP 95-M5, Facility Generator | $6,874 | | $6,874 | | $6,874 | | $6,874 | | | | |
| 4408 CIP 95-S4F, Advance Planning | $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 | | | | |
| 4408 CIP 97-S4H, Advance Planning Addition to Computer Facility | $9,107 | | $9,107 | | $9,107 | | $9,107 | | | | |
| 4408 EITS Repayment - State Microwave Communications System [1-18] | | | | | | | | | | | |
| 4409 Motor Pool Repay - LV [10-14] | | | $62,500 | | $125,000 | | $125,000 | | | | |
| 4402 State Personnel IFS Repayment; S.B. 201, 1997 Legislature | $326,659 | | $202,987 | | $202,988 | | $0 | | | | |
| TOTAL OTHER REPAYMENTS | $453,594 | 25.0% | $392,422 | -13.5% | $454,923 | 15.9% | $251,935 | -44.6% | $20,670 | $20,670 | |
| INTEREST INCOME | | | | | | | | | | | |
| 3290 Treasurer [9-12] | $625,550 | 19.7% | $589,930 | -5.7% | $916,780 | 55.4% | $1,247,554 | 36.1% | $409,174 | $1,129,221 | 176.0% |
| 3291 Other | $7,723 | | $4,156 | -46.2% | $5,363 | 29.0% | $18,411 | 243.3% | $11,213 | $29,051 | 159.1% |
| TOTAL INTEREST INCOME | $633,273 | 25.4% | $594,086 | -6.2% | $922,143 | 55.2% | $1,265,964 | 37.3% | $420,387 | $1,158,272 | 175.5% |
| TOTAL USE OF MONEY & PROP | $1,086,867 | 25.2% | $986,508 | -9.2% | $1,377,066 | 39.6% | $1,517,900 | 10.2% | $441,057 | $1,178,942 | 167.3% |
| **OTHER REVENUE** | | | | | | | | | | | |
| 3059 Hoover Dam Revenue | $300,000 | 0.0% | $300,000 | 0.0% | $300,000 | 0.0% | $300,000 | 0.0% | | | |
| MISC SALES AND REFUNDS | | | | | | | | | | | |
| 4794 GST Commissions and Penalties / DMV [10-12][11-14][20-16] | $25,127,068 | 1.8% | | | $28,761,000 | | | | | | |
| 3047 Expired Slot Machine Wagering Vouchers [11-12] | $7,193,209 | 129.5% | $7,486,068 | 4.1% | $8,383,408 | 12.0% | $8,778,021 | 4.7% | $6,676,958 | $6,588,119 | -1.3% |
| 3071 Property Tax: 4-cent operating rate (Clark & Washoe) | | | | | | | | | | | |
| 3070 Property Tax: 5-cent capital rate (Clark & Washoe) | | | | | | | | | | | |
| 4790 Suppl. Account for Med. Assist. to Indigent [12-12] | $19,218,718 | 0.6% | | | | | | | | | |
| 3107 Misc Fees | $305,387 | 21.5% | $298,822 | -2.1% | $318,681 | 6.6% | $347,803 | 9.1% | $216,019 | $252,352 | 16.8% |
| 3109 Court Admin Assessments [13-12][12-14][21-16] | $4,118,579 | -7.1% | $2,511,100 | -39.0% | $2,428,655 | -3.3% | $0 | -100.0% | $0 | $0 | |
| 3114 Court Administrative Assessment Fee | $2,509,553 | -1.1% | $2,335,123 | -7.0% | $2,135,726 | -8.5% | $2,012,172 | -5.8% | $1,216,893 | $1,372,850 | 12.8% |
| 3168 Declare of Candidacy Filing Fee | $37,937 | -44.7% | $92,200 | 143.0% | $12,384 | -86.6% | $35,975 | 190.5% | $34,050 | $18,454 | -45.8% |
| 3202 Fees & Writs of Garnishments | $2,605 | 15.5% | $2,535 | -2.7% | $2,140 | -15.6% | $2,190 | 2.3% | $1,620 | $1,360 | -16.0% |
| 3220 Nevada Report Sales | $8,620 | 52.0% | $3,480 | -59.6% | $6,120 | 75.9% | $11,495 | 87.8% | $7,550 | $3,475 | -54.0% |
| 3222 Excess Property Sales | $26,780 | -18.8% | $46,603 | 74.0% | $97,446 | 109.1% | $17,668 | -81.9% | $9,268 | $3,835 | -58.6% |
| 3240 Sale of Trust Property | $4,718 | -67.3% | $3,447 | -26.9% | $3,990 | 15.8% | $850 | -78.7% | $556 | $6,446 | 1058.8% |
| 3243 Insurance - Misc | $390,623 | -9.7% | $416,576 | 6.6% | $423,928 | 1.8% | $371,455 | -12.4% | $274,181 | $274,847 | 0.2% |
| 3274 Misc Refunds | $90,567 | 43.0% | $30,729 | -66.1% | $113,081 | 268.0% | $31,709 | -72.0% | $24,349 | $1,480,292 | 5979.4% |
| 3276 Cost Recovery Plan [13-14] | $8,470,707 | -0.3% | $8,883,972 | 4.9% | $8,486,081 | -4.5% | $10,572,088 | 24.6% | $7,933,877 | $5,336,080 | -32.7% |
| TOTAL MISC SALES & REF | $67,505,073 | 6.7% | $22,110,653 | -67.2% | $51,172,638 | 131.4% | $22,181,427 | -56.7% | $16,395,322 | $15,338,109 | -6.4% |
| 3255 Unclaimed Property [14-12] | $32,918,563 | -66.2% | $17,466,436 | -46.9% | $24,301,834 | 39.1% | $38,960,791 | 60.3% | $0 | $33,388 | |
| TOTAL OTHER REVENUE | $100,723,636 | -37.4% | $39,877,089 | -60.4% | $75,774,472 | 90.0% | $61,442,218 | -18.9% | $16,395,322 | $15,371,497 | -6.2% |
| **TOTAL GENERAL FUND REVENUE: BEFORE TAX CREDITS** | $3,132,601,761 | 1.6% | $3,066,946,360 | -2.1% | $3,296,893,581 | 7.5% | $3,749,082,146 | 13.7% | $2,102,366,937 | $2,259,817,754 | 7.5% |
| **TOTAL COMMERCE TAX CREDITS [13-16]** | | | | | | | | | $0 | -$35,540,085 | |
| **TOTAL GENERAL FUND REVENUE: AFTER COMMERCE TAX CREDITS** | | | | | $3,296,893,581 | | $3,749,082,146 | | $2,102,366,937 | $2,224,277,669 | 5.8% |
| **TAX CREDIT PROGRAMS:** | | | | | | | | | | | |
| **FILM TRANSFERRABLE TAX CREDITS [TC-1]** | | | | | $0.00 | | -$4,370,815 | | -$4,309,043 | -$3,908,259 | |
| **ECONOMIC DEVELOPMENT TRANSFERRABLE TAX CREDITS [TC-2]** | | | | | $0 | | -$20,461,554 | | -$8,080,930 | -$22,626,864 | |
| **CATALYST ACCOUNT TRANSFERRABLE TAX CREDITS [TC-4]** | | | | | $0 | | $0 | | $0 | $0 | |
| **NEVADA NEW MARKET JOBS ACT TAX CREDITS [TC-3]** | | | | | -$12,410,882 | | -$26,005,450 | | -$9,064,278 | -$7,910,352 | |
| **EDUCATION CHOICE SCHOLARSHIP TAX CREDITS [TC-5]** | | | | | $0 | | -$4,401,540 | | -$3,204,818 | -$2,931,666 | |
| **COLLEGE SAVINGS PLAN TAX CREDITS [TC-6]** | | | | | $0 | | $0 | | $0 | $0 | |
| **TOTAL- TAX CREDIT PROGRAMS** | | | | | -$12,410,882 | | -$55,239,359 | | -$24,659,070 | -$37,377,141 | |
| **TOTAL GENERAL FUND REVENUE: AFTER TAX CREDITS** | $3,132,601,761 | 1.6% | $3,066,946,360 | -2.1% | $3,284,482,699 | 7.1% | $3,693,842,787 | 12.5% | $2,077,707,867 | $2,186,900,528 | 5.3% |

# TABLE 1
## GENERAL FUND REVENUES - ACTUALS
## FY 2013 THROUGH FY 2016 AND FY 2017 VERSUS FY 2016 YEAR-TO-DATE THROUGH MARCH
Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| | | | | | | | | | YEAR-TO-DATE [b.] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| DESCRIPTION | FY 2013 ACTUAL | % Change | FY 2014 ACTUAL | % Change | FY 2015 ACTUAL | % Change | FY 2016 ACTUAL | % Change | FY 2016 MARCH | FY 2017 MARCH | % Change |

**NOTES:**

**[b.] The fiscal year-to-date amounts for Sales and Use Tax, Cigarette Tax, Liquor Tax, Other Tobacco Tax, Live Entertainment Tax-Nongaming and Gaming, and all of the taxes and fees listed under Gaming-State are based on actual amounts reported by the Department of Taxation and Gaming Control Board. The fiscal year-to-date amounts for the Secretary of State License revenues are based on actual amounts reported by the Secretary of State. The fiscal-year-to-date amounts for all other General Fund revenue sources shown in the table represent the figures obtained from the Controller's system through November 30 of FY 2016 and FY 2017. The amounts for revenue sources from the Department of Taxation represent the fiscal year-to-date amount through first the three months (for monthly tax sources) and through the first quarter (for quarterly tax sources).**

**FY 2012**

[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 addtional 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 (NPM) 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 $1,052,720 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.

[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.

**FY 2014: Represents legislative actions approved during the 2013 Legislative Session.**

[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 (NPM) 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 addtional 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.

# TABLE 1
## GENERAL FUND REVENUES - ACTUALS
## FY 2013 THROUGH FY 2016 AND FY 2017 VERSUS FY 2016 YEAR-TO-DATE THROUGH MARCH
Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| DESCRIPTION | FY 2013 ACTUAL | % Change | FY 2014 ACTUAL | % Change | FY 2015 ACTUAL | % Change | FY 2016 ACTUAL | % Change | YEAR-TO-DATE [b.] FY 2016 MARCH | YEAR-TO-DATE [b.] FY 2017 MARCH | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|

[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] Section 23 of S.B. 521 allows the Fleet Services Division of the Department of Administration to use revenues from intergovernmental transfers to the State General Fund for the repayment of $2.5 million that was appropriated to the Division for the purchase of a building in Las Vegas. The legislatively approved repayment from the Division to the State General Fund is $83,332 in FY 2014 and $125,000 in FY 2015, with an annual repayment of $125,000 each year through FY 2035.

[11-14] 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.

[12-14] 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).

[13-14] 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.

**FY 2016: Note 1 represents legislative actions approved during the 28th Special Session in September 2014.**

[1-16] Assembly Bill 3 (28th S.S.) limits the amount of the home office credit that may be taken against the Insurance Premium Tax to an annual limit of $5 million, effective January 1, 2016. The home office credit is eliminated pursuant to this bill, effective January 1, 2021.

**FY 2016: Notes 2 through 21 represent legislative actions approved during the 2015 Legislative Session.**

[2-16] S.B. 483 extends the June 30, 2015, sunset (approved in S.B. 475 (2013)) by one year to June 30, 2016, on the Net Proceeds of Minerals (NPM) 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 one-year extension of the sunset is estimated to yield $34,642,000 in FY 2016. There is no estimated tax payment in FY 2017 with the one-year extension of the prepayment of NPM taxes.

[3-16] S.B. 483 extends the June 30, 2015, sunset (approved in S.B. 475 (2013)) by one-year to June 30, 2016, 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 2016. The health and industrial insurance deduction changes are estimated to generate $4,221,000 in addtional revenue in FY 2016.

[4-16] S.B. 483 makes the 0.35% increase in the Local School Support Tax (LSST) permanent. The 0.35% increase generates additional revenue from the 0.75% General Fund Commission assessed against LSST proceeds before distribution to school districts in each county, which is estimated to generate $1,387,300 in FY 2016 and $1,463,400 in FY 2017.

[5-16] S.B. 266 makes changes to the structure of the tax base and tax rate for the Live Entertainment Tax (LET) in NRS Chapter 368A that is administered by the Gaming Control Board for live entertainment at licensed gaming establishments and the Department of Taxation for live entertainment provided at non-gaming establishments. Under existing law, the tax rate is 10% of the admission charge and amounts paid for food, refreshments, and merchandise, if the live entertainment is provided at a facility with a maximum occupancy of less than 7,500 persons, and 5% of the admission charge only, if the live entertainment is provided at a facility with a maximum occupancy equal to or greater than 7,500 persons. S.B. 266 removes the occupancy threshold and establishes a single 9% tax rate on the admission charge to the facility only. The tax rate does not apply to amounts paid for food, refreshments, and merchandise unless that is the consideration required to enter the facility for the live entertainment. S.B. 266 adds the total amount of consideration paid for escorts and escort services to the LET tax base and makes these activities subject to the 9% tax rate. The bill provides that the exemption from the LET for certain nonprofit organizations applies depending on the number of tickets sold and the type of live entertainment being provided. S.B. 266 establishes an exemption for the following: 1.) the value of certain admissions provided on a complimentary basis; 2.) a charge for access to a table, seat, or lounge or for food, beverages, and merchandise that are in addition to the admission charge to the facility; and 3.) certain license and rental fees of luxury suites, boxes, or similar products at a facility with a maximum occupancy of more than 7,500 persons. The provisions of S.B. 266 also make other changes to the types of activities that are included or excluded from the tax base as live entertainment events subject to the 9% tax rate. The provisions of S.B. 266 are effective October 1, 2015. The amounts shown reflect the estimated net change from the provisions of S.B. 266 on the amount of the LET collected from the portion administered by the Gaming Control Board and the Department of Taxation separately and the combined impact. The changes to the LET are estimated to reduce LET-Gaming collections by $19,165,000 in FY 2016 and by $26,551,000 in FY 2017, but increase LET-Nongaming collections by $15,483,000 in FY 2016 and $25,313,000 in FY 2017. The combined net effect on total LET collections is estimated to be reduction of $3,682,000 in FY 2016 and $1,238,000 in FY 2017.

[6-16] S.B. 483 establishes the Commerce Tax as an annual tax on each business entity engaged in business in the state whose Nevada gross revenue in a fiscal year exceeds $4,000,000 at a tax rate based on the industry in which the business is primarily engaged. The Commerce Tax is due on or before the 45th day immediately following the fiscal year taxable period (June 30th). Although the Commerce Tax collections are received after the June 30th end of the fiscal year tax period, the proceeds from the Commerce Tax will be accrued back and accounted for in that fiscal year, since that fiscal year is not officially closed until the third Friday in September. The Commerce Tax provisions are effective July 1, 2015, for the purpose of taxing the Nevada gross revenue of a business, but the first tax payment will not be made until August 14, 2016, for the FY 2016 annual taxable business activity period.

# TABLE 1
## GENERAL FUND REVENUES - ACTUALS
## FY 2013 THROUGH FY 2016 AND FY 2017 VERSUS FY 2016 YEAR-TO-DATE THROUGH MARCH
Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| | | | | | | | | | YEAR-TO-DATE [b.] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| DESCRIPTION | FY 2013 ACTUAL | % Change | FY 2014 ACTUAL | % Change | FY 2015 ACTUAL | % Change | FY 2016 ACTUAL | % Change | FY 2016 MARCH | FY 2017 MARCH | % Change |

[7-16] A.B. 175 requires the collection of an excise tax by the Nevada Transportation Authority or the Taxicab Authority, as applicable, on the connection of a passenger to a driver affiliated with a transportation network company, a common motor carrier of passengers, or a taxicab equal to 3% of the fare charged to the passenger. The excise tax becomes effective on passage and approval (May 29, 2015) for transportation network companies and August 28, 2015, for common motor carrier and taxicab companies. The first $5,000,000 in tax proceeds from each biennium are required to be deposited in the State Highway Fund and the estimate for FY 2016 reflects this requirement.

[8-16] S.B. 483 increases the cigarette tax per pack of 20 by $1.00 from 80 cents per pack (10 cents to Local Government Distribution Fund, 70 cents to State General Fund) to $1.80 per pack (10 cents to Local Government Distribution Fund, $1.70 to State General Fund), effective July 1, 2015. The $1.00 per pack increase is estimated to generate $96,872,000 in FY 2016 and $95,391,000 in FY 2017.

[9-16] S.B. 483 permanently changes the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) by exempting quarterly taxable wages (gross wages less allowable health care expenses) paid by an employer to employees up to and including $50,000 per quarter and taxable wages exceeding $50,000 per quarter are taxed at 1.475%. The taxable wages exemption threshold was $85,000 per quarter for FY 2014 and FY 2015 with a 1.17% tax rate on quarterly taxable wages exceeding $85,000, based on S.B. 475 (2013). These provisions in S.B. 475 were scheduled to sunset effective June 30, 2015, at which time the tax rate would have been 0.63% on all taxable wages per quarter. The provisions in S.B. 483 are effective July 1, 2015. The estimated net increase in MBT-NFI tax collections from the 1.475% tax rate on quarterly taxable wages exceeding $50,000 compared to the Economic Forum May 1, 2015, forecast, based on the 0.63% tax rate on all quarterly taxable wages before accounting for the estimated impact of any other legislatively approved changes to the MBT-NFI is $268,041,000 for FY 2016 and $281,443,000 for FY 2017.

[10-16] A.B. 389 deems the client company of an employee leasing company to be the employer of the employees it leases for the purposes of NRS Chapter 612 (unemployment compensation). Under these provisions, the wages of employees leased from employee leasing companies by client companies will no longer be reported on an aggregated basis under the employee leasing company. The wages of the employees will now be reported on a disaggregated basis under each client company. Instead of the $50,000 quarterly exemption applying to the employee leasing company, it will now apply to each client company. These provisions are effective October 1, 2015. The wages paid to employees being reported on a disaggregated basis for each client company versus an aggregated basis for the employee leasing company is estimated to reduce MBT-NFI collections by $2,758,000 in FY 2016 and $3,861,000 in FY 2017.

[11-16] S.B. 483 requires businesses subject to the Net Proceeds of Minerals (NPM) tax in NRS Chapter 362 to pay a 2.0% tax on all quarterly taxable wages paid by the employer to the employees, which is identical to the Modified Business Tax (MBT) paid by financial institutions under NRS Chapter 363A. These provisions are effective July 1, 2015. This change is estimated to reduce MBT-NFI tax collections by $10,884,000 in both FY 2016 and FY 2017. The mining companies paying the 2% tax rate on all taxable wages are estimated to generate $17,353,000 in both FY 2016 and FY 2017 for the MBT-Mining. This change is estimated to yield a net increase in General Fund revenue of $6,469,000 in both FY 2016 and FY 2017.

[12-16] S.B. 103 exempts from the definition of "financial institution" in NRS Chapter 363A any person who is primarily engaged in the sale, solicitation, or negotiation of insurance, which makes such a person subject to the Modified Business Tax on General Business (nonfinancial institutions) in NRS Chapter 363B at 1.475% on quarterly taxable wages exceeding $50,000 and not the 2.0% tax on all quarterly taxable wages. These provisions are effective July 1, 2015. MBT-FI is estimated to be reduced by $891,000 in FY 2016 and $936,000 and the MBT-NFI is estimated to be increased by $278,000 in FY 2016 and $291,000 in FY 2017. The net decrease in General Fund revenue is estimated to be $613,000 in FY 2016 and $645,000 in FY 2017.

[13-16] S.B. 483 provides for a credit against a business's Modified Business Tax (MBT) due during the current fiscal year not to exceed 50% of the Commerce Tax paid by the business for the preceding fiscal year. The credit can be taken against any or all of the four quarterly MBT payments for the current fiscal year, but any amount of credit not used cannot be carried forward and used in succeeding fiscal years. The total estimated Commerce Tax credits against the MBT are estimated to be $59,913,000 in FY 2017, but this estimated credit amount was not allocated separately to the MBT-NFI, MBT-FI, and MBT-Mining.

[14-16] S.B. 483 requires 100% of the proceeds from the portion of the Governmental Services Tax (GST) generated from the 10% depreciation schedule change, approved in S.B. 429 (2009), to be allocated to the State General Fund in FY 2016. In FY 2017, 50% of the proceeds will be allocated to the State General Fund and 50% to the State Highway Fund. Under S.B. 483, 100% of the additional revenue generated from the GST 10% depreciation schedule change is required to be deposited in the State Highway Fund beginning in FY 2018 and going forward permanently.

[15-16] S.B. 483 makes the $100 increase in the Business License Fee (BLF) from $100 to $200 permanent for the initial and annual renewal, that was scheduled to sunset on June 30, 2015, (as approved in A.B. 475 (2013)) for all types of businesses, except for corporations. The initial and annual renewal fee for corporations, as specified in S.B. 483, is increased from $200 to $500 permanently. These provisions are effective July 1, 2015. The changes to the BLF are estimated to generate additional General Fund revenue of $63,093,000 in FY 2016 and $64,338,000 in FY 2017 in relation to the Economic Forum May 1, 2015, forecast with all business types paying a $100 annual fee.

[16-16] S.B. 483 permanently increases the fee for filing the initial and annual list of directors and officers by $25 that is required to be paid by each business entity organizing under the various chapters in Title 7 of the NRS, effective July 1, 2015. The $25 increase in the initial and annual list filing fee is estimated to increase Commercial Recordings Fee revenue by $2,751,000 in FY 2016 and $2,807,000 in FY 2017.

[17-16] A.B. 475 changes the initial period from 24 to 12 months and the renewal period from 48 to 24 months for a license as a real estate broker, broker-salesperson, or salesperson and also changes the period for other licenses from 48 to 24 months, effective July 1, 2015. Existing licenses issued before July 1, 2015, do not need to be renewed until the expiration date required under statute prior to July 1, 2015. This change in the licensing period is estimated to reduce Real Estate License Fee revenue by $1,693,400 in FY 2016 and $1,404,200 in FY 2017.

[18-16] A.B. 476 increases the current 6% license fee on the gross receipts from admission charges to unarmed combat events, that is dedicated to the State General Fund, by 2% to 8% with 75% of the proceeds from the 8% fee deposited in the State General Fund and 25% retained by the Athletic Commission to fund the agency's operations. A.B. 476 repeals the two-tiered fee based on the revenues from the sale or lease of broadcast, television and motion picture rights that is dedicated to the State General Fund. A.B. 476 allows the promoter of an unarmed combat event a credit against the 8% license fee equal to the amount paid to the Athletic Commission or organization sanctioned by the Commission to administer a drug testing program for unarmed combatants. These provisions are effective June 9, 2015, based on the passage and approval effective date provisions of A.B. 476. These changes are estimated to reduce Athletic Commission Fee revenue by $600,000 in both FY 2016 and FY 2017.

[19-16] A.B. 478 increases certain fees relating to application or renewals paid by developers for exemptions to any provisions administered by the Real Estate Division of the Department of Business and Industry, and requires that all fees collected for this purpose be kept by the Division, effective July 1, 2015. This requirement for the Division to keep these fees is estimated to reduce Real Estate Land Company filing fees by approximately $152,600 in FY 2016 and $153,300 in FY 2017.

[20-16] A.B. 491 (2013) required 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 specified that the amount transferred shall not exceed $20,813,716 from commissions and $4,097,964 from penalties in FY 2015. A.B. 490 amended the commissions amount to $23,724,000 and the penalties amount to $5,037,000. This results in an estimated net increase in General Fund revenue of $3,849,320 in FY 2015 from GST Commissions and Penalties.

[21-16] 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 projections and the authorized allocation for the Court Administrative Assessment Fee revenues (pursuant to subsection 8 of NRS 176.059) for FY 2016 and FY 2017.

# TABLE 1
## GENERAL FUND REVENUES - ACTUALS
## FY 2013 THROUGH FY 2016 AND FY 2017 VERSUS FY 2016 YEAR-TO-DATE THROUGH MARCH
Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| DESCRIPTION | FY 2013 ACTUAL | % Change | FY 2014 ACTUAL | % Change | FY 2015 ACTUAL | % Change | FY 2016 ACTUAL | % Change | YEAR-TO-DATE [b.] FY 2016 MARCH | YEAR-TO-DATE [b.] FY 2017 MARCH | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|

**FY 2018: Note 1 represents legislative actions approved during the 2015 Legislative Session.**

[1-18] Section 51 of S.B. 514 allows the Division of Enterprise Information Technology Services of the Department of Administration to use revenues from intergovernmental transfers to the State General Fund for the repayment of special appropriations that were made to the Division for the replacement of the state's microwave communications system. The legislatively approved repayment from the Division to the State General Fund is $57,900 per year between FY 2018 and FY 2021, with increased repayments between FY 2022 and FY 2028.

**TAX CREDIT PROGRAMS APPROVED BY THE LEGISLATURE IN THE 2013 AND 2015 REGULAR SESSIONS AND THE 24TH SPECIAL SESSION IN SEPTEMBER 2014**

[TC-1] Pursuant to S.B. 165 (2013), the Governor's Office of Economic Development (GOED) could issue up to $20 million per fiscal year for a total of $80 million for the four-year pilot program in transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and Gaming Percentage Fee Tax. The provisions of the film tax credit program were amended in S.B. 1 (28th Special Session (2014)) to reduce the total amount of the tax credits that may be approved by GOED to a total of $10 million. The amounts shown reflect estimates based on information provided by GOED during the 2015 Session on the amount of tax credits that have been or will be approved for use in FY 2015 and FY 2016.

[TC-2] Pursuant to S.B. 1 (28th Special Session (2014)), for certain qualifying projects, the Governor's Office of Economic Development (GOED) is required to issue transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and the Gaming Percentage Fee Tax. The amount of transferrable tax credits are equal to $12,500 for each qualified employee employed by the participants in the project, to a maximum of 6,000 employees, plus 5 percent of the first $1 billion of new capital investment in the State made collectively by the participants in the qualifying project, plus an additional 2.8 percent of the next $2.5 billion in new capital investment in the State made collectively by the participants in the project. The amount of credits approved by GOED may not exceed $45 million per fiscal year (though any unissued credits may be issued in subsequent fiscal years), and GOED may not issue total credits in excess of $195 million. The forecast for FY 2017, 2018, and 2019 if $45 million per year, which reflects the maximum amount of credits that may be approved in each fiscal year for the Tesla project.

Pursuant to S.B. 1 (29th Special Session (2015)), for certain qualifying projects, the Governor's Office of Economic Development (GOED) is required to issue transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and the Gaming Percentage Fee Tax. The amount of transferrable tax credits are equal to $9,500 for each qualified employee employed by the participants in the project, to a maximum of 4,000 employees. The amount of credits approved by GOED may not exceed $7.6 million per fiscal year (though any unissued credits may be issued in subsequent fiscal years), and GOED may not issue total credits in excess of $38 million. The forecast for FY 2018 and FY 2019 is $7.6 million per year, which reflects the maximum amount of credits that may be approved in each fiscal year for the Faraday project.

