MINUTES OF THE MEETING OF THE
STATE OF NEVADA ECONOMIC FORUM
September 29, 2010

The meeting of the State of Nevada Economic Forum (created by Senate Bill 23, 1993) was held at 9:30 a.m. on Wednesday, September 29, 2010, at the Legislative Building, 401 South Carson Street, Room 3137, Carson City, Nevada, with videoconference to the Grant Sawyer State Office Building, 555 East Washington Avenue, Room 4412, Las Vegas, Nevada.

ECONOMIC FORUM MEMBERS PRESENT:
John Restrepo, Chairman
Michael R. Alastuey, Vice Chairman
Matthew Maddox
Andrew Martin
Linda Rosenthal

ECONOMIC FORUM MEMBERS ABSENT:
None

STAFF:
Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division
Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Janet Rogers, Chief Economist, Executive Budget Office
Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division
Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division
Patti Sullivan, Secretary, Fiscal Analysis Division

EXHIBITS:

Exhibit A	Meeting Packet and Agenda
Exhibit B	Attendance Report
Exhibit C	Economic Forum, Structure and Function – Fiscal Analysis Division
Exhibit D	Table 3 (Revised), Actual Collections versus December 1, 2008, May 1, 2009, and January 22, 2010, Forecasts by Forecaster for FY 2009-10 – Fiscal Analysis Division

EXHIBITS MAY BE REVIEWED AT THE RESEARCH LIBRARY OF THE LEGISLATIVE COUNSEL BUREAU, CARSON CITY, NEVADA, UPON REQUEST.

I. ROLL CALL.

Acting Chairman John Restrepo called the meeting to order at 9:43 a.m. The secretary called roll; all members were present and attended in Carson City.

II. ELECTION OF CHAIRPERSON AND VICE CHAIRPERSON.

Acting Chairman Restrepo opened the nominations for Chairperson.

> MICHAEL ALASTUEY NOMINATED MR. RESTREPO FOR CHAIRMAN OF THE STATE OF NEVADA ECONOMIC FORUM, WHICH WAS SECONDED BY ANDREW MARTIN.
>
> MR. RESTREPO ACCEPTED THE NOMINATION AND THE MOTION CARRIED UNANIMOUSLY.

Chairman Restrepo opened the nominations for Vice Chairperson.

> LINDA ROSENTHAL NOMINATED MR. ALASTUEY FOR VICE CHAIRMAN OF THE STATE OF NEVADA ECONOMIC FORUM, WHICH WAS SECONDED BY MATTHEW MADDOX.
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> MR. ALASTUEY ACCEPTED THE NOMINATION AND THE MOTION CARRIED UNANIMOUSLY.

This agenda item was taken out of order.

IV. APPROVAL OF MINUTES OF THE JANUARY 22, 2010, MEETING.

Chairman Restrepo asked for a motion to approve the January 22, 2010, meeting minutes included in the meeting packet (Exhibit A) on page 5.

Before the motion, Mr. Alastuey requested a correction to the minutes. His transcribed testimony on page 52 included the word "adorations," which was in error. Mr. Alastuey asked for the word "aberrations" to be substituted.

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division stated Budget Division staff would make the requested correction to the minutes. He suggested that the members entertain a motion to approve the minutes, with the correction made by staff per Mr. Alastuey's request.

> MR. ALASTUEY MOVED TO APPROVE THE MINUTES OF THE JANUARY 22, 2009, MEETING OF THE STATE OF NEVADA ECONOMIC FORUM WITH HIS REQUESTED CORRECTION.

THE MOTION WAS SECONDED BY MS. ROSENTHAL AND CARRIED UNANIMOUSLY.

This agenda item was taken out of order.

V. APPROVAL OF MINUTES OF THE MAY 1, 2009, MEETING.

Chairman Restrepo asked for a motion to approve the May 1, 2009, meeting minutes included in the meeting packet (Exhibit A) on page 105.

MR. ALASTUEY MOVED TO APPROVE THE MINUTES OF THE MAY 1, 2010, MEETING OF THE STATE OF NEVADA ECONOMIC FORUM.

THE MOTION WAS SECONDED BY MR. MARTIN AND CARRIED UNANIMOUSLY.

III. OPENING REMARKS AND OVERVIEW OF THE ECONOMIC FORUM 2010-2011 FORECAST CYCLE.

Referring to the handout, Economic Forum – Structure and Function (Exhibit C), prepared by the Fiscal Analysis Division, Mr. Guindon provided an overview of the Economic Forum. He indicated in the days preceding the meeting he had received e-mails and phone calls from reporters and others inquiring about the duties and responsibilities of the Economic Forum. Mr. Guindon thought an overview and an explanation of the process used by the Forum to produce the official December 1 forecast would be pertinent information for the new members and the public.

Mr. Guindon said the Economic Forum was created by the Legislature during the 1993 Legislative Session and as a statutorily created public body was subject to the open meeting law. The committee consisted of five members appointed by the Governor who served two-year terms; however, the members could not be employees of state government, including the Nevada System of Higher Education. Three members of the 2010 Economic Forum, Chairman Restrepo, Mr. Maddox and Ms. Rosenthal were nominated and appointed by Governor Jim Gibbons; Mr. Alastuey was nominated by Speaker Barbara Buckley, and then appointed by the Governor; and Mr. Martin was nominated by Senate Majority Leader, Steven Horsford, and then appointed by the Governor. Mr. Guindon said the Fiscal Analysis Division of the Legislative Counsel Bureau and the Budget Division of the Department of Administration provided staffing and support to the Economic Forum.

Mr. Guindon explained the Forum was a statutory body responsible for producing forecasts for unrestricted General Fund revenues on or before December 1 of even-numbered years, and on or before May 1 in odd-numbered years. The Economic Forum forecasts were for unrestricted General Fund revenues only and did not include special purpose revenues or restricted General Fund revenues. The December 1 forecast was used by the Governor to produce The Executive Budget, and the May 1 forecast was used by the Legislature to develop the legislatively-approved budget. The forecasts prepared by the Economic Forum spanned a three-year period and the first Economic Forum forecast was produced in the fall of 1994 for Fiscal Years 1995, 1996 and 1997. For the 2011-13 biennium the Forum would produce a forecast for the current fiscal year, FY 2011, a one-year ahead forecast for FY 2012, and a two-year ahead forecast for FY 2013. The December 1, 2010, forecast would be used by the Governor to produce The Executive Budget, and the May 1, 2011, forecast would be used by the Legislature to produce the legislatively-approved budget for the 2011-13 biennium.

If the Governor decided to increase revenues above the Forum's forecast, The Executive Budget would have to include recommendations or provisions for the source of the additional revenue. If the Governor decided to reduce revenues lower than forecast by the Forum The Executive Budget would have to include recommendations for the revenue reductions.

The Forum, however, did not consider revenue policy or recommendations that the Governor or the Legislature might consider for revenue enhancement or augmentation. The Forum's only statutory duty and responsibility was to produce General Fund revenue forecasts based on current law. Mr. Guindon thought the forecasts produced for this term were going to be very important due to the tax changes approved by the Legislature in the Special Sessions in December 2008 and February 2010, as well as the 2009 Regular Session. .