[TC-3] Pursuant to S.B. 357 (2013), the Nevada New Markets Jobs Act allows insurance companies to receive a credit against the tax imposed on insurance premiums in exchange for making qualified equity investments in community development entities, particularly those that are local and minority-owned. A total of $200 million in qualified equity investments may be certified by the Department of Business and Industry. In exchange for making the qualified equity investment, insurance companies are entitled to receive a credit against the Insurance Premium Tax in an amount equal to 58 percent of the total qualified equity investment that is certified by the Department. The credits may be taken in increments beginning on the second anniversary date of the original investment, as follows:
2 years after the investment is made: 12 percent of the qualified investment
3 years after the investment is made: 12 percent of the qualified investment
4 years after the investment is made: 12 percent of the qualified investment
5 years after the investment is made: 11 percent of the qualified investment
6 years after the investment is made: 11 percent of the qualified investment

Under the provisions of S.B. 357, the insurance companies were allowed to begin taking tax credits in the third quarter of FY 2015. The amounts shown reflect estimates of the amount of tax credits that will be taken in each fiscal year based on information provided by the Department of Business and Industry and the Department of Taxation during the 2015 Session.

[TC-4] S.B. 507 (2015) authorizes the Governor's Office of Economic Development (GOED) to approve transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and Gaming Percentage Fee Tax to new or expanding businesses to promote the economic development of Nevada. As approved in S.B. 507, the total amount of transferrable tax credits that may be issued is $500,000 in FY 2016, $2,000,000 in FY 2017, and $5,000,000 for FY 2018 and each fiscal year thereafter. The amounts shown are the estimate based on the maximum amount that can be issued in each fiscal year.

A.B. 1 of the 29th Special Session (2015) reduced the total amount of transferrable tax credits that may be issued by GOED to zero in FY 2016, $1 million in FY 2017, $2 million per year in FY 2018 and FY 2019, and $3 million in FY 2020. For FY 2021 and future fiscal years, the amount of credits that may be issued by GOED remains at $5 million per year.

[TC-5] A.B. 165 (2015) allows taxpayers who make donations of money to certain scholarship organizations to receive a dollar-for-dollar credit against the taxpayer's liability for the Modified Business Tax (MBT). The total amount of credits that may be approved by the Department is $5 million in FY 2016, $5.5 million in FY 2017, and 110 percent of the total amount of credits authorized in the previous year, for all subsequent fiscal years. The amounts shown reflect the estimate based on the assumption that the total amount authorized for each fiscal year will be donated to a qualified scholarship organization and taken as credits against the MBT.

[TC-6] S.B. 412 (2015) provides a tax credit against the Modified Business Tax (MBT) to certain employers who match the contribution of an employee to one of the college savings plans offered through the Nevada Higher Education Prepaid Tuition Program and the Nevada College Savings Program authorized under existing law. The amount of the tax credit is equal to 25 percent of the matching contribution, not to exceed $500 per contributing employee per year, and any unused credits may be carried forward for 5 years. The provisions relating to the Nevada College Savings Program are effective January 1, 2016, and the Higher Education Prepaid Tuition Program are effective July 1, 2016. The amounts shown are estimates based on information provided by the Treasurer's Office on enrollment and contributions for the college savings plans.

# TABLE 3
## GENERAL FUND REVENUE FORECASTS: AGENCY - FISCAL - BUDGET
## MAY 1, 2017 FORECAST: FY 2017, FY 2018 and FY 2019
Economic Forum May 1, 2017, Meeting - 4/27/17 - 12:00 PM

| G.L. NO. | | FY 2016 ACTUAL | FISCAL YEAR 2017 | | | | | | FISCAL YEAR 2018 | | | | | | FISCAL YEAR 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % |
| | **TAXES** | | | | | | | | | | | | | | | | | | | |
| | MINING TAX | | | | | | | | | | | | | | | | | | | |
| 3064 | Net Proceeds of Minerals [1-12][2-12][1-14][2-14][2-16][3-16] | $34,674,918 | $18,773,881 | -45.9% | $18,774,000 | -45.9% | $18,773,881 | -45.9% | $46,137,000 | 145.8% | $45,204,000 | 140.8% | $45,805,870 | 144.0% | $45,596,000 | -1.2% | $46,707,000 | 3.3% | $45,799,110 | 0.0% |
| 3241 | Net Proceeds Penalty | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| 3245 | Centrally Assessed Penalties | $68,648 | $3,635 | -94.7% | $5,000 | -92.7% | $10,000 | -85.4% | $0 | | $5,000 | 0.0% | $10,000 | 0.0% | $0 | | $5,000 | 0.0% | $10,000 | 0.0% |
| | TOTAL MINING TAXES AND FEES | $34,743,566 | $18,777,516 | -46.0% | $18,779,000 | -45.9% | $18,783,881 | -45.9% | $46,137,000 | 145.7% | $45,209,000 | 140.7% | $45,815,870 | 143.9% | $45,596,000 | -1.2% | $46,712,000 | 3.3% | $45,809,110 | 0.0% |
| | SALES AND USE | | | | | | | | | | | | | | | | | | | |
| 3001 | Sales & Use Tax | $1,036,549,227 | $1,094,704,401 | 5.6% | $1,087,212,000 | 4.9% | $1,090,121,740 | 5.2% | $1,146,464,147 | 4.7% | $1,154,724,000 | 6.2% | $1,148,582,270 | 5.4% | $1,198,223,894 | 4.5% | $1,214,518,000 | 5.2% | $1,212,513,220 | 5.6% |
| 3002 | State Share - LSST [4-12][3-14][4-16] | $10,155,240 | $10,673,000 | 5.1% | $10,600,000 | 4.4% | $10,629,000 | 4.7% | $11,178,000 | 4.7% | $11,259,000 | 6.2% | $11,199,000 | 5.4% | $11,683,000 | 4.5% | $11,842,000 | 5.2% | $11,822,000 | 5.6% |
| 3003 | State Share - BCCRT | $4,506,053 | $4,789,000 | 6.3% | $4,757,000 | 5.6% | $4,769,000 | 5.8% | $5,016,000 | 4.7% | $5,052,000 | 6.2% | $5,025,000 | 5.4% | $5,242,000 | 4.5% | $5,314,000 | 5.2% | $5,305,000 | 5.6% |
| 3004 | State Share - SCCRT | $15,764,607 | $16,763,000 | 6.3% | $16,648,000 | 5.6% | $16,692,000 | 5.9% | $17,555,000 | 4.7% | $17,682,000 | 6.2% | $17,588,000 | 5.4% | $18,348,000 | 4.5% | $18,597,000 | 5.2% | $18,567,000 | 5.6% |
| 3005 | State Share - PTT | $10,028,644 | $10,664,000 | 6.3% | $10,591,000 | 5.6% | $10,619,000 | 5.9% | $11,168,000 | 4.7% | $11,249,000 | 6.2% | $11,189,000 | 5.4% | $11,672,000 | 4.5% | $11,831,000 | 5.2% | $11,812,000 | 5.6% |
| | TOTAL SALES AND USE | $1,077,003,772 | $1,137,593,401 | 5.6% | $1,129,808,000 | 4.9% | $1,132,830,740 | 5.2% | $1,191,381,147 | 4.7% | $1,199,966,000 | 6.2% | $1,193,583,270 | 5.4% | $1,245,168,894 | 4.5% | $1,262,102,000 | 5.2% | $1,260,019,220 | 5.6% |
| | GAMING - STATE | | | | | | | | | | | | | | | | | | | |
| 3041 | Percent Fees - Gross Revenue: Before Tax Credits | $700,773,974 | $730,974,369 | 4.3% | $731,332,000 | 4.4% | $730,299,830 | 4.2% | $746,752,982 | 2.2% | $738,829,000 | 1.0% | $746,725,410 | 2.2% | $768,683,362 | 2.9% | $754,037,000 | 2.1% | $761,360,660 | 2.0% |
| | Tax Credit Programs: | | | | | | | | | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | -$4,288,194 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | -$20,461,554 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Total - Tax Credit Programs | -$24,749,748 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Percent Fees - Gross Revenue: After Tax Credits | $676,024,226 | $730,974,369 | 8.1% | $731,332,000 | 8.2% | $730,299,830 | 8.0% | $746,752,982 | 2.2% | $738,829,000 | 1.0% | $746,725,410 | 2.2% | $768,683,362 | 2.9% | $754,037,000 | 2.1% | $761,360,660 | 2.0% |
| 3032 | Pari-mutuel Tax | $3,261 | $3,405 | 4.4% | $3,400 | 4.3% | $3,405 | 4.4% | $3,600 | 5.7% | $3,600 | 5.9% | $3,600 | 5.7% | $3,700 | 2.8% | $3,700 | 2.8% | $3,700 | 2.8% |
| 3181 | Racing Fees | $9,293 | $9,935 | 6.9% | $9,900 | 6.5% | $9,935 | 6.9% | $9,950 | 0.2% | $10,000 | 1.0% | $9,950 | 0.2% | $10,000 | 0.5% | $10,000 | 0.0% | $10,000 | 0.5% |
| 3247 | Racing Fines/Forfeitures | $700 | | | | | | | | | | | | | | | | | | |
| 3042 | Gaming Penalties | $4,069,112 | $2,100,000 | -48.4% | $2,100,000 | -48.4% | $2,100,000 | -48.4% | $775,000 | -63.1% | $775,000 | -63.1% | $775,000 | -63.1% | $775,000 | 0.0% | $775,000 | 0.0% | $775,000 | 0.0% |
| 3043 | Flat Fees-Restricted Slots [5-12] | $8,225,963 | $8,150,020 | -0.9% | $8,150,000 | -0.9% | $8,150,020 | -0.9% | $8,127,665 | -0.3% | $8,128,000 | -0.3% | $8,127,665 | -0.3% | $8,193,422 | 0.8% | $8,193,000 | 0.8% | $8,193,422 | 0.8% |
| 3044 | Non-Restricted Slots [5-12] | $10,861,213 | $10,659,512 | -1.9% | $10,660,000 | -1.9% | $10,659,512 | -1.9% | $10,557,624 | -1.0% | $10,558,000 | -1.0% | $10,557,624 | -1.0% | $10,457,891 | -0.9% | $10,458,000 | -0.9% | $10,457,891 | -0.9% |
| 3045 | Quarterly Fees-Games | $6,450,491 | $6,451,459 | 0.0% | $6,451,000 | 0.0% | $6,451,459 | 0.0% | $6,453,858 | 0.0% | $6,454,000 | 0.0% | $6,453,858 | 0.0% | $6,463,331 | 0.1% | $6,463,000 | 0.1% | $6,463,331 | 0.1% |
| 3046 | Advance License Fees | $1,780,785 | $1,020,000 | -42.7% | $1,020,000 | -42.7% | $1,020,000 | -42.7% | $750,000 | -26.5% | $750,000 | -26.5% | $750,000 | -26.5% | $800,000 | 6.7% | $800,000 | 6.7% | $800,000 | 6.7% |
| 3048 | Slot Machine Route Operator | $34,000 | $33,500 | -1.5% | $33,500 | -1.5% | $33,500 | -1.5% | $33,000 | -1.5% | $33,000 | -1.5% | $33,000 | -1.5% | $32,500 | -1.5% | $32,500 | -1.5% | $32,500 | -1.5% |
| 3049 | Gaming Info Systems Annual | $42,000 | $36,000 | -14.3% | $36,000 | -14.3% | $36,000 | -14.3% | $36,000 | 0.0% | $36,000 | 0.0% | $36,000 | 0.0% | $36,000 | 0.0% | $36,000 | 0.0% | $36,000 | 0.0% |
| 3028 | Interactive Gaming Fee - Operator | $500,000 | $500,000 | 0.0% | $500,000 | 0.0% | $500,000 | 0.0% | $500,000 | 0.0% | $500,000 | 0.0% | $500,000 | 0.0% | $500,000 | 0.0% | $500,000 | 0.0% | $500,000 | 0.0% |
| 3029 | Interactive Gaming Fee - Service Provider | $63,000 | $56,000 | -11.1% | $56,000 | -11.1% | $56,000 | -11.1% | $55,000 | -1.8% | $55,000 | -1.8% | $55,000 | -1.8% | $54,000 | -1.8% | $54,000 | -1.8% | $54,000 | -1.8% |
| 3030 | Interactive Gaming Fee - Manufacturer | $175,000 | $100,000 | -42.9% | $100,000 | -42.9% | $100,000 | -42.9% | $100,000 | 0.0% | $100,000 | 0.0% | $100,000 | 0.0% | $100,000 | 0.0% | $100,000 | 0.0% | $100,000 | 0.0% |
| 3033 | Equip Mfg. License | $279,500 | $273,500 | -2.1% | $273,500 | -2.1% | $273,500 | -2.1% | $273,000 | -0.2% | $273,000 | -0.2% | $273,000 | -0.2% | $272,000 | -0.4% | $272,000 | -0.4% | $272,000 | -0.4% |
| 3034 | Race Wire License | $36,391 | $15,000 | -58.8% | $15,000 | -58.8% | $15,000 | -58.8% | $16,000 | 6.7% | $16,000 | 6.7% | $16,000 | 6.7% | $17,000 | 6.3% | $17,000 | 6.3% | $17,000 | 6.3% |
| 3035 | Annual Fees on Games | $115,214 | $124,724 | 8.3% | $124,700 | 8.2% | $124,724 | 8.3% | $116,963 | -6.2% | $117,000 | -6.2% | $116,963 | -6.2% | $115,255 | -1.5% | $115,300 | -1.5% | $115,255 | -1.5% |
| | TOTAL GAMING - STATE: BEFORE TAX CREDITS | $733,419,897 | $760,507,424 | 3.7% | $760,865,000 | 3.7% | $759,832,885 | 3.6% | $774,560,642 | 1.8% | $766,637,600 | 0.8% | $774,533,070 | 1.9% | $796,513,461 | 2.8% | $781,866,500 | 2.0% | $789,190,759 | 1.9% |
| | Tax Credit Programs | -$24,749,748 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | TOTAL GAMING - STATE: AFTER TAX CREDITS | $708,670,149 | $760,507,424 | 7.3% | $760,865,000 | 7.4% | $759,832,885 | 7.2% | $774,560,642 | 1.8% | $766,637,600 | 0.8% | $774,533,070 | 1.9% | $796,513,461 | 2.8% | $781,866,500 | 2.0% | $789,190,759 | 1.9% |
| | LIVE ENTERTAINMENT TAX (LET) | | | | | | | | | | | | | | | | | | | |
| 3031G | Live Entertainment Tax-Gaming [5-16] | $111,994,620 | $101,737,146 | -9.2% | $101,990,000 | -8.9% | $102,242,670 | -8.7% | $106,663,000 | 4.8% | $103,962,000 | 1.9% | $104,848,410 | 2.5% | $109,397,949 | 2.6% | $106,759,000 | 2.7% | $106,973,590 | 2.0% |
| 3031NG | Live Entertainment Tax-Nongaming [5-16] | $16,536,346 | $24,532,952 | 48.4% | $25,403,000 | 53.6% | $25,509,570 | 54.3% | $25,223,465 | 2.8% | $26,493,000 | 4.3% | $26,734,030 | 4.8% | $26,358,146 | 4.5% | $27,672,000 | 4.5% | $27,669,720 | 3.5% |
| | TOTAL LET | $128,530,966 | $126,270,098 | -1.8% | $127,393,000 | -0.9% | $127,752,240 | -0.6% | $131,886,465 | 4.4% | $130,455,000 | 2.4% | $131,582,440 | 3.0% | $135,756,095 | 2.9% | $134,431,000 | 3.0% | $134,643,310 | 2.3% |
| | COMMERCE TAX | | | | | | | | | | | | | | | | | | | |
| 3072 | Commerce Tax [6-16] | $143,507,593 | $194,412,000 | 35.5% | $194,412,000 | 35.5% | $194,412,000 | 35.5% | $181,220,000 | -6.8% | $181,220,000 | -6.8% | $181,220,000 | -6.8% | $189,919,000 | 4.8% | $189,919,000 | 4.8% | $189,919,000 | 4.8% |
| | TRANSPORTATION CONNECTION EXCISE TAX | | | | | | | | | | | | | | | | | | | |
| 3073 | Transportation Connection Excise Tax [7-16] | $11,898,532 | $23,477,336 | 97.3% | $22,709,000 | 90.9% | $22,310,570 | 87.5% | $20,059,051 | -14.6% | $18,463,000 | -18.7% | $18,023,090 | -19.2% | $26,640,765 | 32.8% | $24,292,000 | 31.6% | $23,523,180 | 30.5% |
| | CIGARETTE TAX | | | | | | | | | | | | | | | | | | | |
| 3052 | Cigarette Tax [8-16] | $153,033,176 | $174,999,202 | 14.4% | $175,326,000 | 14.6% | $176,843,380 | 15.6% | $172,576,883 | -1.4% | $173,503,000 | -1.0% | $173,418,110 | -1.9% | $170,154,564 | -1.4% | $170,767,000 | -1.6% | $169,858,160 | -2.1% |

# TABLE 3
## GENERAL FUND REVENUE FORECASTS: AGENCY - FISCAL - BUDGET
## MAY 1, 2017 FORECAST: FY 2017, FY 2018 and FY 2019
Economic Forum May 1, 2017, Meeting - 4/27/17 - 12:00 PM

| G.L. NO. | | FY 2016 ACTUAL | FISCAL YEAR 2017 | | | | | | FISCAL YEAR 2018 | | | | | | FISCAL YEAR 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % |
| | **TAXES - CONTINUED** | | | | | | | | | | | | | | | | | | | |
| | MODIFIED BUSINESS TAX (MBT) | | | | | | | | | | | | | | | | | | | |
| | MBT - NONFINANCIAL BUSINESSES (MBT-NFI) [6-12] [4-14][9-16][10-16][11-16][12-16] | | | | | | | | | | | | | | | | | | | |
| 3069 | MBT - Nonfinancial: Before Tax Credits | $517,135,234 | $554,988,516 | 7.3% | $562,258,000 | 8.7% | $558,907,790 | 8.1% | $565,163,856 | 1.8% | $591,045,000 | 5.1% | $587,971,780 | 5.2% | $575,339,197 | 1.8% | $623,254,000 | 5.4% | $615,734,410 | 4.7% |
| | Commerce Tax Credits [13-16] | | | | | | | | | | | | | | | | | | | |
| | MBT - Nonfinancial: After Commerce Tax Credits | $517,135,234 | $554,988,516 | 7.3% | $562,258,000 | 8.7% | $558,907,790 | 8.1% | $565,163,856 | 1.8% | $591,045,000 | 5.1% | $587,971,780 | 5.2% | $575,339,197 | 1.8% | $623,254,000 | 5.4% | $615,734,410 | 4.7% |
| | Tax Credit Programs: | | | | | | | | | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | -$82,621 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Education Choice Scholarship Tax Credits [TC-5] | -$4,401,540 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | College Savings Plan Tax Credits [TC-6] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Total - Tax Credit Programs | -$4,484,161 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | MBT - Nonfinancial: After Tax Credit Programs | $512,651,073 | $554,988,516 | 8.3% | $562,258,000 | 9.7% | $558,907,790 | 9.0% | $565,163,856 | 1.8% | $591,045,000 | 5.1% | $587,971,780 | 5.2% | $575,339,197 | 1.8% | $623,254,000 | 5.4% | $615,734,410 | 4.7% |
| | MBT - FINANCIAL BUSINESSES (MBT-FI) [12-16] | | | | | | | | | | | | | | | | | | | |
| 3069 | MBT - Financial: Before Tax Credits | $27,188,910 | $27,712,806 | 1.9% | $28,178,000 | 3.6% | $28,965,890 | 6.5% | $29,046,404 | 4.8% | $29,440,000 | 4.5% | $30,458,720 | 5.2% | $30,380,001 | 4.6% | $30,954,000 | 5.1% | $31,700,260 | 4.1% |
| | Commerce Tax Credits [13-16] | | | | | | | | | | | | | | | | | | | |
| | MBT - Financial: After Commerce Tax Credits | $27,188,910 | $27,712,806 | 1.9% | $28,178,000 | 3.6% | $28,965,890 | 6.5% | $29,046,404 | 4.8% | $29,440,000 | 4.5% | $30,458,720 | 5.2% | $30,380,001 | 4.6% | $30,954,000 | 5.1% | $31,700,260 | 4.1% |
| | Tax Credit Programs: | | | | | | | | | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Education Choice Scholarship Tax Credits [TC-5] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | College Savings Plan Tax Credits [TC-6] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Total - Tax Credit Programs | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | MBT - Financial: After Tax Credit Programs | $27,188,910 | $27,712,806 | 1.9% | $28,178,000 | 3.6% | $28,965,890 | 6.5% | $29,046,404 | 4.8% | $29,440,000 | 4.5% | $30,458,720 | 5.2% | $30,380,001 | 4.6% | $30,954,000 | 5.1% | $31,700,260 | 4.1% |
| | MBT - MINING BUSINESSES (MBT-MINING) [11-16] | | | | | | | | | | | | | | | | | | | |
| 3069 | MBT - Mining: Before Tax Credits | $21,938,368 | $22,069,207 | 0.6% | $22,234,000 | 1.3% | $22,752,480 | 3.7% | $22,495,614 | 1.9% | $22,775,000 | 2.4% | $23,441,590 | 3.0% | $22,922,020 | 1.9% | $23,403,000 | 2.8% | $24,014,160 | 2.4% |
| | Commerce Tax Credits [13-16] | | | | | | | | | | | | | | | | | | | |
| | MBT - Mining: After Commerce Tax Credits | $21,938,368 | $22,069,207 | 0.6% | $22,234,000 | 1.3% | $22,752,480 | 3.7% | $22,495,614 | 1.9% | $22,775,000 | 2.4% | $23,441,590 | 3.0% | $22,922,020 | 1.9% | $23,403,000 | 2.8% | $24,014,160 | 2.4% |
| | Tax Credit Programs: | | | | | | | | | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Education Choice Scholarship Tax Credits [TC-5] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | College Savings Plan Tax Credits [TC-6] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Total - Tax Credit Programs | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | MBT - Mining - After Tax Credit Programs | $21,938,368 | $22,069,207 | 0.6% | $22,234,000 | 1.3% | $22,752,480 | 3.7% | $22,495,614 | 1.9% | $22,775,000 | 2.4% | $23,441,590 | 3.0% | $22,922,020 | 1.9% | $23,403,000 | 2.8% | $24,014,160 | 2.4% |
| | TOTAL MBT - NFI, FI, & MINING | | | | | | | | | | | | | | | | | | | |
| | TOTAL MBT: BEFORE TAX CREDITS | $566,262,513 | $604,770,529 | 6.8% | $612,670,000 | 8.2% | $610,626,160 | 7.8% | $616,705,874 | 2.0% | $643,260,000 | 5.0% | $641,872,090 | 5.1% | $628,641,218 | 1.9% | $677,611,000 | 5.3% | $671,448,830 | 4.6% |
| | TOTAL COMMERCE TAX CREDITS [13-16] | | -$82,500,000 | | -$82,500,000 | | -$82,500,000 | | -$86,460,000 | | -$86,460,000 | | -$86,460,000 | | -$90,610,000 | | -$90,610,000 | | -$90,610,000 | |
| | TOTAL MBT: AFTER COMMERCE TAX CREDITS | $566,262,513 | $522,270,529 | -7.8% | $530,170,000 | -6.4% | $528,126,160 | -6.7% | $530,245,874 | 1.5% | $556,800,000 | 5.0% | $555,412,090 | 5.2% | $538,031,218 | 1.5% | $587,001,000 | 5.4% | $580,838,830 | 4.6% |
| | Tax Credit Programs: | | | | | | | | | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | -$82,621 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Education Choice Scholarship Tax Credits [TC-5] | -$4,401,540 | -$6,098,460 | | -$6,098,460 | | -$6,098,460 | | -$6,050,000 | | -$6,050,000 | | -$6,050,000 | | -$6,655,000 | | -$6,655,000 | | -$6,655,000 | |
| | College Savings Plan Tax Credits [TC-6] | $0 | -$69,000 | | -$69,000 | | -$69,000 | | -$138,000 | | -$138,000 | | -$138,000 | | -$207,000 | | -$207,000 | | -$207,000 | |
| | Total - Tax Credit Programs | -$4,484,161 | -$6,167,460 | | -$6,167,460 | | -$6,167,460 | | -$6,188,000 | | -$6,188,000 | | -$6,188,000 | | -$6,862,000 | | -$6,862,000 | | -$6,862,000 | |
| | TOTAL MBT: AFTER TAX CREDIT PROGRAMS | $561,778,352 | $516,103,069 | -8.1% | $524,002,540 | -6.7% | $521,958,700 | -7.1% | $524,057,874 | 1.5% | $550,612,000 | 5.1% | $549,224,090 | 5.2% | $531,169,218 | 1.4% | $580,139,000 | 5.4% | $573,976,830 | 4.5% |

# TABLE 3

## GENERAL FUND REVENUE FORECASTS: AGENCY - FISCAL - BUDGET

## MAY 1, 2017 FORECAST: FY 2017, FY 2018 and FY 2019

Economic Forum May 1, 2017, Meeting - 4/27/17 - 12:00 PM

| G.L. NO. | | FY 2016 ACTUAL | FISCAL YEAR 2017 AGENCY FORECAST | % | FISCAL YEAR 2017 FISCAL FORECAST | % | FISCAL YEAR 2017 BUDGET FORECAST | % | FISCAL YEAR 2018 AGENCY FORECAST | % | FISCAL YEAR 2018 FISCAL FORECAST | % | FISCAL YEAR 2018 BUDGET FORECAST | % | FISCAL YEAR 2019 AGENCY FORECAST | % | FISCAL YEAR 2019 FISCAL FORECAST | % | FISCAL YEAR 2019 BUDGET FORECAST | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **TAXES - CONTINUED** | | | | | | | | | | | | | | | | | | | |
| | INSURANCE TAXES | | | | | | | | | | | | | | | | | | | |
| 3061 | Insurance Premium Tax: Before Tax Credits [1-16] | $335,118,754 | $379,343,890 | 13.2% | $379,566,000 | 13.3% | $378,199,860 | 12.9% | $391,212,203 | 3.1% | $397,650,000 | 4.8% | $395,753,060 | 4.6% | $403,110,297 | 3.0% | $416,330,000 | 4.7% | $410,609,520 | 3.8% |
| | Tax Credit Programs: | | | | | | | | | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| | Nevada New Markets Job Act Tax Credits [TC-3] | -$26,005,450 | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$22,000,000 | | -$22,000,000 | | -$22,000,000 | |
| | Total - Tax Credit Programs | -$26,005,450 | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$22,000,000 | | -$22,000,000 | | -$22,000,000 | |
| | Insurance Premium Tax: After Tax Credit Programs | $309,113,304 | $355,343,890 | 15.0% | $355,566,000 | 15.0% | $354,199,860 | 14.6% | $367,212,203 | 3.3% | $373,650,000 | 5.1% | $371,753,060 | 5.0% | $381,110,297 | 3.8% | $394,330,000 | 5.5% | $388,609,520 | 4.5% |
| 3062 | Insurance Retaliatory Tax | $185,855 | $195,894 | 5.4% | $200,000 | 7.6% | $180,000 | -3.2% | $182,187 | -7.0% | $200,000 | 0.0% | $230,000 | 27.8% | $182,187 | 0.0% | $200,000 | 0.0% | $230,000 | 0.0% |
| 3067 | Captive Insurer Premium Tax | $923,869 | $1,289,140 | 39.5% | $1,075,000 | 16.4% | $1,089,140 | 17.9% | $1,798,830 | 39.5% | $1,125,000 | 4.7% | $1,116,369 | 2.5% | $2,510,036 | 39.5% | $1,175,000 | 4.4% | $1,144,278 | 2.5% |
| | TOTAL INSURANCE TAXES: BEFORE TAX CREDITS | $336,228,478 | $380,828,924 | 13.3% | $380,841,000 | 13.3% | $379,469,000 | 12.9% | $393,193,220 | 3.2% | $398,975,000 | 4.8% | $397,099,429 | 4.6% | $405,802,520 | 3.2% | $417,705,000 | 4.7% | $411,983,798 | 3.7% |
| | TAX CREDIT PROGRAMS | -$26,005,450 | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$22,000,000 | | -$22,000,000 | | -$22,000,000 | |
| | TOTAL INSURANCE TAXES: AFTER TAX CREDITS | $310,223,028 | $356,828,924 | 15.0% | $356,841,000 | 15.0% | $355,469,000 | 14.6% | $369,193,220 | 3.5% | $374,975,000 | 5.1% | $373,099,429 | 5.0% | $383,802,520 | 4.0% | $395,705,000 | 5.5% | $389,983,798 | 4.5% |
| | REAL PROPERTY TRANSFER TAX (RPTT) | | | | | | | | | | | | | | | | | | | |
| 3055 | Real Property Transfer Tax | $75,794,844 | $80,075,104 | 5.6% | $82,732,000 | 9.2% | $82,042,140 | 8.2% | $85,043,854 | 6.2% | $87,500,000 | 5.8% | $86,628,360 | 5.6% | $90,012,604 | 5.8% | $92,116,000 | 5.3% | $89,722,870 | 3.6% |
| | GOVERMENTAL SERVICES TAX (GST) | | | | | | | | | | | | | | | | | | | |
| 3051 | Governmental Services Tax [5-14][14-16] | $66,731,895 | $38,078,223 | -42.9% | $38,106,000 | -42.9% | $38,200,569 | | | | | | | | | | | | | |
| | OTHER TAXES | | | | | | | | | | | | | | | | | | | |
| 3113 | Business License Fee [7-12][6-14][15-16] | $103,045,619 | $101,862,937 | -1.1% | $104,953,000 | 1.9% | $104,338,070 | 1.3% | $101,814,106 | 0.0% | $105,563,000 | 0.6% | $105,554,320 | 1.2% | $101,814,106 | 0.0% | $106,327,000 | 0.7% | $106,354,660 | 0.8% |
| 3050 | Liquor Tax | $43,944,413 | $43,012,052 | -2.1% | $42,995,000 | -2.2% | $42,784,230 | -2.6% | $44,276,424 | 2.9% | $43,290,000 | 0.7% | $43,196,410 | 1.0% | $44,927,656 | 1.5% | $43,662,000 | 0.9% | $43,682,770 | 1.1% |
| 3053 | Other Tobacco Tax | $13,131,919 | $13,764,313 | 4.8% | $14,522,000 | 10.6% | $14,454,290 | 10.1% | $13,889,479 | 0.9% | $15,168,000 | 4.4% | $15,003,440 | 3.8% | $14,430,646 | 3.9% | $15,869,000 | 4.6% | $15,472,350 | 3.1% |
| 4862 | HECC Transfer | $5,000,000 | $5,000,000 | 0.0% | $5,000,000 | 0.0% | $5,000,000 | 0.0% | $5,000,000 | 0.0% | $5,000,000 | 0.0% | $5,000,000 | 0.0% | $5,000,000 | 0.0% | $5,000,000 | 0.0% | $5,000,000 | 0.0% |
| 3065 | Business License Tax | $243 | $281 | 15.5% | $281 | | $281 | 15.6% | | | | | | | | | | | | |
| 3068 | Branch Bank Excise Tax | $2,786,429 | $2,774,661 | -0.4% | $2,784,000 | -0.1% | $2,759,435 | -1.0% | $2,760,925 | -0.5% | $2,804,000 | 0.7% | $2,773,710 | 0.5% | $2,747,190 | -0.5% | $2,818,000 | 0.5% | $2,787,490 | 0.5% |
| | TOTAL TAXES: BEFORE TAX CREDITS | $3,495,063,854 | $3,706,204,000 | 6.0% | $3,713,895,281 | 6.3% | $3,712,439,871 | 6.2% | $3,780,505,070 | 2.0% | $3,817,013,600 | 2.8% | $3,815,303,609 | 2.8% | $3,903,124,719 | 3.2% | $3,971,197,500 | 4.0% | $3,959,415,507 | 3.8% |
| | TOTAL COMMERCE TAX CREDITS [13-16] | | -$82,500,000 | | -$82,500,000 | | -$82,500,000 | | -$86,460,000 | | -$86,460,000 | | -$86,460,000 | | -$90,610,000 | | -$90,610,000 | | -$90,610,000 | |
| | TOTAL TAXES: AFTER COMMERCE TAX CREDITS | $3,495,063,854 | $3,623,704,000 | 3.7% | $3,631,395,281 | 3.9% | $3,629,939,871 | 3.9% | $3,694,045,070 | 1.9% | $3,730,553,600 | 2.7% | $3,728,843,609 | 2.7% | $3,812,514,719 | 3.2% | $3,880,587,500 | 4.0% | $3,868,805,507 | 3.8% |
| | Tax Credit Programs: | | | | | | | | | | | | | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | -$4,370,815 | -$3,908,259 | | -$3,908,259 | | -$3,908,259 | | -$1,720,926 | | -$1,720,926 | | -$1,720,926 | | $0 | | $0 | | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | -$20,461,554 | -$37,575,946 | | -$37,575,946 | | -$37,575,946 | | -$31,087,500 | | -$31,087,500 | | -$31,087,500 | | -$44,600,000 | | -$44,600,000 | | -$44,600,000 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | -$355,000 | | -$355,000 | | -$355,000 | | -$2,000,000 | | -$2,000,000 | | -$2,000,000 | | -$2,000,000 | | -$2,000,000 | | -$2,000,000 | |
| | Nevada New Markets Job Act Tax Credits [TC-3] | -$26,005,450 | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$22,000,000 | | -$22,000,000 | | -$22,000,000 | |
| | Education Choice Scholarship Tax Credits [TC-5] | -$4,401,540 | -$6,098,460 | | -$6,098,460 | | -$6,098,460 | | -$6,050,000 | | -$6,050,000 | | -$6,050,000 | | -$6,655,000 | | -$6,655,000 | | -$6,655,000 | |
| | College Savings Plan Tax Credits [TC-6] | $0 | -$69,000 | | -$69,000 | | -$69,000 | | -$138,000 | | -$138,000 | | -$138,000 | | -$207,000 | | -$207,000 | | -$207,000 | |
| | Total - Tax Credit Programs | -$55,239,359 | -$72,006,665 | | -$72,006,665 | | -$72,006,665 | | -$64,996,426 | | -$64,996,426 | | -$64,996,426 | | -$75,462,000 | | -$75,462,000 | | -$75,462,000 | |
| | TOTAL TAXES: AFTER TAX CREDITS | $3,439,824,495 | $3,551,697,335 | 3.3% | $3,559,388,616 | 3.5% | $3,557,933,206 | 3.4% | $3,629,048,644 | 2.2% | $3,665,557,174 | 3.0% | $3,663,847,183 | 3.0% | $3,737,052,719 | 3.0% | $3,805,125,500 | 3.8% | $3,793,343,507 | 3.5% |

# TABLE 3
## GENERAL FUND REVENUE FORECASTS: AGENCY - FISCAL - BUDGET
## MAY 1, 2017 FORECAST: FY 2017, FY 2018 and FY 2019
Economic Forum May 1, 2017, Meeting - 4/27/17 - 12:00 PM

| | | | FISCAL YEAR 2017 | | | | | | FISCAL YEAR 2018 | | | | | | FISCAL YEAR 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| G.L. NO. | | FY 2016 ACTUAL | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % |
| | **LICENSES** | | | | | | | | | | | | | | | | | | | |
| 3101 | Insurance Licenses | $19,913,616 | $20,701,361 | 4.0% | $19,316,000 | -3.0% | $20,127,640 | 1.1% | $21,520,268 | 4.0% | $19,703,000 | 2.0% | $20,444,730 | 1.6% | $22,371,569 | 4.0% | $20,097,000 | 2.0% | $20,746,610 | 1.5% |
| 3120 | Marriage License | $367,116 | $370,792 | 1.0% | $367,200 | 0.0% | $362,750 | -1.2% | $404,166 | 9.0% | $366,600 | -0.2% | $360,470 | -0.6% | $437,540 | 8.3% | $366,200 | -0.1% | $358,150 | -0.6% |
| | SECRETARY OF STATE | | | | | | | | | | | | | | | | | | | |
| 3105 | UCC | $1,915,810 | $1,705,071 | -11.0% | $1,773,000 | -7.5% | $1,740,730 | -9.1% | $1,705,071 | 0.0% | $1,755,000 | -1.0% | $1,686,100 | -3.1% | $1,705,071 | 0.0% | $1,738,000 | -1.0% | $1,634,350 | -3.1% |
| 3129 | Notary Fees | $514,489 | $565,938 | 10.0% | $536,200 | 4.2% | $540,000 | 5.0% | $622,531 | 10.0% | $541,500 | 1.0% | $545,000 | 0.9% | $684,784 | 10.0% | $547,000 | 1.0% | $550,000 | 0.9% |
| 3130 | Commercial Recordings [16-16] | $73,701,665 | $73,701,665 | 0.0% | $74,490,000 | 1.1% | $74,448,320 | 1.0% | $73,701,665 | 0.0% | $75,048,000 | 0.7% | $75,192,800 | 1.0% | $73,701,665 | 0.0% | $75,717,000 | 0.9% | $75,784,210 | 0.8% |
| 3131 | Video Service Franchise | $525 | $3,250 | 519.0% | $3,200 | 509.5% | $3,200 | 509.5% | $750 | -76.9% | $800 | -75.0% | $750 | -76.6% | $750 | 0.0% | $800 | 0.0% | $750 | 0.0% |
| 3121 | Domestic Partnership Registry Fee | $28,790 | $22,717 | -21.1% | $22,700 | -21.2% | $24,471 | -15.0% | $19,310 | -15.0% | $19,300 | -15.0% | $20,801 | -15.0% | $16,413 | -15.0% | $16,400 | -15.0% | $17,681 | -15.0% |
| 3152 | Securities | $27,978,707 | $27,698,920 | -1.0% | $28,145,000 | 0.6% | $27,701,665 | -1.0% | $27,419,133 | -1.0% | $28,426,000 | 1.0% | $27,419,133 | -1.0% | $27,419,133 | 0.0% | $28,853,000 | 1.5% | $27,419,133 | 0.0% |
| | TOTAL SECRETARY OF STATE | $104,139,985 | $103,697,561 | -0.4% | $104,970,100 | 0.8% | $104,458,386 | 0.3% | $103,468,460 | -0.2% | $105,790,600 | 0.8% | $104,864,584 | 0.4% | $103,527,816 | 0.1% | $106,872,200 | 1.0% | $105,406,124 | 0.5% |
| 3172 | Private School Licenses [7-14] | $236,690 | $211,720 | -10.5% | $211,000 | -10.9% | $215,000 | -9.2% | $218,750 | 3.3% | $208,900 | -1.0% | $210,000 | -2.3% | $226,000 | 3.3% | $206,800 | -1.0% | $200,000 | -4.8% |
| 3173 | Private Employment Agency | $14,800 | $10,500 | -29.1% | $15,000 | 1.4% | $14,000 | -5.4% | $10,500 | 0.0% | $15,000 | 0.0% | $11,400 | -18.6% | $10,500 | 0.0% | $15,000 | 0.0% | $11,400 | 0.0% |
| | REAL ESTATE | | | | | | | | | | | | | | | | | | | |
| 3161 | Real Estate License [17-16] | $2,137,010 | $2,104,807 | -1.5% | $2,250,000 | 5.3% | $2,261,300 | 5.8% | $1,990,000 | -5.5% | $2,158,000 | -4.1% | $2,160,100 | -4.5% | $1,999,000 | 0.5% | $2,208,000 | 2.3% | $2,190,500 | 1.4% |
| 3162 | Real Estate Fees | $4,710 | $2,475 | -47.5% | $3,600 | -23.6% | $2,500 | -46.9% | $3,150 | 27.3% | $3,600 | 0.0% | $3,000 | 20.0% | $3,000 | -4.8% | $3,600 | 0.0% | $3,000 | 0.0% |
| | TOTAL REAL ESTATE | $2,141,720 | $2,107,282 | -1.6% | $2,253,600 | 5.2% | $2,263,800 | 5.7% | $1,993,150 | -5.4% | $2,161,600 | -4.1% | $2,163,100 | -4.4% | $2,002,000 | 0.4% | $2,211,600 | 2.3% | $2,193,500 | 1.4% |
| 3102 | Athletic Commission Fees [18-16] | $5,041,720 | $3,190,784 | -36.7% | $3,300,000 | -34.5% | $3,200,000 | -36.5% | $4,200,000 | 31.6% | $4,200,000 | 27.3% | $4,200,000 | 31.3% | $4,200,000 | 0.0% | $4,200,000 | 0.0% | $4,200,000 | 0.0% |
| | TOTAL LICENSES | $131,855,647 | $130,290,000 | -1.2% | $130,432,900 | -1.1% | $130,641,576 | -0.9% | $131,815,294 | 1.2% | $132,445,700 | 1.5% | $132,254,284 | 1.2% | $132,775,426 | 0.7% | $133,968,800 | 1.1% | $133,115,784 | 0.7% |
| | **FEES AND FINES** | | | | | | | | | | | | | | | | | | | |
| 3203 | Divorce Fees | $170,348 | $140,802 | -17.3% | $169,600 | -0.4% | $169,000 | -0.8% | $156,288 | 11.0% | $168,800 | -0.5% | $168,000 | -0.6% | $171,774 | 9.9% | $167,700 | -0.7% | $167,000 | -0.6% |
| 3204 | Civil Action Fees | $1,316,607 | $1,269,178 | -3.6% | $1,310,000 | -0.5% | $1,329,730 | 1.0% | $1,388,870 | 9.4% | $1,312,000 | 0.2% | $1,336,370 | 0.5% | $1,508,561 | 8.6% | $1,317,000 | 0.4% | $1,343,020 | 0.5% |
| 3242 | Insurance Fines | $349,206 | $235,566 | -32.5% | $1,000,000 | 186.4% | $977,000 | 179.8% | $158,907 | -32.5% | $500,000 | -50.0% | $400,000 | -59.1% | $107,195 | -32.5% | $500,000 | 0.0% | $400,000 | 0.0% |
| 3103MD | Medical Plan Discount Reg. Fees | $1,500 | $1,500 | 0.0% | $1,500 | 0.0% | $1,500 | 0.0% | $1,500 | 0.0% | $1,500 | 0.0% | $1,500 | 0.0% | $1,500 | 0.0% | $1,500 | 0.0% | $1,500 | 0.0% |
| | REAL ESTATE FEES | | | | | | | | | | | | | | | | | | | |
| 3107IOS | IOS Application Fees | $5,700 | $6,900 | 21.1% | $6,500 | 14.0% | $6,000 | 5.3% | $5,900 | -14.5% | $6,500 | 0.0% | $6,000 | 0.0% | $5,900 | 0.0% | $6,500 | 0.0% | $6,000 | 0.0% |
| 3165 | Land Co Filing Fees [19-16] | $28,530 | $25,871 | -9.3% | $28,500 | -0.1% | $28,600 | 0.2% | $27,200 | 5.1% | $28,000 | -1.8% | $28,600 | 0.0% | $27,200 | 0.0% | $27,500 | -1.8% | $28,600 | 0.0% |
| 3167 | Real Estate Adver Fees | $2,010 | $6,712 | 233.9% | $6,712 | 233.9% | $6,712 | 233.9% | $200 | -97.0% | | | | | $200 | 0.0% | | | | |
| 3169 | Real Estate Reg Fees | $8,550 | $4,050 | -52.6% | $8,500 | -0.6% | $8,600 | 0.6% | $4,050 | 0.0% | $8,500 | 0.0% | $8,600 | 0.0% | $4,050 | 0.0% | $8,500 | 0.0% | $8,600 | 0.0% |
| 4741 | Real Estate Exam Fees | $387,294 | $402,059 | 3.8% | $395,000 | 2.0% | $398,200 | 2.8% | $274,846 | -31.6% | $395,000 | 0.0% | $336,500 | -15.5% | $286,155 | 4.1% | $395,000 | 0.0% | $288,400 | -14.3% |
| 3178 | Real Estate Accred Fees | $93,450 | $85,425 | -8.6% | $94,000 | 0.6% | $90,000 | -3.7% | $88,225 | 3.3% | $96,700 | 2.9% | $90,000 | 0.0% | $88,225 | 0.0% | $98,500 | 1.9% | $90,000 | 0.0% |
| 3254 | Real Estate Penalties | $65,595 | $86,573 | 32.0% | $90,000 | 37.2% | $75,000 | 14.3% | $63,725 | -26.4% | $90,000 | 0.0% | $63,700 | -15.1% | $63,725 | 0.0% | $90,000 | 0.0% | $63,700 | 0.0% |
| 3190 | A.B. 165, Real Estate Inspectors | $53,860 | $58,050 | 7.8% | $60,000 | 11.4% | $60,000 | 11.4% | $46,750 | -19.5% | $60,000 | 0.0% | $62,000 | 3.3% | $41,500 | -11.2% | $60,000 | 0.0% | $63,000 | 1.6% |
| | TOTAL REAL ESTATE FEES | $644,989 | $675,640 | 4.8% | $689,212 | 6.9% | $673,112 | 4.4% | $510,896 | -24.4% | $684,700 | -0.7% | $595,400 | -11.5% | $516,955 | 1.2% | $686,000 | 0.2% | $548,300 | -7.9% |
| 3066 | Short Term Car Lease [8-12] | $51,914,285 | $53,024,341 | 2.1% | $54,114,000 | 4.2% | $54,521,220 | 5.0% | $54,808,493 | 3.4% | $55,861,000 | 3.2% | $56,083,380 | 2.9% | $56,592,645 | 3.3% | $57,357,000 | 2.7% | $56,941,390 | 1.5% |
| 3103AC | Athletic Commission Licenses/Fines | $468,376 | $123,694 | -73.6% | $123,700 | -73.6% | $123,700 | -73.6% | $123,694 | 0.0% | $123,700 | 0.0% | $123,700 | 0.0% | $123,694 | 0.0% | $123,700 | 0.0% | $123,700 | 0.0% |
| 3206 | Supreme Court Fees | $201,305 | $217,390 | 8.0% | $200,000 | -0.6% | $217,400 | 8.0% | $228,220 | 5.0% | $200,000 | 0.0% | $228,200 | 5.0% | $232,740 | 2.0% | $200,000 | 0.0% | $232,700 | 2.0% |
| 3115 | Notice of Default Fee | $1,400,099 | $1,032,000 | -26.3% | $990,000 | -29.3% | $1,032,270 | -26.3% | $1,032,000 | 0.0% | $872,000 | -11.9% | $950,120 | -8.0% | $1,032,000 | 0.0% | $804,000 | -7.8% | $910,590 | -4.2% |
| 3271 | Misc Fines/Forfeitures | $2,735,813 | $1,078,686 | -60.6% | $1,500,000 | -45.2% | $1,800,000 | -34.2% | $960,436 | -11.0% | $1,500,000 | 0.0% | $2,000,000 | 11.1% | $969,886 | 1.0% | $1,500,000 | 0.0% | $2,000,000 | 0.0% |
| | TOTAL FEES AND FINES | $59,202,527 | $57,798,797 | -2.4% | $60,098,012 | 1.5% | $60,844,932 | 2.8% | $59,369,304 | 2.7% | $61,223,700 | 1.9% | $61,886,670 | 1.7% | $61,256,950 | 3.2% | $62,656,900 | 2.3% | $62,668,200 | 1.3% |

# TABLE 3
## GENERAL FUND REVENUE FORECASTS: AGENCY - FISCAL - BUDGET
## MAY 1, 2017 FORECAST: FY 2017, FY 2018 and FY 2019
Economic Forum May 1, 2017, Meeting - 4/27/17 - 12:00 PM

| G.L. NO. | FY 2016 ACTUAL | FISCAL YEAR 2017 AGENCY FORECAST | % | FISCAL YEAR 2017 FISCAL FORECAST | % | FISCAL YEAR 2017 BUDGET FORECAST | % | FISCAL YEAR 2018 AGENCY FORECAST | % | FISCAL YEAR 2018 FISCAL FORECAST | % | FISCAL YEAR 2018 BUDGET FORECAST | % | FISCAL YEAR 2019 AGENCY FORECAST | % | FISCAL YEAR 2019 FISCAL FORECAST | % | FISCAL YEAR 2019 BUDGET FORECAST | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **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 | | $20,670 | | $20,670 | | $20,670 | | $20,670 | |
| 4408 Comp/Fac Repayment | $23,744 | $23,744 | | $23,744 | | $23,744 | | $23,744 | | $23,744 | | $23,744 | | $13,032 | | $13,032 | | $13,032 | |
| 4408 CIP 95-M1, Security Alarm | $2,998 | $2,998 | | $2,998 | | $2,998 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| 4408 CIP 95-M5, Facility Generator | $6,874 | $6,874 | | $6,874 | | $6,874 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| 4408 CIP 95-S4F, Advance Planning | $1,000 | $1,000 | | $1,000 | | $1,000 | | $0 | | $0 | | $0 | | $0 | | $0 | | $0 | |
| 4408 CIP 97-C26, Capitol Complex Conduit System, Phase I | $62,542 | $62,542 | | $62,542 | | $62,542 | | $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 | | $9,107 | | $9,107 | | $9,107 | | $9,107 | |
| 4408 EITS Repayment - State Microwave Comms System [1-18] | $0 | $0 | | $0 | | $0 | | $57,900 | | $57,900 | | $57,900 | | $57,900 | | $57,900 | | $57,900 | |
| 4409 Motor Pool Repay - LV [10-14] | $125,000 | $125,000 | | $125,000 | | $125,000 | | $125,000 | | $125,000 | | $125,000 | | $125,000 | | $125,000 | | $125,000 | |
| TOTAL OTHER REPAYMENTS | $251,935 | $251,935 | 0.0% | $251,935 | 0.0% | $251,935 | 0.0% | $298,963 | 18.7% | $298,963 | 18.7% | $298,963 | 18.7% | $288,251 | -3.6% | $288,251 | -3.6% | $288,251 | -3.6% |
| INTEREST INCOME | | | | | | | | | | | | | | | | | | | |
| 3290 Treasurer [9-12] | $1,247,554 | $2,700,173 | 116.4% | $2,700,000 | 116.4% | $2,700,173 | 116.4% | $4,530,877 | 67.8% | $4,531,000 | 67.8% | $4,530,877 | 67.8% | $6,154,605 | 35.8% | $6,155,000 | 35.8% | $6,154,605 | 35.8% |
| 3291 Other | $18,411 | $37,299 | 102.6% | $40,000 | 117.3% | $32,000 | 73.8% | $37,299 | 0.0% | $40,000 | 0.0% | $20,000 | -37.5% | $37,299 | 0.0% | $40,000 | 0.0% | $20,000 | 0.0% |
| TOTAL INTEREST INCOME | $1,265,964 | $2,737,472 | 116.2% | $2,740,000 | 116.4% | $2,732,173 | 115.8% | $4,568,176 | 66.9% | $4,571,000 | 66.8% | $4,550,877 | 66.6% | $6,191,904 | 35.5% | $6,195,000 | 35.5% | $6,174,605 | 35.7% |
| TOTAL USE OF MONEY & PROP | $1,517,900 | $2,989,407 | 96.9% | $2,991,935 | 97.1% | $2,984,108 | 96.6% | $4,867,139 | 62.8% | $4,869,963 | 62.8% | $4,849,840 | 62.5% | $6,480,155 | 33.1% | $6,483,251 | 33.1% | $6,462,856 | 33.3% |
| **OTHER REVENUE** | | | | | | | | | | | | | | | | | | | |
| 3059 Hoover Dam Revenue | $300,000 | $300,000 | 0.0% | $300,000 | 0.0% | $300,000 | 0.0% | $300,000 | 0.0% | $300,000 | 0.0% | $300,000 | 0.0% | $300,000 | 0.0% | $300,000 | 0.0% | $300,000 | 0.0% |
| MISC SALES AND REFUNDS | | | | | | | | | | | | | | | | | | | |
| 3047 Expired Slot Machine Wagering Vouchers [11-12] | $8,778,021 | $8,780,542 | 0.0% | $8,781,000 | 0.0% | $8,780,542 | 0.0% | $8,828,437 | 0.5% | $8,828,000 | 0.5% | $8,828,437 | 0.5% | $9,133,593 | 3.5% | $9,134,000 | 3.5% | $9,133,593 | 3.5% |
| 3107 Misc Fees | $347,803 | $365,397 | 5.1% | $300,000 | -13.7% | $360,000 | 3.5% | $341,820 | -6.5% | $300,000 | 0.0% | $330,000 | -8.3% | $343,309 | 0.4% | $300,000 | 0.0% | $330,000 | 0.0% |
| 3109 Court Admin Assessments [13-12][12-14][21-16] | $0 | | | | | | | | | | | | | | | | | | |
| 3114 Court Administrative Assessment Fee | $2,012,172 | $1,978,569 | -1.7% | $2,109,000 | 4.8% | $1,978,570 | -1.7% | $1,972,039 | -0.3% | $2,113,000 | 0.2% | $1,972,040 | -0.3% | $1,952,319 | -1.0% | $2,118,000 | 0.2% | $1,952,320 | -1.0% |
| 3168 Declare of Candidacy Filing Fee | $35,975 | $21,004 | -41.6% | $21,000 | -41.6% | $21,000 | -41.6% | $40,000 | 90.4% | $40,000 | 90.5% | $40,000 | 90.5% | $12,500 | -68.8% | $12,500 | -68.8% | $12,500 | -68.8% |
| 3202 Fees & Writs of Garnishments | $2,190 | $1,823 | -16.8% | $2,000 | -8.7% | $2,200 | 0.5% | $2,022 | 10.9% | $2,000 | 0.0% | $2,200 | 0.0% | $2,221 | 9.8% | $2,000 | 0.0% | $2,200 | 0.0% |
| 3220 Nevada Report Sales | $11,495 | $17,243 | 50.0% | $17,200 | 49.6% | $17,245 | 50.0% | $22,990 | 33.3% | $23,000 | 33.7% | $22,990 | 33.3% | $17,243 | -25.0% | $17,200 | -25.2% | $17,245 | -25.0% |
| 3222 Excess Property Sales | $17,668 | $5,114 | -71.1% | $5,100 | -71.1% | $5,100 | -71.1% | $130,114 | | $130,100 | | $130,100 | | $5,114 | -96.1% | $5,100 | -96.1% | $5,100 | -96.1% |
| 3240 Sale of Trust Property | $850 | $12,892 | | $9,000 | 958.4% | $7,000 | 723.2% | $12,892 | 0.0% | $9,000 | 0.0% | $3,000 | -57.1% | $12,892 | 0.0% | $9,000 | 0.0% | $3,000 | 0.0% |
| 3243 Insurance - Misc | $371,455 | $332,713 | -10.4% | $375,000 | 1.0% | $400,000 | 7.7% | $298,012 | -10.4% | $375,000 | 0.0% | $400,000 | 0.0% | $266,930 | -10.4% | $375,000 | 0.0% | $400,000 | 0.0% |
| 3274 Misc Refunds | $31,709 | $72,463 | 128.5% | $1,500,000 | | $1,500,000 | | $73,490 | 1.4% | $75,000 | -95.0% | $40,000 | -97.3% | $73,490 | 0.0% | $75,000 | 0.0% | $40,000 | 0.0% |
| 3276 Cost Recovery Plan [13-14] | $10,572,088 | $9,907,776 | -6.3% | $9,908,000 | -6.3% | $10,121,342 | -4.3% | $9,907,776 | 0.0% | $9,618,000 | -2.9% | $9,666,103 | -4.5% | $9,907,776 | 0.0% | $10,224,000 | 6.3% | $10,278,236 | 6.3% |
| TOTAL MISC SALES & REF | $22,181,427 | $21,495,535 | -3.1% | $23,027,300 | 3.8% | $23,192,999 | 4.6% | $21,629,592 | 0.6% | $21,513,100 | -6.6% | $21,434,870 | -7.6% | $21,727,387 | 0.5% | $22,271,800 | 3.5% | $22,174,194 | 3.4% |
| 3255 Unclaimed Property [14-12] | $38,960,791 | $27,277,442 | -30.0% | $29,202,000 | -25.0% | $27,277,442 | -30.0% | $27,090,170 | -0.7% | $30,177,000 | 3.3% | $27,090,170 | -0.7% | $27,042,076 | -0.2% | $31,082,000 | 3.0% | $27,042,080 | -0.2% |
| TOTAL OTHER REVENUE | $61,442,218 | $49,072,977 | -20.1% | $52,529,300 | -14.5% | $50,770,441 | -17.4% | $49,019,762 | -0.1% | $51,990,100 | -1.0% | $48,825,040 | -3.8% | $49,069,463 | 0.1% | $53,653,800 | 3.2% | $49,516,274 | 1.4% |
| **TOTAL GENERAL FUND REVENUE: BEFORE TAX CREDITS** | $3,749,082,146 | $3,946,355,182 | 5.3% | $3,959,947,428 | 5.6% | $3,957,680,928 | 5.6% | $4,025,576,569 | 2.0% | $4,067,543,063 | 2.7% | $4,063,119,443 | 2.7% | $4,152,706,714 | 3.2% | $4,227,960,251 | 3.9% | $4,211,178,621 | 3.6% |
| **TOTAL COMMERCE TAX CREDITS [13-16]** | | -$82,500,000 | | -$82,500,000 | | -$82,500,000 | | -$86,460,000 | | -$86,460,000 | | -$86,460,000 | | -$90,610,000 | | -$90,610,000 | | -$90,610,000 | |
| **TOTAL GENERAL FUND REVENUE: AFTER COMMERCE TAX CREDITS** | $3,749,082,146 | $3,863,855,182 | 3.1% | $3,877,447,428 | 3.4% | $3,875,180,928 | 3.4% | $3,939,116,569 | 1.9% | $3,981,083,063 | 2.7% | $3,976,659,443 | 2.6% | $4,062,096,714 | 3.1% | $4,137,350,251 | 3.9% | $4,120,568,621 | 3.6% |
| **TAX CREDIT PROGRAMS:** | | | | | | | | | | | | | | | | | | | |
| **FILM TRANSFERRABLE TAX CREDITS [TC-1}** | -$4,370,815 | -$3,908,259 | | -$3,908,259 | | -$3,908,259 | | -$1,720,926 | | -$1,720,926 | | -$1,720,926 | | $0 | | $0 | | $0 | |
| **ECONOMIC DEVELOPMENT TRANSFERRABLE TAX CREDITS [TC-2]** | -$20,461,554 | -$37,575,946 | | -$37,575,946 | | -$37,575,946 | | -$31,087,500 | | -$31,087,500 | | -$31,087,500 | | -$44,600,000 | | -$44,600,000 | | -$44,600,000 | |
| **CATALYST ACCOUNT TRANSFERRABLE TAX CREDITS [TC-4]** | $0 | -$355,000 | | -$355,000 | | -$355,000 | | -$2,000,000 | | -$2,000,000 | | -$2,000,000 | | -$2,000,000 | | -$2,000,000 | | -$2,000,000 | |
| **NEVADA NEW MARKET JOBS ACT TAX CREDITS [TC-3]** | -$26,005,450 | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$24,000,000 | | -$22,000,000 | | -$22,000,000 | | -$22,000,000 | |
| **EDUCATION CHOICE SCHOLARSHIP TAX CREDITS [TC-5]** | -$4,401,540 | -$6,098,460 | | -$6,098,460 | | -$6,098,460 | | -$6,050,000 | | -$6,050,000 | | -$6,050,000 | | -$6,655,000 | | -$6,655,000 | | -$6,655,000 | |
| **COLLEGE SAVINGS PLAN TAX CREDITS [TC-6]** | $0 | -$69,000 | | -$69,000 | | -$69,000 | | -$138,000 | | -$138,000 | | -$138,000 | | -$207,000 | | -$207,000 | | -$207,000 | |
| **TOTAL- TAX CREDIT PROGRAMS** | -$55,239,359 | -$72,006,665 | | -$72,006,665 | | -$72,006,665 | | -$64,996,426 | | -$64,996,426 | | -$64,996,426 | | -$75,462,000 | | -$75,462,000 | | -$75,462,000 | |
| **TOTAL GENERAL FUND REVENUE: AFTER TAX CREDITS** | $3,693,842,787 | $3,791,848,517 | 2.7% | $3,805,440,763 | 3.0% | $3,803,174,263 | 3.0% | $3,874,120,143 | 2.2% | $3,916,086,637 | 2.9% | $3,911,663,017 | 2.9% | $3,986,634,714 | 2.9% | $4,061,888,251 | 3.7% | $4,045,106,621 | 3.4% |