Continuing, Mr. Guindon said the Economic Forum forecast cycle was usually comprised of three meetings in the fall of even-numbered years. The first meeting was typically organizational and informational, and occurred in late September or early October. At the second meeting held in late October or early November, the Forum produced a preliminary General Fund revenue forecast for use by the Budget Division and the Governor, which provided vital information on how much revenue might be available for the The Executive Budget. Mr. Guindon said although there was no statutory requirement for the approval of a preliminary forecast at the second meeting, the Economic Forum has done so at the request of the Budget Division. The third and final meeting in the even-numbered years was scheduled either in late November or on December 1. The forecast generated at this meeting was used by the Budget Division and the Governor to produce the final version of The Executive Budget. A meeting of the Forum was held on May 1 in odd-numbered years to produce a forecast for the Legislature to use for the legislatively-approved budget.

Mr. Guindon explained there were many General Fund revenue sources to consider when making the forecasts; however, the Forum only produced forecasts for approximately eight to ten of the major General Fund revenues, which accounted for approximately 85% to 90% of the State's General Fund revenues. Based on direction from the Forum, the Technical Advisory Committee would produce forecasts for the remainder of the revenue sources. To prepare the forecasts, the Forum used information on the major General Fund revenues provided by the agencies responsible for collecting those revenues, including the Gaming Control Board, Department of Taxation, Secretary of State, and Nevada Commission on Tourism. Forecasts were also prepared by Janet Rogers, Chief Economist from the Budget Division and by Mr. Guindon and his staff from the Fiscal Analysis Division. An outside national forecasting firm provided additional forecasts for Sales and Use Tax and Gaming Percentage Fee Tax.

Mr. Guindon directed the members to page 3 of Exhibit C, which listed the major revenue sources considered by the Economic Forum for FY 2010 at its January 22, 2010, meeting. The list also included the FY 2010 actual collections in dollars and the percentage of total General Fund revenues. He stated the numbers were preliminary as they were still being reconciled with the State Controller. Mr. Guindon pointed out that the major General Fund revenues accounted for approximately 80% of the General Fund; however, in 2007 the same major General Fund revenues accounted for about 89% of the General Fund. Mr. Guindon turned to page 4 of Exhibit C, to a graph depicting actual General Fund revenues from FY 1991 to FY 2010. He explained tax changes made in the 2003 Special Session to generate additional General Fund revenue accounted for the sharp increase on the graph in FY 2004. From 2004 to 2007, revenues continued to increase partly due to the tax changes, but also because the economy strengthened at the same time. The revenues eventually peaked in FY 2007 and then started retracting down to the trough observed in FY 2009. Increased revenues were shown again in FY 2010 due to tax changes made in FY 2009 and the 26th Special Session in February 2010.

Turning to page 5 of Exhibit C, Mr. Guindon presented a graph showing the Economic Forum's total General Fund revenue forecasts from FY 2006 to FY 2011. The graph comprised a series of colored lines to show the December forecasts used to build The Executive Budget; the May forecasts approved by the Economic Forum; the May forecasts adjusted for legislative actions, which made changes to the taxes and revenues; and the actual revenue collections for each fiscal year. Mr. Guindon noted the December Economic Forum forecasts were based on very little actual available collection information. For example, when the December forecast was produced only three to four months of the monthly General Fund revenues, and only about one quarter of the quarterly revenues (Modified Business Tax, Insurance Premium Tax, Real Property Transfer Tax) were known for the fiscal year. When the May forecast was produced approximately eight to nine months of the monthly General Fund revenues and only two quarters of the quarterly revenues were known.

The graph showed the Economic Forum produced a December 1, 2004, forecast (Dec 04 Forecast [red]) for base year FY 2005, as well as FY 2006 and FY 2007. On May 1, 2005, another forecast (May 05 Forecast [green]) was made by the Forum for the same period, which came in higher than the December forecast and was used by the Legislature in developing the legislatively-approved budget. Based on actions approved by the Legislature, the Fiscal Analysis Division prepared an estimate of the revenue changes and adjusted the Forum's May forecast, which became the official forecast for the legislatively-approved budget (May 05 Forecast-Leg. Adj. [blue]). The actual revenues for FY 2006-07 (Actual FY 2007 [black]) came in well above the forecast for FY 2007.

The Forum convened in December 2006 to prepare a forecast based on the economic outlook for base year 2007 (Dec 06 Forecast [red]), but little actual revenue collection information was known when this forecast was prepared. In May 2007 another forecast was made (May 07 Forecast [green]), but since more actual collection information was available, the Forum revised its previous forecast downward. After legislative actions were applied, the Forum's May forecast was adjusted downward, principally due to the Modified Business Tax rate being lowered (May 07 Forecast-Leg.Adj. [blue]). This was the forecast used by the 2007 Legislature to produce the legislatively-approved budget for the 2007-09 biennium. Mr. Guindon said staff from the Budget Division and the Fiscal Analysis Division realized in approximately October 2007 that the forecasts for the 2007-09 biennium were not tracking well relative to the actual collections, and produced internal forecasts to determine what was happening with the economy. Because there was such a severe decrease in actual revenue collections compared to the original projection, the Governor called a special meeting of the Economic Forum on June 20, 2008, to prepare revised forecasts for FY 2008 and FY 2009. Actual collection information at that time consisted of approximately ten months of the monthly revenue and three quarters of the quarterly revenue, but a forecast for FY 2009 (Jun 08 Forecast [purple]) had to be made regardless. Mr. Guindon directed the members attention to the dramatic difference between the blue line on the graph, which was the forecast made in May 2007 adjusted for legislative actions, and the purple line, which was the June 2008 forecast. It was evident the State's budget had issues, so the Governor called a Special Session of the Legislature in June 2008 (24th Special Session) to make budget adjustments to the expenditure side of the budget.

In December 2008, Chairman Restrepo, Mr. Alastuey and Ms. Rosenthal along with the other two members of the Economic Forum, produced a forecast based on the available economic information, as well as the available actual collection information for base year FY 2009, FY 2010 and FY 2011 (Dec 08 Forecast [red]). This forecast was used by the Governor to produce The 2009-11 Executive Budget. Due to the ongoing economic crisis and soon after the Forum produced its December forecast, the Governor called a Special Session of the Legislature (25th Special Session). The Legislature approved revenue enhancements (Dec 08 Forecast-Leg. Adj. [yellow]) to provide additional General Fund revenue for FY 2009. Principally it made changes to the Short-term Car Rental Tax and an additional payment of Net Proceeds of Minerals to generate the additional revenue in the 25th Special Session. There were no changes made for FY 2010 and FY 2011. On May 1, 2009, the Economic Forum convened to produce the forecast for the 2009 Legislature (May 09 Forecast [green]), which was much lower than the previous forecast. The Forum had more actual collection information available in May 2009 than in December 2008, so the forecast was revised downward accordingly. Mr. Guindon said the Legislature approved the revenue enhancements for the legislatively-approved budget during the 2009 Regular Session (May 09 Forecast-Leg. Adj. [blue]) for the 2009-11 biennium.