# TABLE 3
## GENERAL FUND REVENUE FORECASTS: AGENCY - FISCAL - BUDGET
## MAY 1, 2017 FORECAST: FY 2017, FY 2018 and FY 2019
### Economic Forum May 1, 2017, Meeting - 4/27/17 - 12:00 PM

| G.L. NO. | FY 2016 ACTUAL | FISCAL YEAR 2017 | | | | | | FISCAL YEAR 2018 | | | | | | FISCAL YEAR 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % |

**NOTES:**

**FY 2012**

[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 addtional 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 (NPM) 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 $1,052,720 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.

[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.

**FY 2014: Represents legislative actions approved during the 2013 Legislative Session.**

[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 (NPM) 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

[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 addtional 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

[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] Section 23 of S.B. 521 allows the Fleet Services Division of the Department of Administration to use revenues from intergovernmental transfers to the State General Fund for the repayment of $2.5 million that was appropriated to the Division for the purchase of a building in Las Vegas. The legislatively approved repayment from the Division to the State General Fund is $83,332 in FY 2014 and $125,000 in FY 2015, with an annual repayment of $125,000 each year through FY 2035.

[11-14] 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.

[12-14] 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).

[13-14] 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.

**FY 2016: Note 1 represents legislative actions approved during the 28th Special Session in September 2014.**

[1-16] Assembly Bill 3 (28th S.S.) limits the amount of the home office credit that may be taken against the Insurance Premium Tax to an annual limit of $5 million, effective January 1, 2016. The home office credit is eliminated pursuant to this bill, effective January 1, 2021.

# TABLE 3

## GENERAL FUND REVENUE FORECASTS: AGENCY - FISCAL - BUDGET

## MAY 1, 2017 FORECAST: FY 2017, FY 2018 and FY 2019

Economic Forum May 1, 2017, Meeting - 4/27/17 - 12:00 PM

| | | FISCAL YEAR 2017 | | | | | | FISCAL YEAR 2018 | | | | | | FISCAL YEAR 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| G.L. NO. | FY 2016 ACTUAL | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % |

**FY 2016: Notes 2 through 21 represent legislative actions approved during the 2015 Legislative Session.**

[2-16] S.B. 483 extends the June 30, 2015, sunset (approved in S.B. 475 (2013)) by one year to June 30, 2016, on the Net Proceeds of Minerals (NPM) 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 one-year extension of the sunset is estimated to yield $34,642,000 in FY 2016. There is no estimated tax payment in FY 2017 with the one-year extension of the prepayment of NPM taxes.

[3-16] S.B. 483 extends the June 30, 2015, sunset (approved in S.B. 475 (2013)) by one-year to June 30, 2016, 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 2016. The health and industrial insurance deduction changes are estimated to generate $4,221,000 in addtional revenue in FY 2016.

[4-16] S.B. 483 makes the 0.35% increase in the Local School Support Tax (LSST) permanent. The 0.35% increase generates additional revenue from the 0.75% General Fund Commission assessed against LSST proceeds before distribution to school districts in each county, which is estimated to generate $1,387,300 in FY 2016 and $1,463,400 in FY 2017.

[5-16] S.B. 266 makes changes to the structure of the tax base and tax rate for the Live Entertainment Tax (LET) in NRS Chapter 368A that is administered by the Gaming Control Board for live entertainment at licensed gaming establishments and the Department of Taxation for live entertainment provided at non-gaming establishments. Under existing law, the tax rate is 10% of the admission charge and amounts paid for food, refreshments, and merchandise, if the live entertainment is provided at a facility with a maximum occupancy of less than 7,500 persons, and 5% of the admission charge only, if the live entertainment is provided at a facility with a maximum occupancy equal to or greater than 7,500 persons. S.B. 266 removes the occupancy threshold and establishes a single 9% tax rate on the admission charge to the facility only. The tax rate does not apply to amounts paid for food, refreshments, and merchandise unless that is the consideration required to enter the facility for the live entertainment. S.B. 266 adds the total amount of consideration paid for escorts and escort services to the LET tax base and makes these activities subject to the 9% tax rate. The bill provides that the exemption from the LET for certain nonprofit organizations applies depending on the number of tickets sold and the type of live entertainment being provided. S.B. 266 establishes an exemption for the following: 1.) the value of certain admissions provided on a complimentary basis; 2.) a charge for access to a table, seat, or lounge or for food, beverages, and merchandise that are in addition to the admission charge to the facility; and 3.) certain license and rental fees of luxury suites, boxes, or similar products at a facility with a maximum occupancy of more than 7,500 persons. The provisions of S.B. 266 also make other changes to the types of activities that are included or excluded from the tax base as live entertainment events subject to the 9% tax rate. The provisions of S.B. 266 are effective October 1, 2015. The amounts shown reflect the estimated net change from the provisions of S.B. 266 on the amount of the LET collected from the portion administered by the Gaming Control Board and the Department of Taxation separately and the combined impact. The changes to the LET are estimated to reduce LET-Gaming collections by $19,165,000 in FY 2016 and by $26,551,000 in FY 2017, but increase LET-Nongaming collections by $15,483,000 in FY 2016 and $25,313,000 in FY 2017. The combined net effect on total LET collections is estimated to be reduction of $3,682,000 in FY 2016 and $1,238,000 in FY 2017.

[6-16] S.B. 483 establishes the Commerce Tax as an annual tax on each business entity engaged in business in the state whose Nevada gross revenue in a fiscal year exceeds $4,000,000 at a tax rate based on the industry in which the business is primarily engaged. The Commerce Tax is due on or before the 45th day immediately following the fiscal year taxable period (June 30th). Although the Commerce Tax collections are received after the June 30th end of the fiscal year tax period, the proceeds from the Commerce Tax will be accrued back and accounted for in that fiscal year, since that fiscal year is not officially closed until the third Friday in September. The Commerce Tax provisions are effective July 1, 2015, for the purpose of taxing the Nevada gross revenue of a business, but the first tax payment will not be made until August 14, 2016, for the FY 2016 annual taxable business activity period.

[7-16] A.B. 175 requires the collection of an excise tax by the Nevada Transportation Authority or the Taxicab Authority, as applicable, on the connection of a passenger to a driver affiliated with a transportation network company, a common motor carrier of passengers, or a taxicab equal to 3% of the fare charged to the passenger. The excise tax becomes effective on passage and approval (May 29, 2015) for transportation network companies and August 28, 2015, for common motor carrier and taxicab companies. The first $5,000,000 in tax proceeds from each biennium are required to be deposited in the State Highway Fund and the estimate for FY 2016 reflects this requirement.

[8-16] S.B. 483 increases the cigarette tax per pack of 20 by $1.00 from 80 cents per pack (10 cents to Local Government Distribution Fund, 70 cents to State General Fund) to $1.80 per pack (10 cents to Local Government Distribution Fund, $1.70 to State General Fund), effective July 1, 2015. The $1.00 per pack increase is estimated to generate $96,872,000 in FY 2016 and $95,391,000 in FY 2017.

[9-16] S.B. 483 permanently changes the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) by exempting quarterly taxable wages (gross wages less allowable health care expenses) paid by an employer to employees up to and including $50,000 per quarter and taxable wages exceeding $50,000 per quarter are taxed at 1.475%. The taxable wages exemption threshold was $85,000 per quarter for FY 2014 and FY 2015 with a 1.17% tax rate on quarterly taxable wages exceeding $85,000, based on S.B. 475 (2013). These provisions in S.B. 475 were scheduled to sunset effective June 30, 2015, at which time the tax rate would have been 0.63% on all taxable wages per quarter. The provisions in S.B. 483 are effective July 1, 2015. The estimated net increase in MBT-NFI tax collections from the 1.475% tax rate on quarterly taxable wages exceeding $50,000 compared to the Economic Forum May 1, 2015, forecast, based on the 0.63% tax rate on all quarterly taxable wages before accounting for the estimated impact of any other legislatively approved changes to the MBT-NFI is $268,041,000 for FY 2016 and $281,443,000 for FY 2017.

[10-16] A.B. 389 deems the client company of an employee leasing company to be the employer of the employees it leases for the purposes of NRS Chapter 612 (unemployment compensation). Under these provisions, the wages of employees leased from employee leasing companies by client companies will no longer be reported on an aggregated basis under the employee leasing company. The wages of the employees will now be reported on a disaggregated basis under each client company. Instead of the $50,000 quarterly exemption applying to the employee leasing company, it will now apply to each client company. These provisions are effective October 1, 2015. The wages paid to employees being reported on a disaggregated basis for each client company versus an aggregated basis for the employee leasing company is estimated to reduce MBT-NFI collections by $2,758,000 in FY 2016 and $3,861,000 in FY 2017.

[11-16] S.B. 483 requires businesses subject to the Net Proceeds of Minerals (NPM) tax in NRS Chapter 362 to pay a 2.0% tax on all quarterly taxable wages paid by the employer to the employees, which is identical to the Modified Business Tax (MBT) paid by financial institutions under NRS Chapter 363A. These provisions are effective July 1, 2015. This change is estimated to reduce MBT-NFI tax collections by $10,884,000 in both FY 2016 and FY 2017. The mining companies paying the 2% tax rate on all taxable wages are estimated to generate $17,353,000 in both FY 2016 and FY 2017 for the MBT-Mining. This change is estimated to yield a net increase in General Fund revenue of $6,469,000 in both FY 2016 and FY 2017.

[12-16] S.B. 103 exempts from the definition of "financial institution" in NRS Chapter 363A any person who is primarily engaged in the sale, solicitation, or negotiation of insurance, which makes such a person subject to the Modified Business Tax on General Business (nonfinancial institutions) in NRS Chapter 363B at 1.475% on quarterly taxable wages exceeding $50,000 and not the 2.0% tax on all quarterly taxable wages. These provisions are effective July 1, 2015. MBT-FI is estimated to be reduced by $891,000 in FY 2016 and $936,000 and the MBT-NFI is estimated to be increased by $278,000 in FY 2016 and $291,000 in FY 2017. The net decrease in General Fund revenue is estimated to be $613,000 in FY 2016 and $645,000 in FY 2017.

[13-16] S.B. 483 provides for a credit against a business's Modified Business Tax (MBT) due during the current fiscal year not to exceed 50% of the Commerce Tax paid by the business for the preceding fiscal year. The credit can be taken against any or all of the four quarterly MBT payments for the current fiscal year, but any amount of credit not used cannot be carried forward and used in succeeding fiscal years. The total estimated Commerce Tax credits against the MBT are estimated to be $59,913,000 in FY 2017, but this estimated credit amount was not allocated separately to the MBT-NFI, MBT-FI, and MBT-Mining.

[14-16] S.B. 483 requires 100% of the proceeds from the portion of the Governmental Services Tax (GST) generated from the 10% depreciation schedule change, approved in S.B. 429 (2009), to be allocated to the State General Fund in FY 2016. In FY 2017, 50% of the proceeds will be allocated to the State General Fund and 50% to the State Highway Fund. Under S.B. 483, 100% of the additional revenue generated from the GST 10% depreciation schedule change is required to be deposited in the State Highway Fund beginning in FY 2018 and going forward permanently.

[15-16] S.B. 483 makes the $100 increase in the Business License Fee (BLF) from $100 to $200 permanent for the initial and annual renewal, that was scheduled to sunset on June 30, 2015, (as approved in A.B. 475 (2013)) for all types of businesses, except for corporations. The initial and annual renewal fee for corporations, as specified in S.B. 483, is increased from $200 to $500 permanently. These provisions are effective July 1, 2015. The changes to the BLF are estimated to generate additional General Fund revenue of $63,093,000 in FY 2016 and $64,338,000 in FY 2017 in relation to the Economic Forum May 1, 2015, forecast with all business types paying a $100 annual fee.

[16-16] S.B. 483 permanently increases the fee for filing the initial and annual list of directors and officers by $25 that is required to be paid by each business entity organizing under the various chapters in Title 7 of the NRS, effective July 1, 2015. The $25 increase in the initial and annual list filing fee is estimated to increase Commercial Recordings Fee revenue by $2,751,000 in FY 2016 and $2,807,000 in FY 2017.

[17-16] A.B. 475 changes the initial period from 24 to 12 months and the renewal period from 48 to 24 months for a license as a real estate broker, broker-salesperson, or salesperson and also changes the period for other licenses from 48 to 24 months, effective July 1, 2015. Existing licenses issued before July 1, 2015, do not need to be renewed until the expiration date required under statute prior to July 1, 2015. This change in the licensing period is estimated to reduce Real Estate License Fee revenue by $1,693,400 in FY 2016 and $1,404,200 in FY 2017.

[18-16] A.B. 476 increases the current 6% license fee on the gross receipts from admission charges to unarmed combat events, that is dedicated to the State General Fund, by 2% to 8% with 75% of the proceeds from the 8% fee deposited in the State General Fund and 25% retained by the Athletic Commission to fund the agency's operations. A.B. 476 repeals the two-tiered fee based on the revenues from the sale or lease of broadcast, television and motion picture rights that is dedicated to the State General Fund. A.B. 476 allows the promoter of an unarmed combat event a credit against the 8% license fee equal to the amount paid to the Athletic Commission or organization sanctioned by the Commission to administer a drug testing program for unarmed combatants. These provisions are effective June 9, 2015, based on the passage and approval effective date provisions of A.B. 476. These changes are estimated to reduce Athletic Commission Fee revenue by $600,000 in both FY 2016 and FY 2017.

[19-16] A.B. 478 increases certain fees relating to application or renewals paid by developers for exemptions to any provisions administered by the Real Estate Division of the Department of Business and Industry, and requires that all fees collected for this purpose be kept by the Division, effective July 1, 2015. This requirement for the Division to keep these fees is estimated to reduce Real Estate Land Company filing fees by approximately $152,600 in FY 2016 and $153,300 in FY 2017.

[20-16] A.B. 491 (2013) required 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 specified that the amount transferred shall not exceed $20,813,716 from commissions and $4,097,964 from penalties in FY 2015. A.B. 490 amended the commissions amount to $23,724,000 and the penalties amount to $5,037,000. This results in an estimated net increase in General Fund revenue of $3,849,320 in FY 2015 from GST Commissions and Penalties.

[21-16] 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 projections and the authorized allocation for the Court Administrative Assessment Fee revenues (pursuant to subsection 8 of NRS 176.059) for FY 2016 and FY 2017.

**FY 2018: Note 1 represents legislative actions approved during the 2015 Legislative Session.**

[1-18] Section 51 of S.B. 514 allows the Division of Enterprise Information Technology Services of the Department of Administration to use revenues from intergovernmental transfers to the State General Fund for the repayment of special appropriations that were made to the Division for the replacement of the state's microwave communications system. The legislatively approved repayment from the Division to the State General Fund is $57,900 per year between FY 2018 and FY 2021, with increased repayments between FY 2022 and FY 2028.

# TABLE 3
## GENERAL FUND REVENUE FORECASTS: AGENCY - FISCAL - BUDGET
## MAY 1, 2017 FORECAST: FY 2017, FY 2018 and FY 2019
Economic Forum May 1, 2017, Meeting - 4/27/17 - 12:00 PM

| G.L. NO. | FY 2016 ACTUAL | FISCAL YEAR 2017 | | | | | | FISCAL YEAR 2018 | | | | | | FISCAL YEAR 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % | AGENCY FORECAST | % | FISCAL FORECAST | % | BUDGET FORECAST | % |

**TAX CREDIT PROGRAMS APPROVED BY THE LEGISLATURE IN THE 2013 AND 2015 REGULAR SESSIONS AND THE 24TH SPECIAL SESSION IN SEPTEMBER 2014**

[TC-1] Pursuant to S.B. 165 (2013), the Governor's Office of Economic Development (GOED) could issue up to $20 million per fiscal year for a total of $80 million for the four-year pilot program in transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and Gaming Percentage Fee Tax. The provisions of the film tax credit program were amended in S.B. 1 (28th Special Session (2014)) to reduce the total amount of the tax credits that may be approved by GOED to a total of $10 million. The amounts shown reflect estimates based on information provided by GOED during the 2015 Session on the amount of tax credits that have been or will be approved for use in FY 2015 and FY 2016.

[TC-2] Pursuant to S.B. 1 (28th Special Session (2014)), for certain qualifying projects, the Governor's Office of Economic Development (GOED) is required to issue transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and the Gaming Percentage Fee Tax. The amount of transferrable tax credits are equal to $12,500 for each qualified employee employed by the participants in the project, to a maximum of 6,000 employees, plus 5 percent of the first $1 billion of new capital investment in the State made collectively by the participants in the qualifying project, plus an additional 2.8 percent of the next $2.5 billion in new capital investment in the State made collectively by the participants in the project. The amount of credits approved by GOED may not exceed $45 million per fiscal year (though any unissued credits may be issued in subsequent fiscal years), and GOED may not issue total credits in excess of $195 million. The amounts shown reflect the maximum amount of credits that will be approved in each fiscal year for the Tesla project based on information provided by GOED during the 2015 Session.

Pursuant to S.B. 1 (29th Special Session (2015)), for certain qualifying projects, the Governor's Office of Economic Development (GOED) is required to issue transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and the Gaming Percentage Fee Tax. The amount of transferrable tax credits are equal to $9,500 for each qualified employee employed by the participants in the project, to a maximum of 4,000 employees. The amount of credits approved by GOED may not exceed $7.6 million per fiscal year (though any unissued credits may be issued in subsequent fiscal years), and GOED may not issue total credits in excess of $38 million. The forecast for FY 2018 and FY 2019 is $7.6 million per year, which reflects the maximum amount of credits that may be approved in each fiscal year for the Faraday project.

[TC-3] Pursuant to S.B. 357 (2013), the Nevada New Markets Jobs Act allows insurance companies to receive a credit against the tax imposed on insurance premiums in exchange for making qualified equity investments in community development entities, particularly those that are local and minority-owned. A total of $200 million in qualified equity investments may be certified by the Department of Business and Industry. In exchange for making the qualified equity investment, insurance companies are entitled to receive a credit against the Insurance Premium Tax in an amount equal to 58 percent of the total qualified equity investment that is certified by the Department. The credits may be taken in increments beginning on the second anniversary date of the original investment, as follows:
2 years after the investment is made: 12 percent of the qualified investment
3 years after the investment is made: 12 percent of the qualified investment
4 years after the investment is made: 12 percent of the qualified investment
5 years after the investment is made: 11 percent of the qualified investment
6 years after the investment is made: 11 percent of the qualified investment

Under the provisions of S.B. 357, the insurance companies were allowed to begin taking tax credits in the third quarter of FY 2015. The amounts shown reflect estimates of the amount of tax credits that will be taken in each fiscal year based on information provided by the Department of Business and Industry and the Department of Taxation during the 2015 Session.

[TC-4] S.B. 507 (2015) authorizes the Governor's Office of Economic Development (GOED) to approve transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and Gaming Percentage Fee Tax to new or expanding businesses to promote the economic development of Nevada. As approved in S.B. 507, the total amount of transferrable tax credits that may be issued is $500,000 in FY 2016, $2,000,000 in FY 2017, and $5,000,000 for FY 2018 and each fiscal year thereafter. The amounts shown are the estimate based on the maximum amount that can be issued in each fiscal year.

A.B. 1 of the 29th Special Session (2015) reduced the total amount of transferrable tax credits that may be issued by GOED to zero in FY 2016, $1 million in FY 2017, $2 million per year in FY 2018 and FY 2019, and $3 million in FY 2020. For FY 2021 and future fiscal years, the amount of credits that may be issued by GOED remains at $5 million per year.

[TC-5] A.B. 165 (2015) allows taxpayers who make donations of money to certain scholarship organizations to receive a dollar-for-dollar credit against the taxpayer's liability for the Modified Business Tax (MBT). The total amount of credits that may be approved by the Department is $5 million in FY 2016, $5.5 million in FY 2017, and 110 percent of the total amount of credits authorized in the previous year, for all subsequent fiscal years. The amounts shown reflect the estimate based on the assumption that the total amount authorized for each fiscal year will be donated to a qualified scholarship organization and taken as credits against the MBT.

[TC-6] S.B. 412 (2015) provides a tax credit against the Modified Business Tax (MBT) to certain employers who match the contribution of an employee to one of the college savings plans offered through the Nevada Higher Education Prepaid Tuition Program and the Nevada College Savings Program authorized under existing law. The amount of the tax credit is equal to 25 percent of the matching contribution, not to exceed $500 per contributing employee per year, and any unused credits may be carried forward for 5 years. The provisions relating to the Nevada College Savings Program are effective January 1, 2016, and the Higher Education Prepaid Tuition Program are effective July 1, 2016. The amounts shown are estimates based on information provided by the Treasurer's Office on enrollment and contributions for the college savings plans.

**TABLE 8**
**MAJOR GENERAL FUND REVENUE FORECASTS FOR FY 2017, FY 2018, AND FY 2019**
**Comparison of May 1, 2017, December 6, 2016, and November 10, 2016, Forecasts by Forecaster**
**(Forecasts and Dollar Differences are in Millions of Dollars)**

| TAX | FY 2016 Actual | FY 2017 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2018 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2019 Forecast | % Change | Dollar Difference: | Growth Difference: |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **STATE SALES** | $1,036.549 | | | | | | | | | | | | |
| **Economic Forum[1]** | | $1,097.045 | 5.8% | | | $1,156.198 | 5.4% | | | $1,214.657 | 5.1% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $1,087.748 | 4.9% | | | $1,129.078 | 3.8% | | | $1,167.845 | 3.4% | | |
| December 6, 2016 Forecast | | $1,087.748 | 4.9% | $0.000 | 0.0% | $1,129.078 | 3.8% | $0.000 | 0.0% | $1,167.845 | 3.4% | $0.000 | 0.0% |
| May 1, 2017 Forecast | | $1,094.704 | 5.6% | $6.957 | 0.7% | $1,146.464 | 4.7% | $17.386 | 0.9% | $1,198.224 | 4.5% | $30.379 | 1.1% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $1,091.924 | 5.3% | | | $1,148.627 | 5.2% | | | $1,201.054 | 4.6% | | |
| December 6, 2016 Forecast | | $1,097.045 | 5.8% | $5.121 | 0.5% | $1,156.198 | 5.4% | $7.571 | 0.2% | $1,214.657 | 5.1% | $13.603 | 0.5% |
| May 1, 2017 Forecast | | $1,087.212 | 4.9% | -$9.833 | -0.9% | $1,154.724 | 6.2% | -$1.474 | 0.8% | $1,214.518 | 5.2% | -$0.139 | 0.1% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $1,091.469 | 5.3% | | | $1,140.685 | 4.5% | | | $1,189.453 | 4.3% | | |
| December 6, 2016 Forecast | | $1,094.596 | 5.6% | $3.127 | 0.3% | $1,146.896 | 4.8% | $6.211 | 0.3% | $1,199.653 | 4.6% | $10.200 | 0.3% |
| May 1, 2017 Forecast | | $1,090.122 | 5.2% | -$4.474 | -0.4% | $1,148.582 | 5.4% | $1.687 | 0.6% | $1,212.513 | 5.6% | $12.861 | 1.0% |
| **Moody's Analytics** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $1,104.380 | 6.5% | | | $1,204.450 | 9.1% | | | $1,291.370 | 7.2% | | |
| December 6, 2016 Forecast | | $1,103.200 | 6.4% | -$1.180 | -0.1% | $1,200.250 | 8.8% | -$4.200 | -0.3% | $1,286.470 | 7.2% | -$4.900 | 0.0% |
| May 1, 2017 Forecast | | $1,105.340 | 6.6% | $2.140 | 0.2% | $1,200.030 | 8.6% | -$0.220 | -0.2% | $1,289.050 | 7.4% | $2.580 | 0.2% |
| **PERCENTAGE FEES[2]** | $700.774 | | | | | | | | | | | | |
| **Economic Forum[1]** | | $725.000 | 3.5% | | | $735.000 | 1.4% | | | $762.535 | 3.7% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $717.926 | 2.4% | | | $737.501 | 2.7% | | | $760.203 | 3.1% | | |
| December 6, 2016 Forecast | | $720.189 | 2.8% | $2.263 | 0.3% | $740.137 | 2.8% | $2.636 | 0.0% | $762.535 | 3.0% | $2.332 | -0.1% |
| May 1, 2017 Forecast | | $730.974 | 4.3% | $10.786 | 1.5% | $746.753 | 2.2% | $6.616 | -0.6% | $768.683 | 2.9% | $6.148 | -0.1% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $721.388 | 2.9% | | | $738.648 | 2.4% | | | $752.263 | 1.8% | | |
| December 6, 2016 Forecast | | $723.256 | 3.2% | $1.868 | 0.3% | $739.908 | 2.3% | $1.260 | -0.1% | $754.039 | 1.9% | $1.776 | 0.1% |
| May 1, 2017 Forecast | | $731.332 | 4.4% | $8.076 | 1.2% | $738.829 | 1.0% | -$1.079 | -1.3% | $754.037 | 2.1% | -$0.002 | 0.1% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $723.206 | 3.2% | | | $740.539 | 2.4% | | | $755.169 | 2.0% | | |
| December 6, 2016 Forecast | | $723.132 | 3.2% | -$0.074 | 0.0% | $740.282 | 2.4% | -$0.257 | 0.0% | $754.730 | 2.0% | -$0.439 | 0.0% |
| May 1, 2017 Forecast | | $730.300 | 4.2% | $7.167 | 1.0% | $746.725 | 2.2% | $6.443 | -0.1% | $761.361 | 2.0% | $6.631 | 0.0% |
| **Moody's Analytics** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $720.270 | 2.8% | | | $738.600 | 2.5% | | | $754.050 | 2.1% | | |
| December 6, 2016 Forecast | | $718.280 | 2.5% | -$1.990 | -0.3% | $735.100 | 2.3% | -$3.500 | -0.2% | $749.390 | 1.9% | -$4.660 | -0.1% |
| May 1, 2017 Forecast | | $728.970 | 4.0% | $10.690 | 1.5% | $747.490 | 2.5% | $12.390 | 0.2% | $761.580 | 1.9% | $12.190 | -0.1% |

# TABLE 8
## MAJOR GENERAL FUND REVENUE FORECASTS FOR FY 2017, FY 2018, AND FY 2019
### Comparison of May 1, 2017, December 6, 2016, and November 10, 2016, Forecasts by Forecaster
(Forecasts and Dollar Differences are in Millions of Dollars)

| TAX | FY 2016 Actual | FY 2017 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2018 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2019 Forecast | % Change | Dollar Difference: | Growth Difference: |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **INSURANCE PREMIUM[2]** | $335.119 | | | | | | | | | | | | |
| **Economic Forum[1]** | | $373.840 | 11.6% | | | $387.533 | 3.7% | | | $400.520 | 3.4% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $345.819 | 3.2% | | | $358.310 | 3.6% | | | $372.873 | 4.1% | | |
| December 6, 2016 Forecast | | $354.993 | 5.9% | $9.174 | 2.7% | $374.523 | 5.5% | $16.213 | 1.9% | $395.961 | 5.7% | $23.088 | 1.7% |
| May 1, 2017 Forecast | | $379.344 | 13.2% | $24.351 | 7.3% | $391.212 | 3.1% | $16.689 | -2.4% | $403.110 | 3.0% | $7.150 | -2.7% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $364.030 | 8.6% | | | $384.122 | 5.5% | | | $405.521 | 5.6% | | |
| December 6, 2016 Forecast | | $379.933 | 13.4% | $15.903 | 4.7% | $400.361 | 5.4% | $16.239 | -0.1% | $422.718 | 5.6% | $17.197 | 0.0% |
| May 1, 2017 Forecast | | $379.566 | 13.3% | -$0.367 | -0.1% | $397.650 | 4.8% | -$2.711 | -0.6% | $416.330 | 4.7% | -$6.388 | -0.9% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $373.573 | 11.5% | | | $387.547 | 3.7% | | | $400.487 | 3.3% | | |
| December 6, 2016 Forecast | | $373.840 | 11.6% | $0.267 | 0.1% | $387.533 | 3.7% | -$0.014 | -0.1% | $400.520 | 3.4% | $0.033 | 0.0% |
| May 1, 2017 Forecast | | $378.200 | 12.9% | $4.360 | 1.3% | $395.753 | 4.6% | $8.220 | 1.0% | $410.610 | 3.8% | $10.090 | 0.4% |
| **REAL PROPERTY TRANSFER** | $75.795 | | | | | | | | | | | | |
| **Economic Forum[1]** | | $80.964 | 6.8% | | | $84.856 | 4.8% | | | $87.559 | 3.2% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $84.791 | 11.9% | | | $87.629 | 3.3% | | | $89.813 | 2.5% | | |
| December 6, 2016 Forecast | | $81.791 | 7.9% | -$3.000 | -4.0% | $88.629 | 8.4% | $1.000 | 5.0% | $91.813 | 3.6% | $2.000 | 1.1% |
| May 1, 2017 Forecast | | $80.075 | 5.6% | -$1.716 | -2.3% | $85.044 | 6.2% | -$3.585 | -2.2% | $90.013 | 5.8% | -$1.801 | 2.2% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $80.550 | 6.3% | | | $87.452 | 8.6% | | | $90.301 | 3.3% | | |
| December 6, 2016 Forecast | | $80.556 | 6.3% | $0.006 | 0.0% | $87.452 | 8.6% | $0.000 | 0.0% | $90.301 | 3.3% | $0.000 | 0.0% |
| May 1, 2017 Forecast | | $82.732 | 9.2% | $2.176 | 2.9% | $87.500 | 5.8% | $0.048 | -2.8% | $92.116 | 5.3% | $1.815 | 2.0% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $80.964 | 6.8% | | | $84.856 | 4.8% | | | $87.559 | 3.2% | | |
| December 6, 2016 Forecast | | $80.964 | 6.8% | $0.000 | 0.0% | $84.856 | 4.8% | $0.000 | 0.0% | $87.559 | 3.2% | $0.000 | 0.0% |
| May 1, 2017 Forecast | | $82.042 | 8.2% | $1.078 | 1.4% | $86.628 | 5.6% | $1.773 | 0.8% | $89.723 | 3.6% | $2.163 | 0.4% |
| **LET - GAMING** | $111.995 | | | | | | | | | | | | |
| **Economic Forum[1]** | | $106.449 | -5.0% | | | $109.598 | 3.0% | | | $112.946 | 3.1% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $102.057 | -8.9% | | | $105.295 | 3.2% | | | $107.995 | 2.6% | | |
| December 6, 2016 Forecast | | $103.935 | -7.2% | $1.878 | 1.7% | $107.173 | 3.1% | $1.878 | -0.1% | $109.921 | 2.6% | $1.926 | 0.0% |
| May 1, 2017 Forecast | | $101.737 | -9.2% | -$2.198 | -2.0% | $106.663 | 4.8% | -$0.510 | 1.7% | $109.398 | 2.6% | -$0.523 | 0.0% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $98.919 | -11.7% | | | $101.898 | 3.0% | | | $105.037 | 3.1% | | |
| December 6, 2016 Forecast | | $106.449 | -5.0% | $7.530 | 6.7% | $109.598 | 3.0% | $7.700 | -0.1% | $112.946 | 3.1% | $7.909 | 0.0% |
| May 1, 2017 Forecast | | $101.990 | -8.9% | -$4.459 | -4.0% | $103.962 | 1.9% | -$5.636 | -1.0% | $106.759 | 2.7% | -$6.187 | -0.4% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $101.202 | -9.6% | | | $103.149 | 1.9% | | | $104.923 | 1.7% | | |
| December 6, 2016 Forecast | | $102.243 | -8.7% | $1.041 | 0.9% | $104.185 | 1.9% | $1.036 | 0.0% | $105.956 | 1.7% | $1.033 | 0.0% |
| May 1, 2017 Forecast | | $102.243 | -8.7% | $0.000 | 0.0% | $104.848 | 2.5% | $0.663 | 0.6% | $106.974 | 2.0% | $1.017 | 0.3% |

**TABLE 8**
**MAJOR GENERAL FUND REVENUE FORECASTS FOR FY 2017, FY 2018, AND FY 2019**
**Comparison of May 1, 2017, December 6, 2016, and November 10, 2016, Forecasts by Forecaster**
**(Forecasts and Dollar Differences are in Millions of Dollars)**

| TAX | FY 2016 Actual | FY 2017 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2018 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2019 Forecast | % Change | Dollar Difference: | Growth Difference: |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **MBT - NONFINANCIAL[2]** | $517.135 | | | | | | | | | | | | |
| **Economic Forum[1]** | | $547.083 | 5.8% | | | $577.066 | 5.5% | | | $607.468 | 5.3% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $587.357 | 13.6% | | | $631.581 | 7.5% | | | $667.581 | 5.7% | | |
| December 6, 2016 Forecast | | $539.237 | 4.3% | -$48.120 | -9.3% | $568.081 | 5.3% | -$63.500 | -2.2% | $600.688 | 5.7% | -$66.893 | 0.0% |
| May 1, 2017 Forecast | | $554.989 | 7.3% | $15.751 | 3.0% | $565.164 | 1.8% | -$2.918 | -3.5% | $575.339 | 1.8% | -$25.348 | -3.9% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $552.414 | 6.8% | | | $580.385 | 5.1% | | | $609.561 | 5.0% | | |
| December 6, 2016 Forecast | | $554.582 | 7.2% | $2.168 | 0.4% | $580.925 | 4.8% | $0.540 | -0.3% | $609.793 | 5.0% | $0.232 | -0.1% |
| May 1, 2017 Forecast | | $562.258 | 8.7% | $7.676 | 1.5% | $591.045 | 5.1% | $10.120 | 0.4% | $623.254 | 5.4% | $13.461 | 0.5% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $542.992 | 5.0% | | | $571.228 | 5.2% | | | $603.216 | 5.6% | | |
| December 6, 2016 Forecast | | $547.083 | 5.8% | $4.091 | 0.8% | $577.066 | 5.5% | $5.838 | 0.3% | $607.468 | 5.3% | $4.252 | -0.3% |
| May 1, 2017 Forecast | | $558.908 | 8.1% | $11.825 | 2.3% | $587.972 | 5.2% | $10.905 | -0.3% | $615.734 | 4.7% | $8.267 | -0.5% |
| **MBT - FINANCIAL[2]** | $27.189 | | | | | | | | | | | | |
| **Economic Forum[1]** | | $28.224 | 3.8% | | | $29.819 | 5.7% | | | $31.372 | 5.2% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $31.151 | 14.6% | | | $33.496 | 7.5% | | | $35.406 | 5.7% | | |
| December 6, 2016 Forecast | | $28.224 | 3.8% | -$2.927 | -10.8% | $29.819 | 5.6% | -$3.677 | -1.9% | $31.372 | 5.2% | -$4.034 | -0.5% |
| May 1, 2017 Forecast | | $27.713 | 1.9% | -$0.511 | -1.9% | $29.046 | 4.8% | -$0.772 | -0.8% | $30.380 | 4.6% | -$0.992 | -0.6% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $28.425 | 4.5% | | | $30.125 | 6.0% | | | $31.870 | 5.8% | | |
| December 6, 2016 Forecast | | $28.060 | 3.2% | -$0.365 | -1.3% | $29.235 | 4.2% | -$0.890 | -1.8% | $30.920 | 5.8% | -$0.950 | 0.0% |
| May 1, 2017 Forecast | | $28.178 | 3.6% | $0.118 | 0.4% | $29.440 | 4.5% | $0.205 | 0.3% | $30.954 | 5.1% | $0.034 | -0.6% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $28.902 | 6.3% | | | $30.318 | 4.9% | | | $31.470 | 3.8% | | |
| December 6, 2016 Forecast | | $28.907 | 6.3% | $0.005 | 0.0% | $30.339 | 5.0% | $0.021 | 0.1% | $31.483 | 3.8% | $0.013 | 0.0% |
| May 1, 2017 Forecast | | $28.966 | 6.5% | $0.059 | 0.2% | $30.459 | 5.2% | $0.119 | 0.2% | $31.700 | 4.1% | $0.217 | 0.3% |
| **MBT - MINING[2]** | $21.938 | | | | | | | | | | | | |
| **Economic Forum[1]** | | $22.099 | 0.7% | | | $22.055 | -0.2% | | | $21.988 | -0.3% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $25.135 | 14.6% | | | $27.028 | 7.5% | | | $28.568 | 5.7% | | |
| December 6, 2016 Forecast | | $21.182 | -3.4% | -$3.953 | -18.0% | $21.205 | 0.1% | -$5.823 | -7.4% | $21.495 | 1.4% | -$7.073 | -4.3% |
| May 1, 2017 Forecast | | $22.069 | 0.6% | $0.887 | 4.0% | $22.496 | 1.9% | $1.291 | 1.8% | $22.922 | 1.9% | $1.427 | 0.5% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $21.773 | -0.8% | | | $22.002 | 1.1% | | | $22.737 | 3.3% | | |
| December 6, 2016 Forecast | | $22.099 | 0.7% | $0.326 | 1.5% | $22.055 | -0.2% | $0.053 | -1.3% | $22.786 | 3.3% | $0.049 | 0.0% |
| May 1, 2017 Forecast | | $22.234 | 1.3% | $0.135 | 0.6% | $22.775 | 2.4% | $0.720 | 2.6% | $23.403 | 2.8% | $0.617 | -0.6% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $21.257 | -3.1% | | | $20.990 | -1.3% | | | $20.674 | -1.5% | | |
| December 6, 2016 Forecast | | $22.296 | 1.6% | $1.039 | 4.7% | $22.165 | -0.6% | $1.175 | 0.7% | $21.988 | -0.8% | $1.314 | 0.7% |
| May 1, 2017 Forecast | | $22.752 | 3.7% | $0.457 | 2.1% | $23.442 | 3.0% | $1.276 | 3.6% | $24.014 | 2.4% | $2.026 | 3.2% |

**TABLE 8**
**MAJOR GENERAL FUND REVENUE FORECASTS FOR FY 2017, FY 2018, AND FY 2019**
**Comparison of May 1, 2017, December 6, 2016, and November 10, 2016, Forecasts by Forecaster**
**(Forecasts and Dollar Differences are in Millions of Dollars)**

| TAX | FY 2016 Actual | FY 2017 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2018 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2019 Forecast | % Change | Dollar Difference: | Growth Difference: |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **MBT - TOTAL[2]** | $566.263 | | | | | | | | | | | | |
| **Economic Forum[1]** | | $597.406 | 5.5% | | | $628.940 | 5.3% | | | $660.828 | 5.1% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $643.643 | 13.7% | | | $692.105 | 7.5% | | | $731.555 | 5.7% | | |
| December 6, 2016 Forecast | | $588.643 | 4.0% | -$55.000 | -9.7% | $619.105 | 5.2% | -$73.000 | -2.4% | $653.555 | 5.6% | -$78.000 | -0.1% |
| May 1, 2017 Forecast | | $604.771 | 6.8% | $16.127 | 2.8% | $616.706 | 2.0% | -$2.399 | -3.2% | $628.641 | 1.9% | -$24.914 | -3.6% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $602.612 | 6.4% | | | $632.512 | 5.0% | | | $664.168 | 5.0% | | |
| December 6, 2016 Forecast | | $604.741 | 6.8% | $2.129 | 0.4% | $632.215 | 4.5% | -$0.297 | -0.4% | $663.499 | 4.9% | -$0.669 | -0.1% |
| May 1, 2017 Forecast | | $612.670 | 8.2% | $7.929 | 1.4% | $643.260 | 5.0% | $11.045 | 0.4% | $677.611 | 5.3% | $14.112 | 0.4% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $593.151 | 4.7% | | | $622.536 | 5.0% | | | $655.360 | 5.3% | | |
| December 6, 2016 Forecast | | $598.286 | 5.7% | $5.135 | 0.9% | $629.571 | 5.2% | $7.035 | 0.3% | $660.939 | 5.0% | $5.579 | -0.3% |
| May 1, 2017 Forecast | | $610.626 | 7.8% | $12.340 | 2.2% | $641.872 | 5.1% | $12.301 | -0.1% | $671.449 | 4.6% | $10.510 | -0.4% |
| **COMMERCE** | $143.508 | | | | | | | | | | | | |
| **Economic Forum[1]** | | $194.412 | 35.5% | | | $181.220 | -6.8% | | | $189.919 | 4.8% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $176.500 | 23.0% | | | $160.000 | -9.3% | | | $160.000 | 0.0% | | |
| December 6, 2016 Forecast | | $176.500 | 23.0% | $0.000 | 0.0% | $160.000 | -9.3% | $0.000 | 0.0% | $160.000 | 0.0% | $0.000 | 0.0% |
| May 1, 2017 Forecast | | $194.412 | 35.5% | $17.912 | 12.5% | $181.220 | -6.8% | $21.220 | 2.6% | $189.919 | 4.8% | $29.919 | 4.8% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $176.500 | 23.0% | | | $160.000 | -9.3% | | | $160.000 | 0.0% | | |
| December 6, 2016 Forecast | | $176.500 | 23.0% | $0.000 | 0.0% | $160.000 | -9.3% | $0.000 | 0.0% | $160.000 | 0.0% | $0.000 | 0.0% |
| May 1, 2017 Forecast | | $194.412 | 35.5% | $17.912 | 12.5% | $181.220 | -6.8% | $21.220 | 2.6% | $189.919 | 4.8% | $29.919 | 4.8% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $176.500 | 23.0% | | | $160.000 | -9.3% | | | $160.000 | 0.0% | | |
| December 6, 2016 Forecast | | $176.500 | 23.0% | $0.000 | 0.0% | $160.000 | -9.3% | $0.000 | 0.0% | $160.000 | 0.0% | $0.000 | 0.0% |
| May 1, 2017 Forecast | | $194.412 | 35.5% | $17.912 | 12.5% | $181.220 | -6.8% | $21.220 | 2.6% | $189.919 | 4.8% | $29.919 | 4.8% |
| **CIGARETTE** | $153.033 | | | | | | | | | | | | |
| **Economic Forum[1]** | | $173.301 | 13.2% | | | $170.402 | -1.7% | | | $167.534 | -1.7% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $163.683 | 7.0% | | | $167.922 | 2.6% | | | $171.669 | 2.2% | | |
| December 6, 2016 Forecast | | $163.683 | 7.0% | $0.000 | 0.0% | $162.922 | -0.5% | -$5.000 | -3.1% | $161.669 | -0.8% | -$10.000 | -3.0% |
| May 1, 2017 Forecast | | $174.999 | 14.4% | $11.316 | 7.4% | $172.577 | -1.4% | $9.655 | -0.9% | $170.155 | -1.4% | $8.485 | -0.6% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $173.355 | 13.3% | | | $170.256 | -1.8% | | | $167.471 | -1.6% | | |
| December 6, 2016 Forecast | | $173.301 | 13.2% | -$0.054 | 0.0% | $170.402 | -1.7% | $0.146 | 0.1% | $167.534 | -1.7% | $0.063 | 0.0% |
| May 1, 2017 Forecast | | $175.326 | 14.6% | $2.025 | 1.3% | $173.503 | -1.0% | $3.101 | 0.6% | $170.767 | -1.6% | $3.233 | 0.1% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $172.267 | 12.6% | | | $169.693 | -1.5% | | | $166.978 | -1.6% | | |
| December 6, 2016 Forecast | | $172.267 | 12.6% | $0.000 | 0.0% | $169.693 | -1.5% | $0.000 | 0.0% | $166.978 | -1.6% | $0.000 | 0.0% |
| May 1, 2017 Forecast | | $176.843 | 15.6% | $4.577 | 3.0% | $173.418 | -1.9% | $3.726 | -0.4% | $169.858 | -2.1% | $2.880 | -0.5% |

**TABLE 8**
**MAJOR GENERAL FUND REVENUE FORECASTS FOR FY 2017, FY 2018, AND FY 2019**
**Comparison of May 1, 2017, December 6, 2016, and November 10, 2016, Forecasts by Forecaster**
**(Forecasts and Dollar Differences are in Millions of Dollars)**

| TAX | FY 2016 Actual | FY 2017 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2018 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2019 Forecast | % Change | Dollar Difference: | Growth Difference: |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **TOTAL - MAJOR REVENUES** | $3,123.035 | | | | | | | | | | | | |
| **Economic Forum**[1] | | $3,348.417 | 7.2% | | | $3,453.747 | 3.1% | | | $3,596.498 | 4.1% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $3,322.167 | 6.4% | | | $3,437.840 | 3.5% | | | $3,561.953 | 3.6% | | |
| December 6, 2016 Forecast | | $3,277.482 | 4.9% | -$44.685 | -1.4% | $3,381.568 | 3.2% | -$56.272 | -0.3% | $3,503.300 | 3.6% | -$58.653 | 0.0% |
| May 1, 2017 Forecast | | $3,361.017 | 7.6% | $83.535 | 2.7% | $3,446.639 | 2.5% | $65.071 | -0.6% | $3,558.143 | 3.2% | $54.843 | -0.4% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $3,309.278 | 6.0% | | | $3,423.515 | 3.5% | | | $3,545.815 | 3.6% | | |
| December 6, 2016 Forecast | | $3,341.781 | 7.0% | $32.503 | 1.0% | $3,456.134 | 3.4% | $32.619 | 0.0% | $3,585.694 | 3.7% | $39.879 | 0.2% |
| May 1, 2017 Forecast | | $3,365.240 | 7.8% | $23.459 | 0.8% | $3,480.648 | 3.4% | $24.514 | 0.0% | $3,622.057 | 4.1% | $36.363 | 0.3% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $3,312.332 | 6.1% | | | $3,409.005 | 2.9% | | | $3,519.929 | 3.3% | | |
| December 6, 2016 Forecast | | $3,321.828 | 6.4% | $9.496 | 0.3% | $3,423.015 | 3.0% | $14.010 | 0.1% | $3,536.335 | 3.3% | $16.406 | 0.1% |
| May 1, 2017 Forecast | | $3,364.788 | 7.7% | $42.960 | 1.4% | $3,479.048 | 3.4% | $56.033 | 0.3% | $3,612.406 | 3.8% | $76.071 | 0.5% |
| **TOTAL - ALL OTHER** | $626.047 | | | | | | | | | | | | |
| **Economic Forum**[1] | | $578.556 | -7.6% | | | $571.531 | -1.2% | | | $585.110 | 2.4% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $566.892 | -9.4% | | | $574.500 | 1.3% | | | $592.202 | 3.1% | | |
| December 6, 2016 Forecast | | $567.998 | -9.3% | $1.106 | 0.2% | $570.111 | 0.4% | -$4.389 | -1.0% | $586.320 | 2.8% | -$5.882 | -0.2% |
| May 1, 2017 Forecast | | $585.339 | -6.5% | $17.341 | 2.8% | $578.938 | -1.1% | $8.827 | -1.5% | $594.564 | 2.7% | $8.244 | -0.1% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $575.389 | -8.1% | | | $569.182 | -1.1% | | | $584.126 | 2.6% | | |
| December 6, 2016 Forecast | | $581.290 | -7.1% | $5.900 | 0.9% | $571.381 | -1.7% | $2.199 | -0.6% | $586.641 | 2.7% | $2.515 | 0.0% |
| May 1, 2017 Forecast | | $594.707 | -5.0% | $13.418 | 2.1% | $586.895 | -1.3% | $15.514 | 0.4% | $605.903 | 3.2% | $19.263 | 0.6% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $578.472 | -7.6% | | | $577.067 | -0.2% | | | $588.774 | 2.0% | | |
| December 6, 2016 Forecast | | $583.437 | -6.8% | $4.965 | 0.8% | $573.899 | -1.6% | -$3.167 | -1.4% | $586.803 | 2.2% | -$1.971 | 0.2% |
| May 1, 2017 Forecast | | $592.893 | -5.3% | $9.456 | 1.5% | $584.072 | -1.5% | $10.172 | 0.1% | $598.773 | 2.5% | $11.970 | 0.3% |