Mr. Guindon explained that, again, due to the economy, the actual revenue collections (Actual FY 2009 [black]) were not tracking well and another special Economic Forum was called on January 22, 2010, to reforecast FY 2010 and FY 2011. For FY 2009 the original budget amount was approximately $3.5 billion and the actual revenue collections were $2.75 billion, which showed a dramatic change in the State's economy. The Economic Forum, which met in January 2010, took into consideration the revenue enhancements and tax changes approved during the 2009 Regular Session, but still lowered the forecast (Jan 10 Forecast [light green]) from the May 2009 forecast. The Governor called the Legislature into the 26th Special Session in February 2010, and adjustments were made to the budget including additional revenue enhancements. Staff subsequently made the legislative adjustments (Jan 10 Forecast-Leg. Adj. [light blue]) to the January 2010 forecast. The forecast used for the 2009-11 biennium was based on the January 2010 forecast with estimates for the revenue enhancements approved during the 26th Special Session in February 2010. Not listed on the chart, but known based on FY 2010 actual collection information to date, was that actual General Fund revenues for FY 2010 came in above the January 2010 forecast adjusted for legislative actions.

Mr. Guindon thought the chart graphically showed the historical progression of the revenue forecasts and provided useful information for the other agenda items to be discussed at the meeting. He wanted the members to keep the chart in mind when the error analysis agenda item was discussed to see the importance of the tax changes approved by the Legislature, and the role it played in the Forum's forecasting process.

Referring to FY 2010 on the chart, Mr. Martin asked for comment on the actual revenue collections, and the $100 million difference between the actual collections and the January 2010 Economic Forum forecast. He wanted to know whether the State would eventually return to the higher level considering the trends were appearing slightly higher.

Mr. Guindon said the current forecast used for the legislatively-approved 2009-11 biennium budget was the January 2010 Economic Forum forecast adjusted for legislative actions approved during the 26th Special Session (February 2010). The actual revenue collections for FY 2010 came in $80 million above the forecast. The Economic Forum would try to determine at its second and third meetings of the fall cycle whether the State would return to the higher level of General Fund revenues. Staff would present information to the members and it would be up to the members to decide on the forecast for FY 2011, FY 2012, and FY 2013.

Chairman Restrepo asked what percentage difference the $80 million represented between the forecast and the actual collections. Mr. Guindon replied the actual dollar difference was approximately $80.9 million, which was approximately a 2.7% difference.

The January 2010 forecast adjusted for legislative actions was approximately $2.93 billion and the actual collections amounted to approximately $3.007 billion. Mr. Guindon further explained that when the January 2010 forecast was made the Forum only had data for about four to five months of the actual monthly revenue collections and only about one quarter of the actual quarterly revenue collections on which to base the forecast.

Mr. Alastuey remarked that the apparent upward trend on the chart (Jan 10 Forecast-Leg. Adj. [blue]) could be a result of actions related to the Southern Nevada Clean Water Coalition ($62 million), tax amnesty projections, and other actions. He believed the core Economic Forum projections would not have reflected that trend.

Mr. Guindon said Mr. Alastuey's observation was correct. The January 2010 forecast by the Forum predicted FY 2011 revenue to be less than FY 2010 (Jan 10 Forecast [light green]), which is shown as a downward slope on the chart. Due to actions taken by the Legislature during the 26th Special Session to add revenue in FY 2010, but predominately in FY 2011 (Jan 10 Forecast-Leg. Adj. [blue]), it became an upward slope on the chart.

Chairman Restrepo agreed these were important observations for the members to understand how certain special events occurred that were not contemplated when the forecast was made. He thought the revenues in the Sales Tax category were boosted after the January 2010 forecast was made due to the inception of various federal programs such as, the Car Allowance Rebate System (cash for clunkers), Home Buyer Tax Credit and rebates for Energy Star Appliances. The Forum would not have been aware of these potential revenues for FY 2010 when forecasting in January 2010.

Mr. Guindon thought that taxable sales generally fell over FY 2010; although, there did appear to be some stabilization in the latest months of the fiscal year. He acknowledged that American Recovery and Reinvestment Act (ARRA) funds and federal programs had some impact on the revenue collections, but said the increased revenue collections were mostly from the change in the Modified Business Tax from a flat rate to a two-tiered rate. The 2009 Legislature made other revenue enhancement changes with the idea that the increased revenues would counteract the worsening economy. When estimates were later prepared on those revenue enhancements, staff found the economy was performing more poorly than expected coming out of the 2009 Regular Session, which prompted the special Economic Forum meeting in January 2010.

Mr. Guindon commented that as a forecaster as well as staff for the Economic Forum, he took offense when people commented that the result that actual collections were higher than forecast was not surprising because the Forum "low-balled" the estimates in January 2010. He said staff and the Forum members did the best job possible to determine what direction the economy was headed given the information available when the forecast was prepared. The result of higher collections than forecast was not illogical given that the forecasters continually revised the forecast to find the bottom, and eventually produced forecasts that were lower than actual collections. In his opinion, what occurred in FY 2010 was two-fold, the economy was slightly stronger than was originally thought, and it was difficult to produce estimates for new tax changes with little actual information. Mr. Guindon appreciated the Chairman allowing him to point out there was no intent by staff or the Forum members to low-ball the estimate, especially since it was rare for forecasters to be able to hit the target exactly when forecasting one or two years in advance.

Chairman Restrepo noted the health of the State General Fund was directly related to the health of the State's economy. In turn, the State's economy was directly related to the health of the national economy, which had been unhealthy. He appreciated Mr. Guindon's comments and felt that the Fiscal Analysis Division, the Budget Division and the Executive Branch agencies all gave the best projections and estimates available at the time. Chairman Restrepo said the members knew the forecasters were not low-balling the forecasts. He thought the Forum had been accused in the past of creating self-fulfilling prophecies; however, the members looked at the economic indicators and drivers to see how that affected collections.

Mr. Maddox stated many of the national statistics he had studied showed that out of the 2.4% gross domestic product increase over the prior six months, 1.8% had been related to quantitative easing due to stimulus funds. This information was not known when the forecast was produced. He thought if the stimulus and quantitative easing was subtracted the lines on the chart would look radically different and would show no growth. It was very difficult to not only guess what the economy was going to do, but also what the federal government was going to do. He expressed that the forecasters did a great job on guessing what the economy was going to do, and the State got a little more help from the federal government than initially predicted.

Mr. Guindon added it is easy to criticize forecasts after the fact when the actual revenue collections were known. He said if the critics were willing to forecast at the same time as the other forecasters, and did a better job, then maybe the Forum should start listening to them.

Chairman Restrepo thought for the forecast to actual collection comparison to differ by only approximately 3% was a good forecast.