# TABLE 8
## MAJOR GENERAL FUND REVENUE FORECASTS FOR FY 2017, FY 2018, AND FY 2019
### Comparison of May 1, 2017, December 6, 2016, and November 10, 2016, Forecasts by Forecaster
(Forecasts and Dollar Differences are in Millions of Dollars)

| TAX | FY 2016 Actual | FY 2017 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2018 Forecast | % Change | Dollar Difference: | Growth Difference: | FY 2019 Forecast | % Change | Dollar Difference: | Growth Difference: |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **TOTAL GF - BEFORE CREDITS** | $3,749.082 | | | | | | | | | | | | |
| **Economic Forum**[1] | | $3,926.973 | 4.7% | | | $4,025.278 | 2.5% | | | $4,181.608 | 3.9% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $3,889.059 | 3.7% | | | $4,012.340 | 3.2% | | | $4,154.155 | 3.5% | | |
| December 6, 2016 Forecast | | $3,845.480 | 2.6% | -$43.579 | -1.2% | $3,951.679 | 2.8% | -$60.661 | -0.4% | $4,089.620 | 3.5% | -$64.536 | 0.0% |
| May 1, 2017 Forecast | | $3,946.355 | 5.3% | $100.876 | 2.7% | $4,025.577 | 2.0% | $73.898 | -0.8% | $4,152.707 | 3.2% | $63.087 | -0.3% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $3,884.667 | 3.6% | | | $3,992.697 | 2.8% | | | $4,129.941 | 3.4% | | |
| December 6, 2016 Forecast | | $3,923.071 | 4.6% | $38.403 | 1.0% | $4,027.515 | 2.7% | $34.818 | -0.1% | $4,172.335 | 3.6% | $42.394 | 0.2% |
| May 1, 2017 Forecast | | $3,959.947 | 5.6% | $36.877 | 1.0% | $4,067.543 | 2.7% | $40.028 | 0.1% | $4,227.960 | 3.9% | $55.626 | 0.3% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $3,890.804 | 3.8% | | | $3,986.072 | 2.4% | | | $4,108.703 | 3.1% | | |
| December 6, 2016 Forecast | | $3,905.265 | 4.2% | $14.461 | 0.4% | $3,996.914 | 2.3% | $10.842 | -0.1% | $4,123.138 | 3.2% | $14.435 | 0.1% |
| May 1, 2017 Forecast | | $3,957.681 | 5.6% | $52.415 | 1.4% | $4,063.119 | 2.7% | $66.205 | 0.3% | $4,211.179 | 3.6% | $88.040 | 0.5% |
| **TOTAL TAX CREDITS**[3] | -$55.239 | | | | | | | | | | | | |
| **Economic Forum**[1] | | -$157.773 | -104.2% | | | -$150.211 | -4.8% | | | -$169.397 | 12.8% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | -$163.797 | 196.5% | | | -$166.788 | 1.8% | | | -$167.462 | 0.4% | | |
| December 6, 2016 Forecast | | -$156.373 | 183.1% | $7.424 | -13.4% | -$143.601 | -8.2% | $23.188 | -10.0% | -$156.373 | 8.9% | $11.089 | 8.5% |
| May 1, 2017 Forecast | | -$154.507 | -104.1% | $1.866 | -287.2% | -$151.456 | -2.0% | -$7.856 | 6.2% | -$166.072 | 9.7% | -$9.699 | 0.8% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | -$163.797 | 196.5% | | | -$166.788 | 1.8% | | | -$167.462 | 0.4% | | |
| December 6, 2016 Forecast | | -$156.373 | 183.1% | $7.424 | -13.4% | -$143.601 | -8.2% | $23.188 | -10.0% | -$156.373 | 8.9% | $11.089 | 8.5% |
| May 1, 2017 Forecast | | -$154.507 | -104.1% | $1.866 | -287.2% | -$151.456 | -2.0% | -$7.856 | 6.2% | -$166.072 | 9.7% | -$9.699 | 0.8% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | -$163.797 | 196.5% | | | -$166.788 | 1.8% | | | -$167.462 | 0.4% | | |
| December 6, 2016 Forecast | | -$156.373 | 183.1% | $7.424 | -13.4% | -$143.601 | -8.2% | $23.188 | -10.0% | -$156.373 | 8.9% | $11.089 | 8.5% |
| May 1, 2017 Forecast | | -$154.507 | -104.1% | $1.866 | -287.2% | -$151.456 | -2.0% | -$7.856 | 6.2% | -$166.072 | 9.7% | -$9.699 | 0.8% |
| **TOTAL GF - AFTER CREDITS** | $3,693.843 | | | | | | | | | | | | |
| **Economic Forum**[1] | | $3,769.200 | 2.0% | | | $3,875.067 | 2.8% | | | $4,012.211 | 3.5% | | |
| **Agency** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $3,725.262 | 0.9% | | | $3,845.552 | 3.2% | | | $3,986.693 | 3.7% | | |
| December 6, 2016 Forecast | | $3,689.107 | -0.1% | -$36.155 | -1.0% | $3,808.078 | 3.2% | -$37.474 | 0.0% | $3,933.247 | 3.3% | -$53.446 | -0.4% |
| May 1, 2017 Forecast | | $3,791.849 | 1.1% | $102.742 | 1.3% | $3,874.120 | 2.2% | $66.042 | -1.1% | $3,986.635 | 2.9% | $53.388 | -0.4% |
| **Fiscal Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $3,720.871 | 0.7% | | | $3,825.909 | 2.8% | | | $3,962.479 | 3.6% | | |
| December 6, 2016 Forecast | | $3,766.698 | 2.0% | $45.827 | 1.2% | $3,883.914 | 3.1% | $58.006 | 0.3% | $4,015.962 | 3.4% | $53.483 | -0.2% |
| May 1, 2017 Forecast | | $3,805.441 | 1.5% | $38.743 | -0.5% | $3,916.087 | 2.9% | $32.173 | -0.2% | $4,061.888 | 3.7% | $45.926 | 0.3% |
| **Budget Division** | | | | | | | | | | | | | |
| November 10, 2016 Forecast | | $3,727.008 | 0.9% | | | $3,819.284 | 2.5% | | | $3,941.241 | 3.2% | | |
| December 6, 2016 Forecast | | $3,748.893 | 1.5% | $21.885 | 0.6% | $3,853.314 | 2.8% | $34.030 | 0.3% | $3,966.766 | 2.9% | $25.524 | -0.2% |
| May 1, 2017 Forecast | | $3,803.174 | 1.4% | $54.281 | 0.0% | $3,911.663 | 2.9% | $58.349 | 0.1% | $4,045.107 | 3.4% | $78.341 | 0.5% |

[1] Represents the Economic Forum December 6, 2016, Forecast for Major Revenues and All Other Revenues for FY 2017, FY 2018, and FY 2019.

[2] Individual forecasts for the Gaming Percentage Fee Tax, Insurance Premium Tax, and Modified Business Tax do not include the effect of any tax credits that may be taken against these revenue sources.

[3] Total Tax Credits includes the Commerce Tax credit against the Modified Business Tax, as well as all other tax credit programs approved by the Legislature.

**TABLE 9**

**COMPARISON OF AVERAGE GROWTH REQUIRED OVER THE REMAINDER OF FY 2017 TO ACHIEVE THE FY 2017 FORECAST: MAJOR GENERAL FUND REVENUE SOURCE FORECASTS BY FORECASTER: MAY 1, 2017, FORECAST**

| | ACTUAL | | FORECASTER | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year-to-Date | % Change | Agency | % Change from FY 2016 | Fiscal | % Change from FY 2016 | Budget | % Change from FY 2016 | Moody's Analytics | % Change from FY 2016 |
| **STATE SALES & USE TAX** | | | | | | | | | | |
| FY 2015 (July-February) | $649.1 | | | | | | | | | |
| FY 2016 (July-February) | $677.9 | 4.4% | | | | | | | | |
| FY 2017 (July-February) | $710.7 | 4.8% | | | | | | | | |
| FY 2015 Actual | $994.8 | | | | | | | | | |
| FY 2016 Actual | $1,036.5 | 4.2% | | | | | | | | |
| FY 2017 Forecast | | | $1,094.7 | 5.6% | $1,087.2 | 4.9% | $1,090.1 | 5.2% | $1,105.3 | 6.6% |
| Growth Over Last 4 Months of FY 2016 compared to Last 4 Months of FY 2015 | | | 3.8% | | 3.8% | | 3.8% | | 3.8% | |
| **Average Growth Required Over Last 4 Months of FY 2017 to Achieve Forecast** | | | **7.1%** | | **5.0%** | | **5.8%** | | **10.0%** | |
| **GAMING PERCENTAGE FEE TAX** | | | | | | | | | | |
| FY 2015 (July-April) | $578.3 | | | | | | | | | |
| FY 2016 (July-April) | $594.9 | 2.9% | | | | | | | | |
| FY 2017 (July-April) | $622.2 | 4.6% | | | | | | | | |
| FY 2015 Actual | $693.2 | | | | | | | | | |
| FY 2016 Actual | $700.8 | 1.1% | | | | | | | | |
| FY 2017 Forecast | | | $731.0 | 4.3% | $731.3 | 4.4% | $730.3 | 4.2% | $729.0 | 4.0% |
| Growth Over Last 2 Months of FY 2016 compared to Last 2 Months of FY 2015 | | | -7.9% | | -7.9% | | -7.9% | | -7.9% | |
| **Average Growth Required Over Last 2 Months of FY 2017 to Achieve Forecast** | | | **2.7%** | | **3.1%** | | **2.1%** | | **0.9%** | |
| **INSURANCE PREMIUM TAX** | | | | | | | | | | |
| FY 2015 (1st and 2nd Quarters) | $147.2 | | | | | | | | | |
| FY 2016 (1st and 2nd Quarters) | $156.6 | 6.4% | | | | | | | | |
| FY 2017 (1st and 2nd Quarters) | $190.4 | 21.6% | | | | | | | | |
| FY 2015 Actual | $305.1 | | | | | | | | | |
| FY 2016 Actual | $335.1 | 9.8% | | | | | | | | |
| FY 2017 Forecast | | | $379.3 | 13.2% | $379.6 | 13.3% | $378.2 | 12.9% | | |
| Growth Over Last 2 Quarters of FY 2016 compared to Last 2 Quarters of FY 2015 | | | 13.1% | | 13.1% | | 13.1% | | | |
| **Average Growth Required Over Last 2 Quarters of FY 2017 to Achieve Forecast** | | | **5.9%** | | **6.0%** | | **5.2%** | | | |
| **REAL PROPERTY TRANSFER TAX** | | | | | | | | | | |
| FY 2015 (1st and 2nd Quarters) | $31.9 | | | | | | | | | |
| FY 2016 (1st and 2nd Quarters) | $38.4 | 20.2% | | | | | | | | |
| FY 2017 (1st and 2nd Quarters) | $41.4 | 8.0% | | | | | | | | |
| FY 2015 Actual | $64.2 | | | | | | | | | |
| FY 2016 Actual | $75.8 | 18.0% | | | | | | | | |
| FY 2017 Forecast | | | $80.1 | 5.6% | $82.7 | 9.2% | $82.0 | 8.2% | | |
| Growth Over Last 2 Quarters of FY 2016 compared to Last 2 Quarters of FY 2015 | | | 15.9% | | 15.9% | | 15.9% | | | |
| **Average Growth Required Over Last 2 Quarters of FY 2017 to Achieve Forecast** | | | **3.2%** | | **10.3%** | | **8.5%** | | | |

**TABLE 9**

**COMPARISON OF AVERAGE GROWTH REQUIRED OVER THE REMAINDER OF FY 2017 TO ACHIEVE THE FY 2017 FORECAST: MAJOR GENERAL FUND REVENUE SOURCE FORECASTS BY FORECASTER: MAY 1, 2017, FORECAST**

| | ACTUAL | | FORECASTER | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year-to-Date | % Change | Agency | % Change from FY 2016 | Fiscal | % Change from FY 2016 | Budget | % Change from FY 2016 | Moody's Analytics | % Change from FY 2016 |
| **LIVE ENTERTAINMENT TAX - GAMING** | | | | | | | | | | |
| FY 2015 (July-March) | $95.5 | | | | | | | | | |
| FY 2016 (July-March) | $85.1 | -10.9% | | | | | | | | |
| FY 2017 (July-March) | $75.3 | -11.5% | | | | | | | | |
| FY 2015 Actual | $130.9 | | | | | | | | | |
| FY 2016 Actual | $112.0 | -14.4% | | | | | | | | |
| FY 2017 Forecast | | | $101.7 | -9.2% | $102.0 | -8.9% | $102.2 | -8.7% | | |
| Growth Over Last 3 Months of FY 2016 compared to Last 3 Months of FY 2015 | | | -24.0% | | -24.0% | | -24.0% | | | |
| **Average Growth Required Over Last 3 Months of FY 2017 to Achieve Forecast** | | | **-1.7%** | | **-0.7%** | | **0.2%** | | | |
| **MBT - NONFINANCIAL BUSINESSES** | | | | | | | | | | |
| FY 2015 (1st and 2nd Quarters) | $188.3 | | | | | | | | | |
| FY 2016 (1st and 2nd Quarters) | $256.2 | 36.1% | | | | | | | | |
| FY 2017 (1st and 2nd Quarters) | $287.3 | 12.2% | | | | | | | | |
| FY 2015 Actual | $387.8 | | | | | | | | | |
| FY 2016 Actual | $517.1 | 33.4% | | | | | | | | |
| FY 2017 Forecast | | | $555.0 | 7.3% | $562.3 | 8.7% | $558.9 | 8.1% | | |
| Growth Over Last 2 Quarters of FY 2016 compared to Last 2 Quarters of FY 2015 | | | 30.8% | | 30.8% | | 30.8% | | | |
| **Average Growth Required Over Last 2 Quarters of FY 2017 to Achieve Forecast** | | | **2.6%** | | **5.4%** | | **4.1%** | | | |
| **MBT - FINANCIAL BUSINESSES** | | | | | | | | | | |
| FY 2015 (1st and 2nd Quarters) | $10.6 | | | | | | | | | |
| FY 2016 (1st and 2nd Quarters) | $11.9 | 12.2% | | | | | | | | |
| FY 2017 (1st and 2nd Quarters) | $13.8 | 15.8% | | | | | | | | |
| FY 2015 Actual | $24.1 | | | | | | | | | |
| FY 2016 Actual | $27.2 | 12.6% | | | | | | | | |
| FY 2017 Forecast | | | $27.7 | 1.9% | $28.2 | 3.6% | $29.0 | 6.5% | | |
| Growth Over Last 2 Quarters of FY 2016 compared to Last 2 Quarters of FY 2015 | | | 12.9% | | 12.9% | | 12.9% | | | |
| **Average Growth Required Over Last 2 Quarters of FY 2017 to Achieve Forecast** | | | **-9.0%** | | **-5.9%** | | **-0.7%** | | | |
| **MBT - MINING** | | | | | | | | | | |
| FY 2015 (1st and 2nd Quarters) | | | | | | | | | | |
| FY 2016 (1st and 2nd Quarters) | $10.4 | | | | | | | | | |
| FY 2017 (1st and 2nd Quarters) | $10.9 | 5.5% | | | | | | | | |
| FY 2015 Actual | | | | | | | | | | |
| FY 2016 Actual | $21.9 | | | | | | | | | |
| FY 2017 Forecast | | | $22.1 | 0.6% | $22.2 | 1.3% | $22.8 | 3.7% | | |
| Growth Over Last 2 Quarters of FY 2016 compared to Last 2 Quarters of FY 2015 | | | | | | | | | | |
| **Average Growth Required Over Last 2 Quarters of FY 2017 to Achieve Forecast** | | | **-3.8%** | | **-2.4%** | | **2.1%** | | | |

**TABLE 9**

**COMPARISON OF AVERAGE GROWTH REQUIRED OVER THE REMAINDER OF FY 2017 TO ACHIEVE THE FY 2017 FORECAST: MAJOR GENERAL FUND REVENUE SOURCE FORECASTS BY FORECASTER: MAY 1, 2017, FORECAST**

| | ACTUAL | | FORECASTER | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year-to-Date | % Change | Agency | % Change from FY 2016 | Fiscal | % Change from FY 2016 | Budget | % Change from FY 2016 | Moody's Analytics | % Change from FY 2016 |
| **MBT - TOTAL** | | | | | | | | | | |
| FY 2015 (1st and 2nd Quarters) | $198.9 | | | | | | | | | |
| FY 2016 (1st and 2nd Quarters) | $278.5 | 40.0% | | | | | | | | |
| FY 2017 (1st and 2nd Quarters) | $312.1 | 12.1% | | | | | | | | |
| FY 2015 Actual | $411.9 | | | | | | | | | |
| FY 2016 Actual | $566.3 | 37.5% | | | | | | | | |
| FY 2017 Forecast | | | $604.8 | 6.8% | $612.7 | 8.2% | $610.6 | 7.8% | | |
| Growth Over Last 2 Quarters of FY 2016 compared to Last 2 Quarters of FY 2015 | | | 35.1% | | 35.1% | | 35.1% | | | |
| **Average Growth Required Over Last 2 Quarters of FY 2017 to Achieve Forecast** | | | **1.7%** | | **4.5%** | | **3.7%** | | | |
| **CIGARETTE TAX** | | | | | | | | | | |
| FY 2015 (July-February) | $53.3 | | | | | | | | | |
| FY 2016 (July-February) | $90.7 | 70.2% | | | | | | | | |
| FY 2017 (July-Feburary) | $116.6 | 28.6% | | | | | | | | |
| FY 2015 Actual | $92.8 | | | | | | | | | |
| FY 2016 Actual | $153.0 | 65.0% | | | | | | | | |
| FY 2017 Forecast | | | $175.0 | 14.4% | $175.3 | 14.6% | $176.8 | 15.6% | | |
| Growth Over Last 4 Months of FY 2016 compared to Last 4 Months of FY 2015 | | | 57.9% | | 57.9% | | 57.9% | | | |
| **Average Growth Required Over Last 4 Months of FY 2017 to Achieve Forecast** | | | **-6.4%** | | **-5.9%** | | **-3.5%** | | | |

# TABLE 5

## Technical Advisory Committee Forecasts for Selected Revenues: FY 2017, FY 2018, and FY 2019

Actual and Forecast Revenues are in Millions of Dollars

Economic Forum May 1, 2017, Meeting: 4/27/2017 12:00 PM

| | FY 2016[1] | FY 2017 | | | FY 2018 | | | FY 2019 | | | 2017-2019 Biennium | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual: Millions $'s | Forecast: Millions $'s | $ Change | % Change | Forecast: Millions $'s | $ Change | % Change | Forecast: Millions $'s | $ Change | % Change | Forecast: Millions $'s | $ Change[1] | % Change |
| **Transportation Connection Tax** | $11.899 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $22.832 | $10.933 | 91.9% | $18.848 | -$3.984 | -17.4% | $24.819 | $5.971 | 31.7% | $43.667 | $8.936 | 25.7% |
| Agency | | $23.477 | $11.578 | 97.3% | $20.059 | -$3.418 | -14.6% | $26.641 | $6.582 | 32.8% | $46.700 | $11.324 | 32.0% |
| Fiscal Division | | $22.709 | $10.810 | 90.9% | $18.463 | -$4.246 | -18.7% | $24.292 | $5.829 | 31.6% | $42.755 | $8.147 | 23.5% |
| Budget Division | | $22.311 | $10.412 | 87.5% | $18.023 | -$4.288 | -19.2% | $23.523 | $5.500 | 30.5% | $41.546 | $7.336 | 21.4% |
| **SOS - Commercial Filings** | $73.702 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $74.469 | $0.767 | 1.0% | $75.120 | $0.651 | 0.9% | $75.751 | $0.631 | 0.8% | $150.871 | $2.700 | 1.8% |
| Agency | | $73.702 | $0.000 | 0.0% | $73.702 | $0.000 | 0.0% | $73.702 | $0.000 | 0.0% | $147.404 | $0.000 | 0.0% |
| Fiscal Division | | $74.490 | $0.788 | 1.1% | $75.048 | $0.558 | 0.7% | $75.717 | $0.669 | 0.9% | $150.765 | $2.573 | 1.7% |
| Budget Division | | $74.448 | $0.746 | 1.0% | $75.193 | $0.745 | 1.0% | $75.784 | $0.591 | 0.8% | $150.977 | $2.827 | 1.9% |
| **SOS - Securities** | $27.979 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $27.923 | -$0.056 | -0.2% | $27.923 | $0.000 | 0.0% | $28.136 | $0.213 | 0.8% | $56.059 | $0.157 | 0.3% |
| Agency | | $27.699 | -$0.280 | -1.0% | $27.419 | -$0.280 | -1.0% | $27.419 | $0.000 | 0.0% | $54.838 | -$0.840 | -1.5% |
| Fiscal Division | | $28.145 | $0.166 | 0.6% | $28.426 | $0.281 | 1.0% | $28.853 | $0.427 | 1.5% | $57.279 | $1.155 | 2.1% |
| Budget Division | | $27.702 | -$0.277 | -1.0% | $27.419 | -$0.283 | -1.0% | $27.419 | $0.000 | 0.0% | $54.838 | -$0.843 | -1.5% |
| **Governmental Services Tax** | $66.732 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $38.153 | -$28.579 | -42.8% | | | | | | | $0.000 | -$104.885 | -100.0% |
| Agency | | $38.078 | -$28.654 | -42.9% | | | | | | | $0.000 | -$104.810 | -100.0% |
| Fiscal Division | | $38.106 | -$28.626 | -42.9% | | | | | | | $0.000 | -$104.838 | -100.0% |
| Budget Division | | $38.201 | -$28.531 | -42.8% | | | | | | | $0.000 | -$104.933 | -100.0% |
| **Unclaimed Property** | $38.961 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $27.919 | -$11.042 | -28.3% | $28.119 | $0.200 | 0.7% | $28.389 | $0.270 | 1.0% | $56.508 | -$10.372 | -15.5% |
| Agency | | $27.277 | -$11.684 | -30.0% | $27.090 | -$0.187 | -0.7% | $27.042 | -$0.048 | -0.2% | $54.132 | -$12.106 | -18.3% |
| Fiscal Division | | $29.202 | -$9.759 | -25.0% | $30.177 | $0.975 | 3.3% | $31.082 | $0.905 | 3.0% | $61.259 | -$6.904 | -10.1% |
| Budget Division | | $27.277 | -$11.684 | -30.0% | $27.090 | -$0.187 | -0.7% | $27.042 | -$0.048 | -0.2% | $54.132 | -$12.106 | -18.3% |
| **Net Proceeds of Minerals Tax** | $34.675 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $18.774 | -$15.901 | -45.9% | $45.716 | $26.942 | 143.5% | $46.034 | $0.318 | 0.7% | $91.750 | $38.301 | 71.7% |
| Agency | | $18.774 | -$15.901 | -45.9% | $46.137 | $27.363 | 145.7% | $45.596 | -$0.541 | -1.2% | $91.733 | $38.284 | 71.6% |
| Fiscal Division | | $18.774 | -$15.901 | -45.9% | $45.204 | $26.430 | 140.8% | $46.707 | $1.503 | 3.3% | $91.911 | $38.462 | 72.0% |
| Budget Division | | $18.774 | -$15.901 | -45.9% | $45.806 | $27.032 | 144.0% | $45.799 | -$0.007 | 0.0% | $91.605 | $38.156 | 71.4% |
| **Liquor Tax** | $43.944 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $42.930 | -$1.014 | -2.3% | $43.588 | $0.658 | 1.5% | $44.091 | $0.503 | 1.2% | $87.679 | $0.805 | 0.9% |
| Agency | | $43.012 | -$0.932 | -2.1% | $44.276 | $1.264 | 2.9% | $44.928 | $0.652 | 1.5% | $89.204 | $2.248 | 2.6% |
| Fiscal Division | | $42.995 | -$0.949 | -2.2% | $43.290 | $0.295 | 0.7% | $43.662 | $0.372 | 0.9% | $86.952 | $0.013 | 0.0% |
| Budget Division | | $42.784 | -$1.160 | -2.6% | $43.196 | $0.412 | 1.0% | $43.683 | $0.487 | 1.1% | $86.879 | $0.151 | 0.2% |

# TABLE 5

## Technical Advisory Committee Forecasts for Selected Revenues: FY 2017, FY 2018, and FY 2019

Actual and Forecast Revenues are in Millions of Dollars

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| | FY 2016[1] | FY 2017 | | | FY 2018 | | | FY 2019 | | | 2017-2019 Biennium | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual: Millions $'s | Forecast: Millions $'s | $ Change | % Change | Forecast: Millions $'s | $ Change | % Change | Forecast: Millions $'s | $ Change | % Change | Forecast: Millions $'s | $ Change[1] | % Change |
| **Short-Term Car Lease** | $51.914 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $53.887 | $1.973 | 3.8% | $55.584 | $1.697 | 3.1% | $56.964 | $1.380 | 2.5% | $112.548 | $6.747 | 6.4% |
| Agency | | $53.024 | $1.110 | 2.1% | $54.808 | $1.784 | 3.4% | $56.593 | $1.785 | 3.3% | $111.401 | $6.463 | 6.2% |
| Fiscal Division | | $54.114 | $2.200 | 4.2% | $55.861 | $1.747 | 3.2% | $57.357 | $1.496 | 2.7% | $113.218 | $7.190 | 6.8% |
| Budget Division | | $54.521 | $2.607 | 5.0% | $56.083 | $1.562 | 2.9% | $56.941 | $0.858 | 1.5% | $113.024 | $6.589 | 6.2% |
| **Business License Fee** | $103.046 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $104.646 | $1.600 | 1.6% | $105.559 | $0.913 | 0.9% | $106.341 | $0.782 | 0.7% | $211.900 | $4.208 | 2.0% |
| Agency | | $101.863 | -$1.183 | -1.1% | $101.814 | -$0.049 | 0.0% | $101.814 | $0.000 | 0.0% | $203.628 | -$1.281 | -0.6% |
| Fiscal Division | | $104.953 | $1.907 | 1.9% | $105.563 | $0.610 | 0.6% | $106.327 | $0.764 | 0.7% | $211.890 | $3.891 | 1.9% |
| Budget Division | | $104.338 | $1.292 | 1.3% | $105.554 | $1.216 | 1.2% | $106.355 | $0.801 | 0.8% | $211.909 | $4.525 | 2.2% |
| **Live Entertainment Tax-Nongaming** | $16.536 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $25.149 | $8.613 | 52.1% | $26.150 | $1.001 | 4.0% | $27.233 | $1.083 | 4.1% | $53.383 | $11.698 | 28.1% |
| Agency | | $24.533 | $7.997 | 48.4% | $25.223 | $0.690 | 2.8% | $26.358 | $1.135 | 4.5% | $51.581 | $10.512 | 25.6% |
| Fiscal Division | | $25.403 | $8.867 | 53.6% | $26.493 | $1.090 | 4.3% | $27.672 | $1.179 | 4.5% | $54.165 | $12.226 | 29.2% |
| Budget Division | | $25.510 | $8.974 | 54.3% | $26.734 | $1.224 | 4.8% | $27.670 | $0.936 | 3.5% | $54.404 | $12.358 | 29.4% |
| **Other Tobacco Tax** | $13.132 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $14.488 | $1.356 | 10.3% | $15.086 | $0.598 | 4.1% | $15.671 | $0.585 | 3.9% | $30.757 | $3.137 | 11.4% |
| Agency | | $13.764 | $0.632 | 4.8% | $13.889 | $0.125 | 0.9% | $14.431 | $0.542 | 3.9% | $28.320 | $1.424 | 5.3% |
| Fiscal Division | | $14.522 | $1.390 | 10.6% | $15.168 | $0.646 | 4.4% | $15.869 | $0.701 | 4.6% | $31.037 | $3.383 | 12.2% |
| Budget Division | | $14.454 | $1.322 | 10.1% | $15.003 | $0.549 | 3.8% | $15.472 | $0.469 | 3.1% | $30.475 | $2.889 | 10.5% |
| **Athletic Commission Fees** | $5.042 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $3.191 | -$1.851 | -36.7% | $4.200 | $1.009 | 31.6% | $4.200 | $0.000 | 0.0% | $8.400 | $0.167 | 2.0% |
| Agency | | $3.191 | -$1.851 | -36.7% | $4.200 | $1.009 | 31.6% | $4.200 | $0.000 | 0.0% | $8.400 | $0.167 | 2.0% |
| Fiscal Division | | $3.300 | -$1.742 | -34.5% | $4.200 | $0.900 | 27.3% | $4.200 | $0.000 | 0.0% | $8.400 | $0.058 | 0.7% |
| Budget Division | | $3.200 | -$1.842 | -36.5% | $4.200 | $1.000 | 31.3% | $4.200 | $0.000 | 0.0% | $8.400 | $0.158 | 1.9% |
| **TOTAL - 12 Selected Revenues** | $487.561 | | | | | | | | | | | | |
| Technical Advisory Committee[2] | | $454.361 | -$33.200 | -6.8% | $445.893 | -$8.468 | -1.9% | $457.629 | $11.736 | 2.6% | $903.522 | -$38.400 | -4.1% |
| Agency | | $448.394 | -$39.167 | -8.0% | $438.617 | -$9.777 | -2.2% | $448.724 | $10.107 | 2.3% | $887.341 | -$48.614 | -5.2% |
| Fiscal Division | | $456.713 | -$30.848 | -6.3% | $447.893 | -$8.820 | -1.9% | $461.738 | $13.845 | 3.1% | $909.631 | -$34.643 | -3.7% |
| Budget Division | | $453.520 | -$34.041 | -7.0% | $444.301 | -$9.219 | -2.0% | $453.888 | $9.587 | 2.2% | $898.189 | -$42.892 | -4.6% |

[1] Represents the difference between the total for the 2017-19 biennium (FY 2018 and FY 2019 forecasts) and the total for the 2015-17 biennium (FY 2016 actual and FY 2017 forecast).

[2] Technical Advisory Committee April 25, 2017, Forecast.

# TABLE 6

## ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST

## <u>TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 25, 2017, MEETING</u>

## FY 2017, FY 2018 and FY 2019

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| G.L. NO. | | FY 2016 ACTUAL | ECONOMIC FORUM FORECAST FY 2017 | % | FY 2018 | % | FY 2019 | % |
|---|---|---|---|---|---|---|---|---|
| | **TAXES** | | | | | | | |
| | MINING TAX | | | | | | | |
| 3064 | Net Proceeds of Minerals [1-12][2-12][1-14][2-14][2-16][3-16] | $34,674,918 | $18,774,000 | -45.9% | $45,716,000 | 143.5% | $46,034,000 | 0.7% |
| 3241 | Net Proceeds Penalty | $0 | $0 | | $0 | | $0 | |
| 3245 | Centrally Assessed Penalties | $68,648 | $6,200 | -91.0% | $5,000 | -19.4% | $5,000 | 0.0% |
| | TOTAL MINING TAXES AND FEES | $34,743,566 | $18,780,200 | -45.9% | $45,721,000 | 143.5% | $46,039,000 | 0.7% |
| | SALES AND USE | | | | | | | |
| 3001 | Sales & Use Tax | $1,036,549,227 | | | | | | |
| 3002 | State Share - LSST [4-12][3-14][4-16] | $10,155,240 | | | | | | |
| 3003 | State Share - BCCRT | $4,506,053 | | | | | | |
| 3004 | State Share - SCCRT | $15,764,607 | | | | | | |
| 3005 | State Share - PTT | $10,028,644 | | | | | | |
| | TOTAL SALES AND USE | $1,077,003,772 | | | | | | |
| | GAMING - STATE | | | | | | | |
| 3041 | Percent Fees - Gross Revenue: Before Tax Credits | $700,773,974 | | | | | | |
| | Tax Credit Programs: | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | -$4,288,194 | | | | | | |
| | Economic Development Transferrable Tax Credits [TC-2] | -$20,461,554 | | | | | | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | | | | | | |
| | Total - Tax Credit Programs | -$24,749,748 | | | | | | |
| | Percent Fees - Gross Revenue: After Tax Credits | $676,024,226 | | | | | | |
| 3032 | Pari-mutuel Tax | $3,261 | $3,400 | 4.3% | $3,600 | 5.9% | $3,700 | 2.8% |
| 3181 | Racing Fees | $9,293 | $9,900 | 6.5% | $10,000 | 1.0% | $10,000 | 0.0% |
| 3247 | Racing Fines/Forfeitures | $700 | $0 | | $0 | | $0 | |
| 3042 | Gaming Penalties | $4,069,112 | $2,100,000 | -48.4% | $775,000 | -63.1% | $775,000 | 0.0% |
| 3043 | Flat Fees-Restricted Slots [5-12] | $8,225,963 | $8,150,000 | -0.9% | $8,128,000 | -0.3% | $8,193,000 | 0.8% |
| 3044 | Non-Restricted Slots [5-12] | $10,861,213 | $10,660,000 | -1.9% | $10,558,000 | -1.0% | $10,458,000 | -0.9% |
| 3045 | Quarterly Fees-Games | $6,450,491 | $6,451,000 | 0.0% | $6,454,000 | 0.0% | $6,463,000 | 0.1% |
| 3046 | Advance License Fees | $1,780,785 | $1,020,000 | -42.7% | $750,000 | -26.5% | $800,000 | 6.7% |
| 3048 | Slot Machine Route Operator | $34,000 | $33,500 | -1.5% | $33,000 | -1.5% | $32,500 | -1.5% |
| 3049 | Gaming Info Systems Annual | $42,000 | $36,000 | -14.3% | $36,000 | 0.0% | $36,000 | 0.0% |
| 3028 | Interactive Gaming Fee - Operator | $500,000 | $500,000 | 0.0% | $500,000 | 0.0% | $500,000 | 0.0% |
| 3029 | Interactive Gaming Fee - Service Provider | $63,000 | $56,000 | -11.1% | $55,000 | -1.8% | $54,000 | -1.8% |
| 3030 | Interactive Gaming Fee - Manufacturer | $175,000 | $100,000 | -42.9% | $100,000 | 0.0% | $100,000 | 0.0% |
| 3033 | Equip Mfg. License | $279,500 | $273,500 | -2.1% | $273,000 | -0.2% | $272,000 | -0.4% |
| 3034 | Race Wire License | $36,391 | $15,000 | -58.8% | $16,000 | 6.7% | $17,000 | 6.3% |
| 3035 | Annual Fees on Games | $115,214 | $124,700 | 8.2% | $117,000 | -6.2% | $115,300 | -1.5% |
| | TOTAL GAMING - STATE: BEFORE TAX CREDITS | $733,419,897 | $29,533,000 | -96.0% | $27,808,600 | -5.8% | $27,829,500 | 0.1% |
| | Tax Credit Programs | -$24,749,748 | $0 | | $0 | | $0 | |
| | TOTAL GAMING - STATE: AFTER TAX CREDITS | $708,670,149 | $29,533,000 | -95.8% | $27,808,600 | -5.8% | $27,829,500 | 0.1% |
| | LIVE ENTERTAINMENT TAX (LET) | | | | | | | |
| 3031G | Live Entertainment Tax-Gaming [5-16] | $111,994,620 | | | | | | |
| 3031NG | Live Entertainment Tax-Nongaming [5-16] | $16,536,346 | $25,149,000 | 52.1% | $26,150,000 | 4.0% | $27,233,000 | 4.1% |
| | TOTAL LET | $128,530,966 | $25,149,000 | -80.4% | $26,150,000 | 4.0% | $27,233,000 | 4.1% |
| | COMMERCE TAX | | | | | | | |
| 3072 | Commerce Tax [6-16] | $143,507,593 | | | | | | |
| | TRANSPORTATION CONNECTION EXCISE TAX | | | | | | | |
| 3073 | Transportation Connection Excise Tax [7-16] | $11,898,532 | $22,832,000 | 91.9% | $18,848,000 | -17.4% | $24,819,000 | 31.7% |
| | CIGARETTE TAX | | | | | | | |
| 3052 | Cigarette Tax [8-16] | $153,033,176 | | | | | | |

# TABLE 6
## ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
## TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 25, 2017, MEETING
## FY 2017, FY 2018 and FY 2019

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| G.L. NO. | | FY 2016 ACTUAL | ECONOMIC FORUM FORECAST | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | FY 2017 | % | FY 2018 | % | FY 2019 | % |
| | **TAXES - CONTINUED** | | | | | | | |
| | MODIFIED BUSINESS TAX (MBT) | | | | | | | |
| | MBT - NONFINANCIAL BUSINESSES (MBT-NFI) [6-12][4-14][9-16][10-16][11-16][12-16] | | | | | | | |
| 3069 | MBT - Nonfinancial: Before Tax Credits | $517,135,234 | | | | | | |
| | Commerce Tax Credits [13-16] | | | | | | | |
| | MBT - Nonfinancial: After Commerce Tax Credits | $517,135,234 | | | | | | |
| | Tax Credit Programs: | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | -$82,621 | | | | | | |
| | Economic Development Transferrable Tax Credits [TC-2] | $0 | | | | | | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | | | | | | |
| | Education Choice Scholarship Tax Credits [TC-5] | -$4,401,540 | | | | | | |
| | College Savings Plan Tax Credits [TC-6] | $0 | | | | | | |
| | Total - Tax Credit Programs | -$4,484,161 | | | | | | |
| | MBT - Nonfinancial: After Tax Credit Programs | $512,651,073 | | | | | | |
| | MBT - FINANCIAL BUSINESSES (MBT-FI) [12-16] | | | | | | | |
| 3069 | MBT - Financial: Before Tax Credits | $27,188,910 | | | | | | |
| | Commerce Tax Credits [13-16] | | | | | | | |
| | MBT - Financial: After Commerce Tax Credits | $27,188,910 | | | | | | |
| | Tax Credit Programs: | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | $0 | | | | | | |
| | Economic Development Transferrable Tax Credits [TC-2] | $0 | | | | | | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | | | | | | |
| | Education Choice Scholarship Tax Credits [TC-5] | $0 | | | | | | |
| | College Savings Plan Tax Credits [TC-6] | $0 | | | | | | |
| | Total - Tax Credit Programs | $0 | | | | | | |
| | MBT - Financial: After Tax Credit Programs | $27,188,910 | | | | | | |
| | MBT - MINING BUSINESSES (MBT-MINING) [11-16] | | | | | | | |
| 3069 | MBT - Mining: Before Tax Credits | $21,938,368 | | | | | | |
| | Commerce Tax Credits [13-16] | | | | | | | |
| | MBT - Mining: After Commerce Tax Credits | $21,938,368 | | | | | | |
| | Tax Credit Programs: | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | $0 | | | | | | |
| | Economic Development Transferrable Tax Credits [TC-2] | $0 | | | | | | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | | | | | | |
| | Education Choice Scholarship Tax Credits [TC-5] | $0 | | | | | | |
| | College Savings Plan Tax Credits [TC-6] | $0 | | | | | | |
| | Total - Tax Credit Programs | $0 | | | | | | |
| | MBT - Mining - After Tax Credit Programs | $21,938,368 | | | | | | |
| | TOTAL MBT - NFI, FI, & MINING | | | | | | | |
| | TOTAL MBT: BEFORE TAX CREDITS | $566,262,513 | | | | | | |
| | TOTAL COMMERCE TAX CREDITS [13-16] | | | | | | | |
| | TOTAL MBT: AFTER COMMERCE TAX CREDITS | $566,262,513 | | | | | | |
| | Tax Credit Programs: | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | -$82,621 | | | | | | |
| | Economic Development Transferrable Tax Credits [TC-2] | $0 | | | | | | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | | | | | | |
| | Education Choice Scholarship Tax Credits [TC-5] | -$4,401,540 | | | | | | |
| | College Savings Plan Tax Credits [TC-6] | $0 | | | | | | |
| | Total - Tax Credit Programs | -$4,484,161 | | | | | | |
| | TOTAL MBT: AFTER TAX CREDIT PROGRAMS | $561,778,352 | | | | | | |

# TABLE 6
## ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
## TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 25, 2017, MEETING
## FY 2017, FY 2018 and FY 2019

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| G.L. NO. | | FY 2016 ACTUAL | ECONOMIC FORUM FORECAST FY 2017 | % | FY 2018 | % | FY 2019 | % |
|---|---|---|---|---|---|---|---|---|
| | **TAXES - CONTINUED** | | | | | | | |
| | INSURANCE TAXES | | | | | | | |
| 3061 | Insurance Premium Tax: Before Tax Credits [1-16] | $335,118,754 | | | | | | |
| | Tax Credit Programs: | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | $0 | | | | | | |
| | Economic Development Transferrable Tax Credits [TC-2] | $0 | | | | | | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | | | | | | |
| | Nevada New Markets Job Act Tax Credits [TC-3] | -$26,005,450 | | | | | | |
| | Total - Tax Credit Programs | -$26,005,450 | | | | | | |
| | Insurance Premium Tax: After Tax Credit Programs | $309,113,304 | | | | | | |
| 3062 | Insurance Retaliatory Tax | $185,855 | $192,000 | 3.3% | $204,100 | 6.3% | $204,100 | 0.0% |
| 3067 | Captive Insurer Premium Tax | $923,869 | $1,082,000 | 17.1% | $1,121,000 | 3.6% | $1,160,000 | 3.5% |
| | TOTAL INSURANCE TAXES: BEFORE TAX CREDITS | $336,228,478 | $1,274,000 | -99.6% | $1,325,100 | 4.0% | $1,364,100 | 2.9% |
| | TAX CREDIT PROGRAMS | -$26,005,450 | $0 | | $0 | | $0 | |
| | TOTAL INSURANCE TAXES: AFTER TAX CREDITS | $310,223,028 | $1,274,000 | -99.6% | $1,325,100 | 4.0% | $1,364,100 | 2.9% |
| | REAL PROPERTY TRANSFER TAX (RPTT) | | | | | | | |
| 3055 | Real Property Transfer Tax | $75,794,844 | | | | | | |
| | GOVERMENTAL SERVICES TAX (GST) | | | | | | | |
| 3051 | Governmental Services Tax [5-14][14-16] | $66,731,895 | $38,153,000 | -42.8% | | | | |
| | OTHER TAXES | | | | | | | |
| 3113 | Business License Fee [7-12][6-14][15-16] | $103,045,619 | $104,646,000 | 1.6% | $105,559,000 | 0.9% | $106,341,000 | 0.7% |
| 3050 | Liquor Tax | $43,944,413 | $42,930,000 | -2.3% | $43,588,000 | 1.5% | $44,091,000 | 1.2% |
| 3053 | Other Tobacco Tax | $13,131,919 | $14,488,000 | 10.3% | $15,086,000 | 4.1% | $15,671,000 | 3.9% |
| 4862 | HECC Transfer | $5,000,000 | $5,000,000 | 0.0% | $5,000,000 | 0.0% | $5,000,000 | 0.0% |
| 3065 | Business License Tax | $243 | $300 | 23.4% | $0 | | $0 | |
| 3068 | Branch Bank Excise Tax | $2,786,429 | $2,772,000 | -0.5% | $2,789,000 | 0.6% | $2,803,000 | 0.5% |
| | TOTAL TAXES: BEFORE TAX CREDITS | $3,495,063,854 | $305,557,500 | -91.3% | $291,874,700 | -4.5% | $301,190,600 | 3.2% |
| | TOTAL COMMERCE TAX CREDITS [13-16] | $0 | $0 | | $0 | | $0 | |
| | TOTAL TAXES: AFTER COMMERCE TAX CREDITS | $3,495,063,854 | $305,557,500 | -91.3% | $291,874,700 | -4.5% | $301,190,600 | 3.2% |
| | Tax Credit Programs: | | | | | | | |
| | Film Transferrable Tax Credits [TC-1] | -$4,370,815 | -$3,908,259 | | -$1,720,926 | | $0 | |
| | Economic Development Transferrable Tax Credits [TC-2] | -$20,461,554 | -$37,575,946 | | -$31,087,500 | | -$44,600,000 | |
| | Catalyst Account Transferrable Tax Credits [TC-4] | $0 | -$355,000 | | -$2,000,000 | | -$2,000,000 | |
| | Nevada New Markets Job Act Tax Credits [TC-3] | -$26,005,450 | -$24,000,000 | | -$24,000,000 | | -$22,000,000 | |
| | Education Choice Scholarship Tax Credits [TC-5] | -$4,401,540 | -$6,098,460 | | -$6,050,000 | | -$6,655,000 | |
| | College Savings Plan Tax Credits [TC-6] | $0 | -$69,000 | | -$138,000 | | -$207,000 | |
| | Total - Tax Credit Programs | -$55,239,359 | -$72,006,665 | | -$64,996,426 | | -$75,462,000 | |
| | TOTAL TAXES: AFTER TAX CREDITS | $3,439,824,495 | $233,550,835 | -93.2% | $226,878,274 | -2.9% | $225,728,600 | -0.5% |

# TABLE 6
## ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
## TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 25, 2017, MEETING
## FY 2017, FY 2018 and FY 2019

Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| G.L. NO. | | FY 2016 ACTUAL | ECONOMIC FORUM FORECAST FY 2017 | % | FY 2018 | % | FY 2019 | % |
|---|---|---|---|---|---|---|---|---|
| | **LICENSES** | | | | | | | |
| 3101 | Insurance Licenses | $19,913,616 | $19,316,000 | -3.0% | $19,703,000 | 2.0% | $20,097,000 | 2.0% |
| 3120 | Marriage License | $367,116 | $365,000 | -0.6% | $363,500 | -0.4% | $362,200 | -0.4% |
| | SECRETARY OF STATE | | | | | | | |
| 3105 | UCC | $1,915,810 | $1,751,000 | -8.6% | $1,761,000 | 0.6% | $1,774,000 | 0.7% |
| 3129 | Notary Fees | $514,489 | $538,100 | 4.6% | $543,300 | 1.0% | $548,500 | 1.0% |
| 3130 | Commercial Recordings [16-16] | $73,701,665 | $74,469,000 | 1.0% | $75,120,000 | 0.9% | $75,751,000 | 0.8% |
| 3131 | Video Service Franchise | $525 | $3,300 | 528.6% | $800 | -75.8% | $800 | 0.0% |
| 3121 | Domestic Partnership Registry Fee | $28,790 | $22,700 | -21.2% | $19,300 | -15.0% | $16,400 | -15.0% |
| 3152 | Securities | $27,978,707 | $27,923,000 | -0.2% | $27,923,000 | 0.0% | $28,136,000 | 0.8% |
| | TOTAL SECRETARY OF STATE | $104,139,985 | $104,707,100 | 0.5% | $105,367,400 | 0.6% | $106,226,700 | 0.8% |
| 3172 | Private School Licenses [7-14] | $236,690 | $212,600 | -10.2% | $212,600 | 0.0% | $210,900 | -0.8% |
| 3173 | Private Employment Agency | $14,800 | $14,500 | -2.0% | $13,200 | -9.0% | $13,200 | 0.0% |
| | REAL ESTATE | | | | | | | |
| 3161 | Real Estate License [17-16] | $2,137,010 | $2,256,000 | 5.6% | $2,159,000 | -4.3% | $2,199,000 | 1.9% |
| 3162 | Real Estate Fees | $4,710 | $2,900 | -38.4% | $3,300 | 13.8% | $3,200 | -3.0% |
| | TOTAL REAL ESTATE | $2,141,720 | $2,258,900 | 5.5% | $2,162,300 | -4.3% | $2,202,200 | 1.8% |
| 3102 | Athletic Commission Fees [18-16] | $5,041,720 | $3,191,000 | -36.7% | $4,200,000 | 31.6% | $4,200,000 | 0.0% |
| | TOTAL LICENSES | $131,855,647 | $130,065,100 | -1.4% | $132,022,000 | 1.5% | $133,312,200 | 1.0% |
| | **FEES AND FINES** | | | | | | | |
| 3203 | Divorce Fees | $170,348 | $169,300 | -0.6% | $168,400 | -0.5% | $167,400 | -0.6% |
| 3204 | Civil Action Fees | $1,316,607 | $1,287,000 | -2.2% | $1,274,000 | -1.0% | $1,277,000 | 0.2% |
| 3242 | Insurance Fines | $349,206 | $988,500 | 183.1% | $450,000 | -54.5% | $450,000 | 0.0% |
| 3103MD | Medical Plan Discount Reg. Fees | $1,500 | $1,500 | 0.0% | $1,500 | 0.0% | $1,500 | 0.0% |
| | REAL ESTATE FEES | | | | | | | |
| 3107IOS | IOS Application Fees | $5,700 | $6,900 | 21.1% | $5,900 | -14.5% | $5,900 | 0.0% |
| 3165 | Land Co Filing Fees [19-16] | $28,530 | $25,900 | -9.2% | $27,200 | 5.0% | $27,200 | 0.0% |
| 3167 | Real Estate Adver Fees | $2,010 | $6,700 | 233.3% | $0 | | $0 | |
| 3169 | Real Estate Reg Fees | $8,550 | $4,100 | -52.0% | $4,100 | 0.0% | $4,100 | 0.0% |
| 4741 | Real Estate Exam Fees | $387,294 | $398,400 | 2.9% | $335,400 | -15.8% | $323,200 | -3.6% |
| 3178 | Real Estate Accred Fees | $93,450 | $85,400 | -8.6% | $88,200 | 3.3% | $88,200 | 0.0% |
| 3254 | Real Estate Penalties | $65,595 | $86,600 | 32.0% | $63,700 | -26.4% | $63,700 | 0.0% |
| 3190 | A.B. 165, Real Estate Inspectors | $53,860 | $60,000 | 11.4% | $61,000 | 1.7% | $61,500 | 0.8% |
| | TOTAL REAL ESTATE FEES | $644,989 | $674,000 | 4.5% | $585,500 | -13.1% | $573,800 | -2.0% |
| 3066 | Short Term Car Lease [8-12] | $51,914,285 | $53,887,000 | 3.8% | $55,584,000 | 3.1% | $56,964,000 | 2.5% |
| 3103AC | Athletic Commission Licenses/Fines | $468,376 | $123,700 | -73.6% | $123,700 | 0.0% | $123,700 | 0.0% |
| 3206 | Supreme Court Fees | $201,305 | $217,400 | 8.0% | $228,200 | 5.0% | $232,700 | 2.0% |
| 3115 | Notice of Default Fee | $1,400,099 | $1,076,000 | -23.1% | $911,100 | -15.3% | $857,300 | -5.9% |
| 3271 | Misc Fines/Forfeitures | $2,735,813 | $1,650,000 | -39.7% | $1,750,000 | 6.1% | $1,750,000 | 0.0% |
| | TOTAL FEES AND FINES | $59,202,527 | $60,074,400 | 1.5% | $61,076,400 | 1.7% | $62,397,400 | 2.2% |

# TABLE 6

## ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST

## TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 25, 2017, MEETING

## FY 2017, FY 2018 and FY 2019

Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| G.L. NO. | | FY 2016 ACTUAL | ECONOMIC FORUM FORECAST FY 2017 | % | FY 2018 | % | FY 2019 | % |
|---|---|---|---|---|---|---|---|---|
| | **USE OF MONEY AND PROP** | | | | | | | |
| | OTHER REPAYMENTS | | | | | | | |
| 4403 | Forestry Nurseries Fund Repayment (05-M27) | $20,670 | $20,670 | | $20,670 | | $20,670 | |
| 4408 | Comp/Fac Repayment | $23,744 | $23,744 | | $23,744 | | $13,032 | |
| 4408 | CIP 95-M1, Security Alarm | $2,998 | $2,998 | | $0 | | $0 | |
| 4408 | CIP 95-M5, Facility Generator | $6,874 | $6,874 | | $0 | | $0 | |
| 4408 | CIP 95-S4F, Advance Planning | $1,000 | $1,000 | | $0 | | $0 | |
| 4408 | CIP 97-C26, Capitol Complex Conduit System, Phase I | $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 | |
| 4408 | EITS Repayment - State Microwave Communications System [1-18] | $0 | $0 | | $57,900 | | $57,900 | |
| 4409 | Motor Pool Repay - LV [10-14] | $125,000 | $125,000 | | $125,000 | | $125,000 | |
| | TOTAL OTHER REPAYMENTS | $251,935 | $251,935 | 0.0% | $298,963 | 18.7% | $288,251 | -3.6% |
| | INTEREST INCOME | | | | | | | |
| 3290 | Treasurer [9-12] | $1,247,554 | $2,700,000 | 116.4% | $4,531,000 | 67.8% | $6,155,000 | 35.8% |
| 3291 | Other | $18,411 | $36,400 | 97.7% | $32,400 | -11.0% | $32,400 | 0.0% |
| | TOTAL INTEREST INCOME | $1,265,964 | $2,736,400 | 116.2% | $4,563,400 | 66.8% | $6,187,400 | 35.6% |
| | TOTAL USE OF MONEY & PROP | $1,517,900 | $2,988,335 | 96.9% | $4,862,363 | 62.7% | $6,475,651 | 33.2% |
| | **OTHER REVENUE** | | | | | | | |
| 3059 | Hoover Dam Revenue | $300,000 | $300,000 | 0.0% | $300,000 | 0.0% | $300,000 | 0.0% |
| | MISC SALES AND REFUNDS | | | | | | | |
| 3047 | Expired Slot Machine Wagering Vouchers [11-12] | $8,778,021 | $8,781,000 | 0.0% | $8,828,000 | 0.5% | $9,134,000 | 3.5% |
| 3107 | Misc Fees | $347,803 | $341,800 | -1.7% | $323,900 | -5.2% | $324,400 | 0.2% |
| 3109 | Court Admin Assessments [13-12][12-14][21-16] | $0 | $0 | | $0 | | $0 | |
| 3114 | Court Administrative Assessment Fee | $2,012,172 | $2,109,000 | 4.8% | $2,113,000 | 0.2% | $2,118,000 | 0.2% |
| 3168 | Declare of Candidacy Filing Fee | $35,975 | $21,000 | -41.6% | $40,000 | 90.5% | $12,500 | -68.8% |
| 3202 | Fees & Writs of Garnishments | $2,190 | $2,200 | 0.5% | $2,200 | 0.0% | $2,200 | 0.0% |
| 3220 | Nevada Report Sales | $11,495 | $17,200 | 49.6% | $23,000 | 33.7% | $17,200 | -25.2% |
| 3222 | Excess Property Sales | $17,668 | $5,100 | -71.1% | $130,100 | 2451.0% | $5,100 | -96.1% |
| 3240 | Sale of Trust Property | $850 | $8,000 | 840.8% | $6,000 | -25.0% | $6,000 | 0.0% |
| 3243 | Insurance - Misc | $371,455 | $400,000 | 7.7% | $400,000 | 0.0% | $400,000 | 0.0% |
| 3274 | Misc Refunds | $31,709 | $1,500,000 | 4630.5% | $75,000 | -95.0% | $75,000 | 0.0% |
| 3276 | Cost Recovery Plan [13-14] | $10,572,088 | $9,908,000 | -6.3% | $9,618,000 | -2.9% | $10,224,000 | 6.3% |
| | TOTAL MISC SALES & REF | $22,181,427 | $23,093,300 | 4.1% | $21,559,200 | -6.6% | $22,318,400 | 3.5% |
| 3255 | Unclaimed Property [14-12] | $38,960,791 | $27,919,000 | -28.3% | $28,119,000 | 0.7% | $28,389,000 | 1.0% |
| | TOTAL OTHER REVENUE | $61,442,218 | $51,312,300 | -16.5% | $49,978,200 | -2.6% | $51,007,400 | 2.1% |
| **TOTAL GENERAL FUND REVENUE: BEFORE TAX CREDITS** | | $3,749,082,146 | $549,997,635 | -85.3% | $539,813,663 | -1.9% | $554,383,251 | 2.7% |
| | **TOTAL COMMERCE TAX CREDITS [13-16]** | $0 | $0 | | $0 | | $0 | |
| **TOTAL GENERAL FUND REVENUE: AFTER COMMERCE TAX CREDITS** | | $3,749,082,146 | $549,997,635 | -85.3% | $539,813,663 | -1.9% | $554,383,251 | 2.7% |
| **TAX CREDIT PROGRAMS:** | | | | | | | | |
| | **FILM TRANSFERRABLE TAX CREDITS [TC-1]** | -$4,370,815 | -$3,908,259 | | -$1,720,926 | | $0 | |
| | **ECONOMIC DEVELOPMENT TRANSFERRABLE TAX CREDITS [TC-2]** | -$20,461,554 | -$37,575,946 | | -$31,087,500 | | -$44,600,000 | |
| | **CATALYST ACCOUNT TRANSFERRABLE TAX CREDITS [TC-4]** | $0 | -$355,000 | | -$2,000,000 | | -$2,000,000 | |
| | **NEVADA NEW MARKET JOBS ACT TAX CREDITS [TC-3]** | -$26,005,450 | -$24,000,000 | | -$24,000,000 | | -$22,000,000 | |
| | **EDUCATION CHOICE SCHOLARSHIP TAX CREDITS [TC-5]** | -$4,401,540 | -$6,098,460 | | -$6,050,000 | | -$6,655,000 | |
| | **COLLEGE SAVINGS PLAN TAX CREDITS [TC-6]** | $0 | -$69,000 | | -$138,000 | | -$207,000 | |
| **TOTAL- TAX CREDIT PROGRAMS** | | -$55,239,359 | -$72,006,665 | | -$64,996,426 | | -$75,462,000 | |
| **TOTAL GENERAL FUND REVENUE: AFTER TAX CREDITS** | | $3,693,842,787 | $477,990,970 | -87.1% | $474,817,237 | -0.7% | $478,921,251 | 0.9% |

# TABLE 6
## ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
## TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 25, 2017, MEETING
## FY 2017, FY 2018 and FY 2019

Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| G.L. NO. | | FY 2016 ACTUAL | ECONOMIC FORUM FORECAST | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | FY 2017 | % | FY 2018 | % | FY 2019 | % |

**NOTES:**

**FY 2012**

[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 addtional 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 (NPM) 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 $1,052,720 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.