VI. PRESENTATION OF THE TAX CHANGES APPROVED BY THE LEGISLATURE DURING THE 25^TH^ SPECIAL SESSION, 2009 REGULAR SESSION, AND 26^TH^ SPECIAL SESSION.

Mr. Guindon presented the major tax changes approved by the Legislature during the 25th Special Session, 2009 Regular Session and 26th Special Session. His primary objective was to provide information on how the tax changes would affect the forecasts that will be prepared for FY 2011, FY 2012 and FY 2013. Mr. Guindon said legislative actions approved by the Legislature during the following sessions were taken into consideration for preparation of data in the tables starting on page 167 of the meeting packet (Exhibit A):

- The 25th Special Session (December 2008), held after the Economic Forum prepared its December 2008 forecast.
- The 2009 Regular Session, held after the Economic Forum prepared its May 2009 forecast.
- The 26th Special Session (February 2010), held after the Economic Forum prepared its January 2010 forecast.

The tables on pages 167 through 171 provided information for the Economic Forum members and forecasters to consider in their preparation of forecasts for FY 2011, FY 2012 and FY 2013. The first table on page 167 presented the January 22, 2010, Economic Forum forecast for FY 2010 and FY 2011, adjusted for legislative actions approved during the 26th Special Session. Mr. Guindon noted that since FY 2011 had started on July 1, 2010, FY 2010 actual collections had been tabulated and the revenue numbers were being monitored to determine if the actual revenues were tracking close to the forecast. He pointed out that the revenue sources that were impacted by legislative actions either from the 25th Special Session, the 26th Special Session or the 2009 Regular Session were highlighted in the table. As reference, revenue sources impacted by legislative actions during the 26th Special Session were highlighted in yellow. Revenue sources impacted from actions approved during the 2009 Regular Session were highlighted in orange. Those that were impacted in both the 2009 Regular Session and the 26th Special Session were highlighted in yellow surrounded by an orange box. Actions approved during the 25th Special Session were not highlighted because there were few and only Net Proceeds of Minerals was the major revenue source impacted.

Mr. Guindon pointed out there were different types of tax changes approved by the Legislature in the table. If the tax change was permanent it would affect FY 2010 and/or FY 2011 and continue into FY 2012 and FY 2013. There were also actions approved by the Legislature referred to as "sunsets": a measure approved that made a tax change for FY 2010 and FY 2011, but scheduled to end or sunset on June 30, 2011, and not continue into FY 2012 or FY 2013. There were also one-time revenues approved by the Legislature that placed additional revenue into FY 2010 and/or FY 2011, but do not continue into FY 2012 and FY 2013. He noted it was important to be conscious of these tax changes when the forecasts were prepared, and it was equally important to make sure the agencies had considered the various changes when submitting its forecasts. Of all the various changes highlighted in the table, the largest one was the Modified Business Tax. The Modified Business Tax was continuing, but since the Economic Forum was required to prepare forecasts under current law the following changes to the tax would have to be considered in the December 2010 forecast:

- FY 2011 Forecast – Modified Business Tax based on two-tiered tax rate structure
- FY 2012 and FY 2013 Forecast – Modified Business Tax based on flat .63% tax rate

Mr. Guindon said that he and Mr. Restrepo, acting as Chairman of the Economic Forum, decided to place all the material contained in the meeting packet (Exhibit A), along with other charts and tables prepared by staff, on the Economic Forum's webpage on the Legislative Counsel Bureau's website www.leg.state.nv.us. Historically, this material had not been available on the website, but adding it gave everyone the opportunity to view the same information presented to the members at the meetings. Both Chairman Restrepo and Mr. Guindon thought it was important for the information to be readily accessible.

Chairman Restrepo asked for a description of some of the tax changes. Mr. Guindon highlighted the following General Fund revenue items on page 171 of the meeting packet (Exhibit A) to address Mr. Restrepo's question:

Items listed as GL 3070 through GL 4861 (highlighted in orange) were all one-time revenues for FY 2010 and FY 2011 and not scheduled under current law to continue in FY 2012 and FY 2013. The largest items in this list were the property tax redirection from Clark County and Washoe County and the transfer of funds from the Supplemental Account for Medical Assistance to the Indigent to the State General Fund.

Another notable item was GL 3081 (highlighted in yellow), which represented the $62 million redirected from the Clean Water Coalition in Clark County to the General Fund for FY 2011 and would not continue in FY 2012 or FY 2013.

Although a minor revenue item, the GL 4793 – Lobbyist Registration Fees (highlighted in yellow) was a one-time source of funds for FY 2011 of $100,000.

Mr. Guindon noted that due to these various tax changes, the forecast lines were going to look like the charts in Exhibit C with FY 2011 up and FY 2012 down. He wanted everyone involved to keep these one-time revenues in mind during discussions at the next several meetings. These revenue sources were discontinuing and the Modified Business Tax rate was changing, which would greatly affect the forecast prepared and presented to the Economic Forum.

Mr. Guindon directed the members to page 169. He noted that GL 3064 (highlighted in yellow), Net Proceeds of Minerals showed a one-time acceleration of revenue in FY 2009 when actual collections went from $35 million to $72 million. Based on the strength of gold and mining, the revenues were expected to continue at those same levels in FY 2010 and FY 2011. Under current law there would not be any Net Proceeds of Minerals collected in FY 2012 when the State would switch from the prepayment law back to the actual payment law. Also on page 169 he noted for GL 3069 (highlighted in orange), the Modified Business Tax showed a significant increase from approximately $253 million in FY 2009, with a revised forecast of $351 million due to the tax change that was approved in the 2009 Regular Session. The two-tiered structure would sunset on June 30, 2011, and return to the flat rate structure for FY 2012 and FY 2013. No matter what the economic outlook, the Modified Business Tax forecast would be higher for FY 2011 and then much lower for FY 2012 and FY 2013. Mr. Guindon stated that the forecasters and the Forum would have to pay extra attention to the outlook for wages, and then translate that information into a collections forecast. He said to just look at the collections forecast would not provide information on what that meant for the outlook for wages.

Mr. Guindon explained that located on pages 175 through 179 of the meeting packet (Exhibit A) were a set of tables prepared by the Fiscal Analysis Division, which summarized all the legislative actions approved by the Legislature during the 25th Special Session, 2009 Regular Session, and 26th Special Session. These legislative actions may affect the estimates for particular revenue sources that would be prepared by each forecaster for FY 2011 of the 2009-11 biennium and FY 2012 and FY 2013 of the 2011-13 biennium. As part of the forecast process, the Budget Division and Fiscal Analysis Division sent a joint request to every Constitutional Officer and Executive Branch agency that collects an unrestricted General Fund revenue source considered by the Economic Forum. Each entity receiving a request was asked to verify the actual amounts for FY 2009 and FY 2010 and provide estimates for FY 2011, FY 2012, and FY 2013 for those revenue sources, which they are responsible for collecting. The tables summarizing the legislative actions were also provided to the agencies in order to make sure that any tax changes that may apply were taken into consideration when the forecasts are prepared.

Continuing, Mr. Guindon turned to page 175 of the meeting packet, which listed the major General Fund revenues historically considered by the Economic Forum. He noted the following taxes would be given the most consideration by the Forum for forecasting: Taxpayer Collection Allowance – Sales and Use Tax and Cigarette Tax, Insurance Premium Tax, Modified Business Tax, and Room Tax. He said even though the Taxpayer Collection Allowance was on the major revenues list it actually was not a major item but would be taken into consideration when developing forecasts for the State 2% Sales Tax and Cigarette Tax. Assembly Bill 6 of the 26th Special Session required the Insurance Division of the Department of Business and Industry, no later than June 30, 2010, to implement a program to perform desk audits of tax returns submitted by insurance companies when filing the Insurance Premium Tax returns. It was estimated the desk audits would generate an additional $10 million in FY 2011. Budget Division and Fiscal Analysis Division staff planned to work with the Insurance Division to determine whether the desk audits would be a source of ongoing sustainable revenue. This issue would be taken into account when the forecast was produced for the Insurance Premium Tax. Mr. Guindon said the Modified Business Tax had already been discussed at the meeting, but he thought the forecasters and the Forum members would need to go through the provisions of the tax in a logical manner to determine the forecast. Under the provisions of Initiative Petition 1 of the 2009 Regular Session, the Room Tax of up to 3% (imposed in Clark and Washoe Counties) was to be collected and credited to the State General Fund through June 30, 2011. The tax was ongoing under current law; however, the tax collections beginning on July 1, 2011, were to be collected and credited to the State Supplemental School Support Fund for K-12 Education. A forecast for Room Tax would be prepared for FY 2011, but not for FY 2012 and FY 2013.

Listed on pages 176 through 178 were the non-major General Fund revenues affected by actions during the 25th Special Session, 2009 Regular Session and the 26th Special Session. Forecasts must be prepared for FY 2011, FY 2012 and FY 2013 for these revenues. He said certain stipulations imposed during these sessions would need to be taken into account when preparing the forecast for these particular revenues. Typically, the Technical Advisory Committee produced a consensus forecast for these non-major revenue sources and provided it to the Forum for consideration and approval. Finally, on page 179 were the non-major General Fund revenue sources, based on Legislative actions, for which no forecast was needed for FY 2012 and FY 2013; however, a forecast for FY 2011 would be necessary. Mr. Guindon said he wanted to make this information part of the public record and staff would make sure that these factors were considered as part of the forecasts brought to the Forum at the second and third meetings.

Mr. Alastuey thanked Mr. Guindon for the level of detail provided for the Forum members and to the other forecasters. He requested streamlined information to be presented at the November 2010 meeting for the major revenues. He thought many of the legislative actions were either non-major or related to one-time events, sunsets or other actions taken by the Legislature. If all of those revenue sources were removed just the Modified Business Tax would be left. At the November 2010 meeting, he wanted to discuss Modified Business Tax in terms of the flow of payroll paid by employers that was the taxable base. Mr. Alastuey stated that by concentrating on the different forecasts for the taxable wage base, it would make it easier to develop a forecast for the Modified Business Tax. Once a forecast for the taxable wage base had been developed by the Forum, then an appropriate factor could be applied to account for the reduction in the tax rate in FY 2012 and FY 2013.

Chairman Restrepo agreed that the rate changes and collections were important, but he was also interested in the drivers of the economy, which he characterized as wages, visitation and consumer spending issues. He said the health of those indicators would be dependent upon the health of the financial or tax collection indicators. Chairman Restrepo inquired if the American Recovery and Reinvestment Act (ARRA) money went into the General Fund, or if it was allocated to various departments.

Mr. Guindon said he might not be the most qualified person to answer that question. However, he noted that ARRA funding information was not included in any of the Economic Forum materials nor was it on the agenda to be considered by the Economic Forum. He said that ARRA funds were available to the State and could be used to supplant General Fund revenue, but its interaction was on the expenditure side of the State's budget rather than on the General Fund revenue side to be addressed by the Economic Forum.

VII. REPORT AND DISCUSSION OF FY 2009 AND FY 2010 ACTUAL COLLECTIONS COMPARED TO FORECASTS BY THE ECONOMIC FORUM AT ITS DECEMBER 1, 2008, AND MAY 1, 2009, MEETINGS, INCLUDING ADJUSTMENTS FOR ACTIONS APPROVED BY THE LEGISLATURE.

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

F. Real Property Transfer Tax
G. Cigarette Tax
H. Secretary of State Fees
I. Room Tax

Mr. Guindon said the tables starting on page 181 of the meeting packet (Exhibit A) showed actual collections versus the forecasts made by the Economic Forum and each of the other forecasters for the major General Fund revenue sources separately as well as for all revenue sources. The Economic Forum started producing forecasts in 1994-1995 and during the second cycle of the Forum the members wanted to know how well they had forecast. For information purposes, staff had since prepared tables to be presented at the first meeting of the fall forecast cycle to show how well the prior forecasts fared compared to actual collections. He noted the tables focused on the December 1, 2008, and the May 1, 2009, forecasts of the major General Fund revenues produced by the Forum.

Chairman Restrepo said it appeared the addition of FY 2008-09 was the only difference between Table 1 on page 181 and Table 3 on page 193. Mr. Guindon said that was correct. Table 1 showed the December 1 base year forecast for FY 2009, the one-year ahead forecast for FY 2010, and then information for those same years from the May 1, 2009, forecast. Further, he said the actual collections, the Forum's forecast, and the forecast by forecaster were all listed on the tables. Also, the dollar differences were computed as actual collections minus the forecast. For example, a positive number meant actual collections came in above forecast, and a negative number meant actual collections came in below the forecast. The table also showed the percent difference relative to actual collections. Mr. Guindon said the generally expected result was for the forecast error to go down as more actual collection information and information on the economy became available. As previously discussed, only three to four months of the monthly data, and no quarterly data for the fiscal year being forecast, was known when forecasting in December, and much more information was available for the May forecast – eight to nine months of the monthly data and two quarters for the quarterly data. Mr. Guindon noted the changes in tax laws from one fiscal year to the next made the process of compiling the data for the tables a complex exercise. He said staff used specific rules to make adjustments for the tax changes so the data in the tables were "apples-to-apples" comparisons. Mr. Guindon said Table 2, on page 185 (Exhibit A), contained the same information as Table 1, but included data for every revenue source, not just the major sources. Table 2, however, was only based on the May 1 forecast, where Table 1 included both the December 1 and May 1 forecasts.

Mr. Guindon stated that these tables had been a consistent part of the Economic Forum's forecast comparison and wanted to make sure the members understood how to interpret the information presented in them. However, it was not necessary to go through the results of the tables in detail unless the members had specific questions to be addressed.

VIII. REPORT AND DISCUSSION OF FY 2010 ACTUAL COLLECTIONS COMPARED TO FORECASTS APPROVED BY THE ECONOMIC FORUM AT ITS JANUARY 22, 2010, MEETING, INCLUDING ADJUSTMENTS FOR ACTIONS APPROVED BY THE LEGISLATURE.