[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.

**FY 2014: Represents legislative actions approved during the 2013 Legislative Session.**

[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 (NPM) 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.

# TABLE 6
## ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
## TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 25, 2017, MEETING
## FY 2017, FY 2018 and FY 2019
Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| G.L. NO. | | FY 2016 ACTUAL | ECONOMIC FORUM FORECAST | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | FY 2017 | % | FY 2018 | % | FY 2019 | % |

[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 addtional 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] Section 23 of S.B. 521 allows the Fleet Services Division of the Department of Administration to use revenues from intergovernmental transfers to the State General Fund for the repayment of $2.5 million that was appropriated to the Division for the purchase of a building in Las Vegas. The legislatively approved repayment from the Division to the State General Fund is $83,332 in FY 2014 and $125,000 in FY 2015, with an annual repayment of $125,000 each year through FY 2035.

[11-14] 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.

[12-14] 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).

[13-14] 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.

**FY 2016: Note 1 represents legislative actions approved during the 28th Special Session in September 2014.**

[1-16] Assembly Bill 3 (28th S.S.) limits the amount of the home office credit that may be taken against the Insurance Premium Tax to an annual limit of $5 million, effective January 1, 2016. The home office credit is eliminated pursuant to this bill, effective January 1, 2021.

**FY 2016: Notes 2 through 21 represent legislative actions approved during the 2015 Legislative Session.**

[2-16] S.B. 483 extends the June 30, 2015, sunset (approved in S.B. 475 (2013)) by one year to June 30, 2016, on the Net Proceeds of Minerals (NPM) 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 one-year extension of the sunset is estimated to yield $34,642,000 in FY 2016. There is no estimated tax payment in FY 2017 with the one-year extension of the prepayment of NPM taxes.

[3-16] S.B. 483 extends the June 30, 2015, sunset (approved in S.B. 475 (2013)) by one-year to June 30, 2016, 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 2016. The health and industrial insurance deduction changes are estimated to generate $4,221,000 in addtional revenue in FY 2016.

[4-16] S.B. 483 makes the 0.35% increase in the Local School Support Tax (LSST) permanent. The 0.35% increase generates additional revenue from the 0.75% General Fund Commission assessed against LSST proceeds before distribution to school districts in each county, which is estimated to generate $1,387,300 in FY 2016 and $1,463,400 in FY 2017.

# TABLE 6

## ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST

## TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 25, 2017, MEETING

## FY 2017, FY 2018 and FY 2019

Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| G.L. NO. | | FY 2016 ACTUAL | ECONOMIC FORUM FORECAST | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | FY 2017 | % | FY 2018 | % | FY 2019 | % |

[5-16] S.B. 266 makes changes to the structure of the tax base and tax rate for the Live Entertainment Tax (LET) in NRS Chapter 368A that is administered by the Gaming Control Board for live entertainment at licensed gaming establishments and the Department of Taxation for live entertainment provided at non-gaming establishments. Under existing law, the tax rate is 10% of the admission charge and amounts paid for food, refreshments, and merchandise, if the live entertainment is provided at a facility with a maximum occupancy of less than 7,500 persons, and 5% of the admission charge only, if the live entertainment is provided at a facility with a maximum occupancy equal to or greater than 7,500 persons. S.B. 266 removes the occupancy threshold and establishes a single 9% tax rate on the admission charge to the facility only. The tax rate does not apply to amounts paid for food, refreshments, and merchandise unless that is the consideration required to enter the facility for the live entertainment. S.B. 266 adds the total amount of consideration paid for escorts and escort services to the LET tax base and makes these activities subject to the 9% tax rate. The bill provides that the exemption from the LET for certain nonprofit organizations applies depending on the number of tickets sold and the type of live entertainment being provided. S.B. 266 establishes an exemption for the following: 1.) the value of certain admissions provided on a complimentary basis; 2.) a charge for access to a table, seat, or lounge or for food, beverages, and merchandise that are in addition to the admission charge to the facility; and 3.) certain license and rental fees of luxury suites, boxes, or similar products at a facility with a maximum occupancy of more than 7,500 persons. The provisions of S.B. 266 also make other changes to the types of activities that are included or excluded from the tax base as live entertainment events subject to the 9% tax rate. The provisions of S.B. 266 are effective October 1, 2015. The amounts shown reflect the estimated net change from the provisions of S.B. 266 on the amount of the LET collected from the portion administered by the Gaming Control Board and the Department of Taxation separately and the combined impact. The changes to the LET are estimated to reduce LET-Gaming collections by $19,165,000 in FY 2016 and by $26,551,000 in FY 2017, but increase LET-Nongaming collections by $15,483,000 in FY 2016 and $25,313,000 in FY 2017. The combined net effect on total LET collections is estimated to be reduction of $3,682,000 in FY 2016 and $1,238,000 in FY 2017.

[6-16] S.B. 483 establishes the Commerce Tax as an annual tax on each business entity engaged in business in the state whose Nevada gross revenue in a fiscal year exceeds $4,000,000 at a tax rate based on the industry in which the business is primarily engaged. The Commerce Tax is due on or before the 45th day immediately following the fiscal year taxable period (June 30th). Although the Commerce Tax collections are received after the June 30th end of the fiscal year tax period, the proceeds from the Commerce Tax will be accrued back and accounted for in that fiscal year, since that fiscal year is not officially closed until the third Friday in September. The Commerce Tax provisions are effective July 1, 2015, for the purpose of taxing the Nevada gross revenue of a business, but the first tax payment will not be made until August 14, 2016, for the FY 2016 annual taxable business activity period.

[7-16] A.B. 175 requires the collection of an excise tax by the Nevada Transportation Authority or the Taxicab Authority, as applicable, on the connection of a passenger to a driver affiliated with a transportation network company, a common motor carrier of passengers, or a taxicab equal to 3% of the fare charged to the passenger. The excise tax becomes effective on passage and approval (May 29, 2015) for transportation network companies and August 28, 2015, for common motor carrier and taxicab companies. The first $5,000,000 in tax proceeds from each biennium are required to be deposited in the State Highway Fund and the estimate for FY 2016 reflects this requirement.

[8-16] S.B. 483 increases the cigarette tax per pack of 20 by $1.00 from 80 cents per pack (10 cents to Local Government Distribution Fund, 70 cents to State General Fund) to $1.80 per pack (10 cents to Local Government Distribution Fund, $1.70 to State General Fund), effective July 1, 2015. The $1.00 per pack increase is estimated to generate $96,872,000 in FY 2016 and $95,391,000 in FY 2017.

[9-16] S.B. 483 permanently changes the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) by exempting quarterly taxable wages (gross wages less allowable health care expenses) paid by an employer to employees up to and including $50,000 per quarter and taxable wages exceeding $50,000 per quarter are taxed at 1.475%. The taxable wages exemption threshold was $85,000 per quarter for FY 2014 and FY 2015 with a 1.17% tax rate on quarterly taxable wages exceeding $85,000, based on S.B. 475 (2013). These provisions in S.B. 475 were scheduled to sunset effective June 30, 2015, at which time the tax rate would have been 0.63% on all taxable wages per quarter. The provisions in S.B. 483 are effective July 1, 2015. The estimated net increase in MBT-NFI tax collections from the 1.475% tax rate on quarterly taxable wages exceeding $50,000 compared to the Economic Forum May 1, 2015, forecast, based on the 0.63% tax rate on all quarterly taxable wages before accounting for the estimated impact of any other legislatively approved changes to the MBT-NFI is $268,041,000 for FY 2016 and $281,443,000 for FY 2017.

[10-16] A.B. 389 deems the client company of an employee leasing company to be the employer of the employees it leases for the purposes of NRS Chapter 612 (unemployment compensation). Under these provisions, the wages of employees leased from employee leasing companies by client companies will no longer be reported on an aggregated basis under the employee leasing company. The wages of the employees will now be reported on a disaggregated basis under each client company. Instead of the $50,000 quarterly exemption applying to the employee leasing company, it will now apply to each client company. These provisions are effective October 1, 2015. The wages paid to employees being reported on a disaggregated basis for each client company versus an aggregated basis for the employee leasing company is estimated to reduce MBT-NFI collections by $2,758,000 in FY 2016 and $3,861,000 in FY 2017.

[11-16] S.B. 483 requires businesses subject to the Net Proceeds of Minerals (NPM) tax in NRS Chapter 362 to pay a 2.0% tax on all quarterly taxable wages paid by the employer to the employees, which is identical to the Modified Business Tax (MBT) paid by financial institutions under NRS Chapter 363A. These provisions are effective July 1, 2015. This change is estimated to reduce MBT-NFI tax collections by $10,884,000 in both FY 2016 and FY 2017. The mining companies paying the 2% tax rate on all taxable wages are estimated to generate $17,353,000 in both FY 2016 and FY 2017 for the MBT-Mining. This change is estimated to yield a net increase in General Fund revenue of $6,469,000 in both FY 2016 and FY 2017.

[12-16] S.B. 103 exempts from the definition of "financial institution" in NRS Chapter 363A any person who is primarily engaged in the sale, solicitation, or negotiation of insurance, which makes such a person subject to the Modified Business Tax on General Business (nonfinancial institutions) in NRS Chapter 363B at 1.475% on quarterly taxable wages exceeding $50,000 and not the 2.0% tax on all quarterly taxable wages. These provisions are effective July 1, 2015. MBT-FI is estimated to be reduced by $891,000 in FY 2016 and $936,000 and the MBT-NFI is estimated to be increased by $278,000 in FY 2016 and $291,000 in FY 2017. The net decrease in General Fund revenue is estimated to be $613,000 in FY 2016 and $645,000 in FY 2017.

# TABLE 6
## ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
## TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 25, 2017, MEETING
## FY 2017, FY 2018 and FY 2019

Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| G.L. NO. | | FY 2016 ACTUAL | ECONOMIC FORUM FORECAST | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | FY 2017 | % | FY 2018 | % | FY 2019 | % |

[13-16] S.B. 483 provides for a credit against a business's Modified Business Tax (MBT) due during the current fiscal year not to exceed 50% of the Commerce Tax paid by the business for the preceding fiscal year. The credit can be taken against any or all of the four quarterly MBT payments for the current fiscal year, but any amount of credit not used cannot be carried forward and used in succeeding fiscal years. The total estimated Commerce Tax credits against the MBT are estimated to be $59,913,000 in FY 2017, but this estimated credit amount was not allocated separately to the MBT-NFI, MBT-FI, and MBT-Mining.

[14-16] S.B. 483 requires 100% of the proceeds from the portion of the Governmental Services Tax (GST) generated from the 10% depreciation schedule change, approved in S.B. 429 (2009), to be allocated to the State General Fund in FY 2016. In FY 2017, 50% of the proceeds will be allocated to the State General Fund and 50% to the State Highway Fund. Under S.B. 483, 100% of the additional revenue generated from the GST 10% depreciation schedule change is required to be deposited in the State Highway Fund beginning in FY 2018 and going forward permanently.

[15-16] S.B. 483 makes the $100 increase in the Business License Fee (BLF) from $100 to $200 permanent for the initial and annual renewal, that was scheduled to sunset on June 30, 2015, (as approved in A.B. 475 (2013)) for all types of businesses, except for corporations. The initial and annual renewal fee for corporations, as specified in S.B. 483, is increased from $200 to $500 permanently. These provisions are effective July 1, 2015. The changes to the BLF are estimated to generate additional General Fund revenue of $63,093,000 in FY 2016 and $64,338,000 in FY 2017 in relation to the Economic Forum May 1, 2015, forecast with all business types paying a $100 annual fee.

[16-16] S.B. 483 permanently increases the fee for filing the initial and annual list of directors and officers by $25 that is required to be paid by each business entity organizing under the various chapters in Title 7 of the NRS, effective July 1, 2015. The $25 increase in the initial and annual list filing fee is estimated to increase Commercial Recordings Fee revenue by $2,751,000 in FY 2016 and $2,807,000 in FY 2017.

[17-16] A.B. 475 changes the initial period from 24 to 12 months and the renewal period from 48 to 24 months for a license as a real estate broker, broker-salesperson, or salesperson and also changes the period for other licenses from 48 to 24 months, effective July 1, 2015. Existing licenses issued before July 1, 2015, do not need to be renewed until the expiration date required under statute prior to July 1, 2015. This change in the licensing period is estimated to reduce Real Estate License Fee revenue by $1,693,400 in FY 2016 and $1,404,200 in FY 2017.

[18-16] A.B. 476 increases the current 6% license fee on the gross receipts from admission charges to unarmed combat events, that is dedicated to the State General Fund, by 2% to 8% with 75% of the proceeds from the 8% fee deposited in the State General Fund and 25% retained by the Athletic Commission to fund the agency's operations. A.B. 476 repeals the two-tiered fee based on the revenues from the sale or lease of broadcast, television and motion picture rights that is dedicated to the State General Fund. A.B. 476 allows the promoter of an unarmed combat event a credit against the 8% license fee equal to the amount paid to the Athletic Commission or organization sanctioned by the Commission to administer a drug testing program for unarmed combatants. These provisions are effective June 9, 2015, based on the passage and approval effective date provisions of A.B. 476. These changes are estimated to reduce Athletic Commission Fee revenue by $600,000 in both FY 2016 and FY 2017.

[19-16] A.B. 478 increases certain fees relating to application or renewals paid by developers for exemptions to any provisions administered by the Real Estate Division of the Department of Business and Industry, and requires that all fees collected for this purpose be kept by the Division, effective July 1, 2015. This requirement for the Division to keep these fees is estimated to reduce Real Estate Land Company filing fees by approximately $152,600 in FY 2016 and $153,300 in FY 2017.

[20-16] A.B. 491 (2013) required 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 specified that the amount transferred shall not exceed $20,813,716 from commissions and $4,097,964 from penalties in FY 2015. A.B. 490 amended the commissions amount to $23,724,000 and the penalties amount to $5,037,000. This results in an estimated net increase in General Fund revenue of $3,849,320 in FY 2015 from GST Commissions and Penalties.

[21-16] 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 projections and the authorized allocation for the Court Administrative Assessment Fee revenues (pursuant to subsection 8 of NRS 176.059) for FY 2016 and FY 2017.

**FY 2018: Note 1 represents legislative actions approved during the 2015 Legislative Session.**

[1-18] Section 51 of S.B. 514 allows the Division of Enterprise Information Technology Services of the Department of Administration to use revenues from intergovernmental transfers to the State General Fund for the repayment of special appropriations that were made to the Division for the replacement of the state's microwave communications system. The legislatively approved repayment from the Division to the State General Fund is $57,900 per year between FY 2018 and FY 2021, with increased repayments between FY 2022 and FY 2028.

# TABLE 6
## ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
## TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 25, 2017, MEETING
## FY 2017, FY 2018 and FY 2019

Economic Forum May 1, 2017, Meeting - 4/27/2017 - 12:00 PM

| G.L. NO. | | FY 2016 ACTUAL | ECONOMIC FORUM FORECAST | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | FY 2017 | % | FY 2018 | % | FY 2019 | % |

**TAX CREDIT PROGRAMS APPROVED BY THE LEGISLATURE IN THE 2013 AND 2015 REGULAR SESSIONS AND THE 24TH SPECIAL SESSION IN SEPTEMBER 2014**

[TC-1] Pursuant to S.B. 165 (2013), the Governor's Office of Economic Development (GOED) could issue up to $20 million per fiscal year for a total of $80 million for the four-year pilot program in transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and Gaming Percentage Fee Tax. The provisions of the film tax credit program were amended in S.B. 1 (28th Special Session (2014)) to reduce the total amount of the tax credits that may be approved by GOED to a total of $10 million. The amounts shown reflect estimates based on information provided by GOED during the 2015 Session on the amount of tax credits that have been or will be approved for use in FY 2015 and FY 2016.

[TC-2] Pursuant to S.B. 1 (28th Special Session (2014)), for certain qualifying projects, the Governor's Office of Economic Development (GOED) is required to issue transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and the Gaming Percentage Fee Tax. The amount of transferrable tax credits are equal to $12,500 for each qualified employee employed by the participants in the project, to a maximum of 6,000 employees, plus 5 percent of the first $1 billion of new capital investment in the State made collectively by the participants in the qualifying project, plus an additional 2.8 percent of the next $2.5 billion in new capital investment in the State made collectively by the participants in the project. The amount of credits approved by GOED may not exceed $45 million per fiscal year (though any unissued credits may be issued in subsequent fiscal years), and GOED may not issue total credits in excess of $195 million. The amounts shown reflect the maximum amount of credits that will be approved in each fiscal year for the Tesla project based on information provided by GOED during the 2015 Session.

Pursuant to S.B. 1 (29th Special Session (2015)), for certain qualifying projects, the Governor's Office of Economic Development (GOED) is required to issue transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and the Gaming Percentage Fee Tax. The amount of transferrable tax credits are equal to $9,500 for each qualified employee employed by the participants in the project, to a maximum of 4,000 employees. The amount of credits approved by GOED may not exceed $7.6 million per fiscal year (though any unissued credits may be issued in subsequent fiscal years), and GOED may not issue total credits in excess of $38 million. The forecast for FY 2018 and FY 2019 is $7.6 million per year, which reflects the maximum amount of credits that may be approved in each fiscal year for the Faraday project.

[TC-3] Pursuant to S.B. 357 (2013), the Nevada New Markets Jobs Act allows insurance companies to receive a credit against the tax imposed on insurance premiums in exchange for making qualified equity investments in community development entities, particularly those that are local and minority-owned. A total of $200 million in qualified equity investments may be certified by the Department of Business and Industry. In exchange for making the qualified equity investment, insurance companies are entitled to receive a credit against the Insurance Premium Tax in an amount equal to 58 percent of the total qualified equity investment that is certified by the Department. The credits may be taken in increments beginning on the second anniversary date of the original investment, as follows:
2 years after the investment is made: 12 percent of the qualified investment
3 years after the investment is made: 12 percent of the qualified investment
4 years after the investment is made: 12 percent of the qualified investment
5 years after the investment is made: 11 percent of the qualified investment
6 years after the investment is made: 11 percent of the qualified investment

Under the provisions of S.B. 357, the insurance companies were allowed to begin taking tax credits in the third quarter of FY 2015. The amounts shown reflect estimates of the amount of tax credits that will be taken in each fiscal year based on information provided by the Department of Business and Industry and the Department of Taxation during the 2015 Session.

[TC-4] S.B. 507 (2015) authorizes the Governor's Office of Economic Development (GOED) to approve transferrable tax credits that may be used against the Modified Business Tax, Insurance Premium Tax, and Gaming Percentage Fee Tax to new or expanding businesses to promote the economic development of Nevada. As approved in S.B. 507, the total amount of transferrable tax credits that may be issued is $500,000 in FY 2016, $2,000,000 in FY 2017, and $5,000,000 for FY 2018 and each fiscal year thereafter. The amounts shown are the estimate based on the maximum amount that can be issued in each fiscal year.

A.B. 1 of the 29th Special Session (2015) reduced the total amount of transferrable tax credits that may be issued by GOED to zero in FY 2016, $1 million in FY 2017, $2 million per year in FY 2018 and FY 2019, and $3 million in FY 2020. For FY 2021 and future fiscal years, the amount of credits that may be issued by GOED remains at $5 million per year.

[TC-5] A.B. 165 (2015) allows taxpayers who make donations of money to certain scholarship organizations to receive a dollar-for-dollar credit against the taxpayer's liability for the Modified Business Tax (MBT). The total amount of credits that may be approved by the Department is $5 million in FY 2016, $5.5 million in FY 2017, and 110 percent of the total amount of credits authorized in the previous year, for all subsequent fiscal years. The amounts shown reflect the estimate based on the assumption that the total amount authorized for each fiscal year will be donated to a qualified scholarship organization and taken as credits against the MBT.

[TC-6] S.B. 412 (2015) provides a tax credit against the Modified Business Tax (MBT) to certain employers who match the contribution of an employee to one of the college savings plans offered through the Nevada Higher Education Prepaid Tuition Program and the Nevada College Savings Program authorized under existing law. The amount of the tax credit is equal to 25 percent of the matching contribution, not to exceed $500 per contributing employee per year, and any unused credits may be carried forward for 5 years. The provisions relating to the Nevada College Savings Program are effective January 1, 2016, and the Higher Education Prepaid Tuition Program are effective July 1, 2016. The amounts shown are estimates based on information provided by the Treasurer's Office on enrollment and contributions for the college savings plans.

## TABLE 7
## SUMMARY OF THE TECHNICAL ADVISORY COMMITTEE (TAC) FORECAST FOR SELECT GENERAL FUND REVENUE SOURCES
### TAC April 25, 2017, Forecast for FY 2017, FY 2018, and FY 2019 Based on Current Statute

| | 2015-17 Biennium | | 2017-19 Biennium | | Biennium Comparison | | |
|---|---|---|---|---|---|---|---|
| | FY 2016 Actual | FY 2017 TAC Apr 25 Forecast | FY 2018 TAC Apr 25 Forecast | FY 2019 TAC Apr 25 Forecast | 2015-17 Biennium: Actual/Forecast | 2017-19 Biennium: Forecast | Biennium Difference |
| **Total of All General Fund Revenue Sources Forecast by the TAC - BEFORE TAX CREDITS** | | | | | | | |
| Total Revenue Before Tax Credits | $585,592,901 | $549,997,635 | $539,813,663 | $554,383,251 | $1,135,590,536 | $1,094,196,914 | -$41,393,622 |
| **General Fund Revenue Sources Forecast by the TAC that are Subject to Sunset Provisions based on Actions from the 2015 Legislative Session** | | | | | | | |
| Net Proceeds of Minerals | $34,674,918 | $18,774,000 | $45,716,000 | $46,034,000 | $53,448,918 | $91,750,000 | $38,301,082 |
| Governmental Services Tax | $66,731,895 | $38,153,000 | $0 | $0 | $104,884,895 | $0 | -$104,884,895 |
| Total-Revenue Sources Subject to Sunset | $101,406,813 | $56,927,000 | $45,716,000 | $46,034,000 | $158,333,813 | $91,750,000 | -$66,583,813 |
| **All Other General Fund Revenue Sources Forecast by the TAC** | | | | | | | |
| All Other Gaming Taxes and Fees | $32,645,923 | $29,533,000 | $27,808,600 | $27,829,500 | $62,178,923 | $55,638,100 | -$6,540,823 |
| LET-Nongaming | $16,536,346 | $25,149,000 | $26,150,000 | $27,233,000 | $41,685,346 | $53,383,000 | $11,697,654 |
| Transportation Connection Excise Tax | $11,898,532 | $22,832,000 | $18,848,000 | $24,819,000 | $34,730,532 | $43,667,000 | $8,936,468 |
| Business License Fee | $103,045,619 | $104,646,000 | $105,559,000 | $106,341,000 | $207,691,619 | $211,900,000 | $4,208,381 |
| Liquor Tax | $43,944,413 | $42,930,000 | $43,588,000 | $44,091,000 | $86,874,413 | $87,679,000 | $804,587 |
| Other Tobacco | $13,131,919 | $14,488,000 | $15,086,000 | $15,671,000 | $27,619,919 | $30,757,000 | $3,137,081 |
| Total Secretary of State Revenues | $104,139,985 | $104,707,100 | $105,367,400 | $106,226,700 | $208,847,085 | $211,594,100 | $2,747,015 |
| Short-Term Car Rental Fee | $51,914,285 | $53,887,000 | $55,584,000 | $56,964,000 | $105,801,285 | $112,548,000 | $6,746,715 |
| Expired Slot Machine Wagers | $8,778,021 | $8,781,000 | $8,828,000 | $9,134,000 | $17,559,021 | $17,962,000 | $402,979 |
| Unclaimed Property | $38,960,791 | $27,919,000 | $28,119,000 | $28,389,000 | $66,879,791 | $56,508,000 | -$10,371,791 |
| Athletic Commission Fees | $5,041,720 | $3,191,000 | $4,200,000 | $4,200,000 | $8,232,720 | $8,400,000 | $167,280 |
| All Others | $54,148,534 | $55,007,535 | $54,959,663 | $57,451,051 | $109,156,069 | $112,410,714 | $3,254,645 |
| Total-All Other Sources Forecast by the TAC | $484,186,088 | $493,070,635 | $494,097,663 | $508,349,251 | $977,256,723 | $1,002,446,914 | $25,190,191 |
| **Tax Credits Forecast By The TAC** | | | | | | | |
| Film Transferable Tax Credits | -$4,370,815 | -$3,908,259 | -$1,720,926 | $0 | -$8,279,074 | -$1,720,926 | $6,558,148 |
| Economic Development Transferable Credits | -$20,461,554 | -$37,575,946 | -$31,087,500 | -$44,600,000 | -$58,037,500 | -$75,687,500 | -$17,650,000 |
| Catalyst Account Transferable Tax Credits | $0 | -$355,000 | -$2,000,000 | -$2,000,000 | -$355,000 | -$4,000,000 | -$3,645,000 |
| New Markets Jobs Act Tax Credits | -$26,005,450 | -$24,000,000 | -$24,000,000 | -$22,000,000 | -$50,005,450 | -$46,000,000 | $4,005,450 |
| Education Choice Scholarship Tax Credits | -$4,401,540 | -$6,098,460 | -$6,050,000 | -$6,655,000 | -$10,500,000 | -$12,705,000 | -$2,205,000 |
| College Savings Plan Tax Credits | $0 | -$69,000 | -$138,000 | -$207,000 | -$69,000 | -$345,000 | -$276,000 |
| Total Tax Credits Forecast By The TAC | -$55,239,359 | -$72,006,665 | -$64,996,426 | -$75,462,000 | -$127,246,024 | -$140,458,426 | -$13,212,402 |
| **Total of All General Fund Revenue Sources Forecast by the TAC - AFTER TAX CREDITS** | | | | | | | |
| Total Revenue After Tax Credits | $530,353,542 | $477,990,970 | $474,817,237 | $478,921,251 | $1,008,344,512 | $953,738,488 | -$54,606,024 |