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

F. Real Property Transfer Tax
G. Cigarette Tax
H. Secretary of State Fees
I. Room Tax

Mr. Guindon said the most relevant forecast comparison information was included in Table 3 (Revised) (Exhibit D), Actual Collections versus December 1, 2008, May 1, 2009, and January 22, 2010, Forecasts by Forecaster for FY 2009-10, prepared by the Fiscal Analysis Division. Table 3 was a compilation of forecasts for FY 2010 from December 2008, May 2009 and January 2010, by the various forecasters, as well as actual collection data. The forecasters included various agencies, the Fiscal Analysis Division, the Budget Division, Global Insight/Moody's Analytics, and the Economic Forum. Mr. Guindon explained that the Fiscal Analysis Division had to make adjustments to the forecasts, primarily the December 2008 forecasts, for those revenue sources impacted by legislative actions approved during the 2009 Regular Session and the 26th Special Session. Unless these adjustments were made, the forecast comparison across the different forecasts for that revenue source would not be on an "apples-to-apples" basis. This result occurred because the December 2008 forecast was developed based on current law in place at that time, versus the May 2009 and January 2010 forecasts that were adjusted for actions approved during the 2009 Regular Session and 26th Special Session.

When the Forum produced the May 2009 forecast, much more actual collection data was available to utilize for the basis of the forecast than had been in December 2008. Furthermore, when the Forum produced the January 2010 forecast for FY 2010, additional actual collection data was available. Using the Sales and Use Tax as an example, he said there was a reduction in the forecast error from December to May, and in January the Forum over forecasted by approximately $25.5 million or about 3.4%.

On page 194 (Exhibit A) were two shaded areas (green and orange) on the table for Room Tax and Securities. Mr. Guindon said forecasts were not prepared for these revenues for the timeframe shown; however, the correct amounts had been inserted into the table to keep the error analysis balanced for the major revenue sources and the total General Fund. The forecasts for the ten major revenues listed on the bottom of page 194 (Exhibit A), showed a reduction of forecast error from January to May. Due to the economy, he thought it was not surprising there were relatively significant over forecasting errors for the December and May forecasts; the errors appeared as negative numbers because the forecast was much higher than the actual revenue received. He thought the January 2010 forecasts were good news as the forecast errors displayed in the table contained more positive rather than negative numbers. For example, the major revenues forecast accounted for approximately $58.1 million or 2.4% above the forecast. All other General Fund revenues came in at $565.3 million, which was approximately $22.8 million above the forecast, or a 4% error. Total actual General Fund revenues were $80.9 million above the forecast for a 2.7% error. Mr. Guindon explained how the comparison of actual General Fund revenues to forecast played a role in the ending fund balance calculation for the state budget. He stated that knowing actual revenue collections were approximately $81 million above the forecast would result in a positive impact on the ending fund balance for FY 2010 and the amount that could be balanced forward to FY 2011. It was important to note that the General Fund revenues position was just one piece of the ending fund balance calculation as the elements of the expenditure side of the budget also had to be taken account, especially in relation to the budget actions approved by the Legislature during the 2009 Regular Session and 26th Special Session.

Mr. Guindon said Table 4 (FY 2008-09 and FY 2009-10 General Fund Revenue Forecast Error Comparison) on page 197 (Exhibit A) provided the Budget Division and Fiscal Analysis Division with the most pertinent information relative to understanding the General Fund revenue position and its impact on the state's budget position for FY 2009 and FY 2010. The table on page 197 showed that actual total General Fund revenue collections for FY 2009 were approximately $20.1 million below the Economic Forum May 1, 2009, forecast, which was the final official forecast used in developing the budget for FY 2009. Thus, the actual General Fund revenues for FY 2009 resulted in a negative impact on the FY 2009 ending fund balance of $20.1 million relative to the projected amount. The January 2010 forecast for FY 2010 for the total General Fund was the current final official estimate used in developing the budget for FY 2010. As discussed previously and shown on page 197, actual General Fund revenue collections for FY 2010 relative to the January 2010 forecast resulted in a positive impact on the ending fund balance.

Chairman Restrepo asked if the $62 million Clean Water Coalition transfer was part of the FY 2010 $80 million, and Mr. Guindon replied no. He explained that the Clean

Water Coalition money was not different from any other revenue source, but it was projected money for FY 2011 and not part of the FY 2010 forecast.

Mr. Guindon said he presented the tables so the members could see the results of the Forum forecasts versus the actual revenue collections. He wanted to provide an understanding on how to read the table and interpret the data. It would give the members an idea of where the State was relative to where the Forum forecasted the State would be. He thought it may help the members decide on a forecast at the second and third meetings. This data was part of the Economic Forum's process and the public record.

IX. REPORT ON FORECAST ACCURACY BY FORECASTER FOR SELECTED REVENUES.

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

F. Real Property Transfer Tax
G. Cigarette Tax

Mr. Guindon said starting on page 205 (Exhibit A) was a compilation of data, which reported on forecast accuracy by each forecaster for selected major revenue sources. Turning to page 212, he explained the table displayed the Economic Forum's forecast accuracy on a biennium basis based on the May 1 forecasts prepared each forecast cycle. Since actual collections for FY 2011 of the 2009-11 biennium were not yet known, the analysis included in the tables covered data through the 2007-09 biennium that had just ended. On page 215 was a listing of all the forecast periods in the report that made up the statistics for the chart on page 212. Listed on the table on page 212 was data on Sales Tax, which Mr. Guindon stated was the most pure revenue source because the State had not made any changes to the tax base and the 2% rate could not be changed by the Legislature without a vote of the people. Other revenue sources were subject to and affected by legislative action; however, since Sales Tax was not, it was easier to use for a frame of reference. Based on the forecast errors over the seven biennia that the Economic Forum has prepared forecasts, the State 2% Sales Tax revenue has been over-forecast by an average of 0.7%. The average percent forecast error was achieved by compiling all the forecasting errors over the seven biennia and then averaging them. The average allowed for the negatives and positives to cancel each other out, so if there were a positive error of 3.0% in one biennium and a negative error of 3.0% in the next biennium the average error over the two biennium would be 0.0%. Mr. Guindon explained the numbers were compiled in actual minus forecast terms, so if there was a positive number for the average percent forecast it meant on average, over those seven biennia, the forecaster tended to under forecast. If the number was negative the forecaster over projected. The summary table on page 212 showed the average percent forecast errors and the absolute average percent forecast errors. The average error tells what bias might be in the forecast, whether the forecast tended to be above or below the target on average. The absolute average error does not allow negative and positive forecast errors to cancel each other out. In the prior example, where there was a positive forecast error of 3.0% in one biennium and a negative 3.0% forecast error in the next biennium, the absolute average forecast error would be 3.0%. Using an analogy of shooting arrows at a target, if the person shot 3 feet above the target and 3 feet below the target, then on average the person hit the target based on the average forecast error statistic. However, the person never actually hit the target and the absolute average error indicates how close to the target one is on average in absolute terms. He thought it was interesting that the total General Fund revenues on average were 0.0%, which meant, on average, there was no bias in terms of under forecasting or over forecasting over the seven biennia since the inception of the Economic Forum. However, in absolute terms the forecasts were missing by an average of 6.6%.

On page 219 (Exhibit A) were statistics for the average error and average absolute error in percent terms and dollar amount for each of the five major General Fund revenues. In addition, the average and absolute average growth forecast error was listed. Page 220 showed statistics for the total of the five major revenues, which counted for about 76% of the General Fund revenues on average. Beginning on page 221, were statistics for each one of the forecasts back to FY 1994-95. Using Sales Tax as an example, Mr. Guindon thought the forecasts for one and two years ahead were consistent until larger forecasts were shown for FY 2003-04 and FY 2004-05, indicating a stronger increase in the economy than was estimated. During that period, the Forum significantly under forecast sales tax revenue. Page 222 showed the incorporation of the one year ahead forecast in FY 2007-08 and the two years ahead forecast in FY 2008-09 where dramatic over forecasting was evident. Mr. Guindon said staff had an expectation of what the statistics would show for this timeframe; however, not until the table was actually compiled was it clear how bad the statistics really were for those periods. Finally, on page 205 was a comparison of average error and absolute average error statistics for Sales Tax and Gaming, which were the two biggest major General Fund revenue sources, and the total General Fund. The difference between this same report provided to the members in October 2008 and the statistics presented at this meeting was in the two years ahead forecast column under Sales Tax. Two years prior, without knowing the actual revenues for FY 2009 the Forum under forecast by about 3.6% or $28.5 million. By adding one observation to the 2009 statistics, the Forum switched to over forecasting by 2% or $18.3 million average. Based on known Sales Tax information for that one year, the table showed in absolute terms the forecast error went from 5.7% to 10% absolute error when the FY 2009 data was added.

Ms. Rosenthal asked how much the State paid for the Global Insight forecast. Mr. Guindon said the State was no longer under contract with Global Insight, but now contracted with Moody's Analytics. He thought the State paid approximately $5,000 per year for the Sales Tax and Gaming forecasts. In addition, the State also contracted with Moody's Analytics to produce national and state economic forecasts; however, the cost was shared four ways with different state agencies that share the forecast information.

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

Mr. Guindon said the presentation of historical taxable sales and gaming market statistics would provide the Economic Forum with information to consider in building the preliminary forecasts at its November meeting.

Mr. Guindon said the taxable sales charts beginning on page 251 of Exhibit A, were identical to the ones presented to the Economic Forum at its January 22, 2010, meeting except they had been updated to include the additional actual data reported since January 2010. He noted the peak collection point was April 2007, followed by a dramatic drop in late 2008. From November 2008 to November 2009, there were 13 consecutive months of double-digit negative declines, which was the information considered in preparing the forecast in January 2010.

Mr. Guindon said the charts were updated to include information through June 2010. He noted that the Department of Taxation had since released numbers for July, which were up about 4% compared to July 2009, even after accounting for amnesty collections. He would send updated charts to the members after the meeting. He noted the 12-month moving average was also displayed in the charts and explained that each point showed the average for that month and the preceding 11 months.

Mr. Guindon said the red line represented the percent changed from the same month one year ago. He said the chart showed some stabilization occurring in statewide taxable sales, which could mean the decline was bottoming out. From April 2007 to June 2010, 35 out of 39 months posted negative growth. If not for amnesty collections and other anomalous factors, negative growth would have been posted in 37 of the 39 months.

Ms. Rosenthal asked if one more month of data would be available for the November meeting. Mr. Guindon said that was correct. The roll for the sales tax numbers was completed by the Department of Taxation just before the November meeting. Two months of FY 2011 sales tax collections would be known at that time, and three months of sales tax collections would be available for the December meeting.

Chairman Restrepo asked if the three months of sales collections were July, August and September and Mr. Guindon replied that was correct.

Ms. Rosenthal asked about gaming tax numbers. Mr. Guindon said one additional month of information would be available for the November meeting for a total of three months available, and four months would be available for the December meeting.

In addition, one full quarter's worth of information would be available at the December meeting for the quarterly taxes such as Modified Business Tax, Insurance Premium Tax, and Real Property Transfer Tax.

Mr. Maddox asked if the data contained outliers that did not appear to be related to underlying business activity. He observed that July utilities for Clark County grew from $300,000 to $20 million; telecommunications doubled from $20 million to $50 million; and real estate went from -$44 million to $5 million. He noted that those three factors accounted for all of the growth in Clark County. He wanted to make sure there was no confusion that there was 5% economic growth.

Mr. Guindon agreed with Mr. Maddox that the taxable sales figures should be shown without anomalies. He explained that a utility company may have purchased a large piece of equipment that affected the sales tax numbers, which could not be considered as sustainable underlying economic activity.

Mr. Guindon said there seemed to be signs that things were turning. He would not say there was a recovery, but the economy might have reached its low point. It was not going to be easy for the Economic Forum or the forecasters to determine whether the decline in the economy had reached the bottom, and if so, how long it would remain there.

Chairman Restrepo asked Mr. Guindon to footnote and extract any special events or outliers from the normal collection cycle so that there was no misunderstanding. Mr. Guindon said the spikes in the charts showed areas that might require explanation. It was his intent that the charts be updated with July and August numbers. He did not plan to go over the charts in the second and third meetings unless the members had questions that could be explained by the charts.

Mr. Guindon said the 12-month moving average through June 2010 crossed at about April 2004. He said that might be an indication the decline had stabilized near the bottom. The annual average of taxable sales was at a level near what was collected six years ago. He said the peak was around April 2007. In the 36 months from April 2004 to April 2007, the level of taxable sales changed from $3.1 billion to about $4.1 billion. Around April 1997, the tax base was around $2 billion. In seven years, the base grew by about $1 billion. From April 2007 to June 2010, the level declined to around $3.1 billion. He noted it took about seven years from 1997 to 2004 for the base to rise $1 billion. It took three years from 2004 to 2007 to grow another $1 billion, and then three years to lose that $1 billion. He wondered if the State's economy was truly at the bottom, what would happen going forward? Would the $1 billion to the tax base be regained in the next three-years, seven-years, or some period between these two?

Moving to page 252 of Exhibit A, Mr. Guindon said Clark County's pattern looked much like the State's pattern, because it made up 74% to 75% of statewide taxable sales. About $700 million of the $1 billion lost from the peak to the "trough" was in Clark County. He said Washoe County accounted for about 13% to 14% of statewide taxable sales (page 253). In Washoe County there was some indication of an inflection point, because the level was decreasing at a slower rate, but it did not appear to have flattened, even after the July numbers were added.

Mr. Guindon said that Carson City made up about 2% of the statewide taxable sales (page 254), but obviously the smaller local governments had to deal with some of the same sales tax collection issues as Clark and Washoe Counties. The peak in Carson City was in 2006, and collections had fallen ever since. There was a bit of a sign that it may have flattened, but the June numbers changed the 12-month average, and the addition of July collections did not help much.

Turning to page 255, Mr. Guindon said Douglas County only accounted for about 1.5% of statewide taxable sales. There is some indication of an inflection point in the taxable sales, but it was not clear.

Mr. Guindon noted that a major casino opened in Clark County at the end of 2009, and some of the increase in taxable sales in Clark County could be due to that casino drawing visitors. He observed that the visitor numbers were a little higher, but the visitors were not spending as much as they had in the past.

Mr. Guindon said Elko County accounted for about 3% of total statewide taxable sales, and peaked at the same time as Clark County in 2007 (page 256). However, the decline in Elko County was not as dramatic as in the rest of the State due to the area's mining activity.

Mr. Guindon said Nye County made up 1% of statewide taxable sales. When Clark County was booming, Nye County grew as a "bedroom community." He noted that statewide taxable sales in Nye County continued to decline (page 257).

Mr. Guindon said page 258 of Exhibit A showed taxable sales for the rest of the State, which followed the pattern of the increase in taxable sales when the economy was doing very well, then a decline. He said that although those counties did not make up a large percentage of the State's taxable sales, the local governments depended on sales tax revenue for their budgets.

Mr. Martin asked whether compliance efforts in collecting the sales tax revenue had changed over time. He asked if the Department of Taxation had become more aggressive, or whether there had been more compliance audits to make sure bars and restaurants were reporting correctly.

Mr. Guindon said that issue arose when the Department of Taxation budget was heard by the money committees. He said Department of Taxation staff would need to speak on the issue; however, there was no Taxation staff in attendance. He said for budget reduction purposes, the Director of the Department of Taxation may have to consider making adjustments to the number of auditors first relative to staff who dealt directly with taxpayers on a daily basis.

Mr. Guindon said there was a piece of legislation passed in the 2009 Regular Session that required revenue collecting agencies to report to the Legislature what was due versus what was collected. He would provide that report to the Economic Forum members. He noted the collection rate was very high. Mr. Guindon said businesses collected sales tax directly from the customer, and remitted that collection to the State. It would be of major concern to the legislators if the tax collected was not paid to the State. He explained that when the Department of Taxation was aware of that, an audit was performed. If compliance issues were found, penalty and interest could be imposed.

Chairman Restrepo asked for the collection rate. Mr. Guindon said the revenue collecting departments reported the percentage due based on the information reported by the businesses, versus what was paid to the State. There could be revenue that was collected by the taxpayer, but not remitted to the State or reported by the business. He said it was difficult to identify businesses that did not accurately report sales tax collections. The Department of Taxation compared Internal Revenue Service filings with Modified Business Tax and sales tax filings to identify those businesses.

Moving on to the breakdown of taxable sales by North American Industry Classification System (NAICS) categories, Mr. Guindon said 17 major categories accounted for 80% to 82% of the total statewide taxable sales. He would present 11 of those 17 categories, which accounted for 60% to 62% of the General Fund revenues. Page 259 of Exhibit A showed statewide taxable sales for food service and drinking places, which accounted for 15% to 17% of total taxable sales statewide. He said the peak and the decline in this category was not surprising. He noted in early 2010 the revenue appeared to stabilize. He did not know how much of that stabilization was due to the new casino opening in Southern Nevada, as opposed to an improvement in the economy.

Mr. Guindon said page 260 showed motor vehicle and parts dealers, which accounted for about 9% of total statewide taxable sales. He said that the Car Allowance Rebate System, known as "cash for clunkers" and other incentives from dealerships resulted in an increase in collections, but for the latest month collections had declined.

Mr. Guindon said general merchandise accounted for approximately 10% of total taxable sales, and had not experienced quite the level of fall off as some of the other categories. Obviously, the holiday sales periods were peaks, but those peak levels were steadily falling off. It would be very interesting to discover at the May 2011 meeting what was produced by the 2010 holiday sales in this economic environment.

Mr. Guindon said activity in the clothing and clothing accessories category, which accounted for about 7% of total taxable sales, revealed underlying consumer behavior. He observed a dramatic fall in December 2008, and a small recovery in December 2009, which bottomed out, then started to return.

Mr. Guindon said accommodations accounted for about 5% of taxable sales (page 264, Exhibit A). He said this category had the most dramatic turnaround in 12-month moving average, but the past month's collections caused that to flatten out.

Mr. Guindon said food and beverage sales was not a big category (page 265), accounting for about 4%. The level had been declining, but not as dramatically as some of the other categories. He noted prices were not rising as they had been, which had an effect on the taxable base.

Mr. Guindon said building materials – approximately 4% of taxable sales – had experienced a continued decline, but the decline had begun to stabilize. The building materials category could be tied to the housing market, foreclosures, and the availability of credit.

Mr. Guindon said page 269 showed taxable sales for electronics and appliance stores, and was an indicator of what was going on with the consumers. He said the category had been doing well, then flattened out, and recently turned back a bit. The category accounted for about 3.6% of total taxable sales. He was surprised that the category had stabilized, considering what was going on in the economy, and he wondered if that activity could be sustained.

Mr. Guindon said page 273 showed furniture and home furnishings, which was obviously tied to the housing market. The category showed a relatively dramatic decline and there appeared to be some bottoming out in late 2009. This category accounted for about 2% of taxable sales.

Mr. Guindon said specialty trade contractors (page 271) was a small category that accounted for 2% to 3% of taxable sales. He did not see an inflection point in the decline, but the rate of decrease had changed.

Mr. Guindon said the construction of buildings category taxable sales pattern was similar to the specialty trade contractors category in that the rate of decrease had changed a bit (page 274). This category accounted for 1% of taxable sales.

Mr. Guindon said he would update the charts as new data was available, and the material would be made available to the members of the Economic Forum and the public, but would not be reviewed at future meetings unless the members had questions that could be explained by the charts.

Chairman Restrepo reported that academic research had revealed a paradox of the housing collapse – people who walked away from their mortgages and were foreclosed on had more cash to spend on consumer goods. He thought this might be a factor in stabilizing the retail market, and thus have an impact on sales tax revenue.

Mr. Guindon continued on to the topic of monthly and quarterly gaming market statistics (page 277, Exhibit A). He explained that the Gaming Percentage Fee Tax was made up of several parts that played a role in the forecast, including the estimated fee adjustment (EFA), credit play.

Mr. Guindon said the chart on page 277 showed total Gaming Percentage Fee collections and collections from Taxable Gaming Revenue (TGR). The difference between the two was that, under the law, a casino pre-paid its Gaming Percentage Fee Tax three months' in advance. Each month there was a payment based on TGR, and a "true-up" payment to adjust the pre-payment of three months' prior. This true-up mechanism is referred to as the estimated fee adjustment or EFA.

Mr. Guindon noted the monthly charts showed the monthly variance in the TGR and the EFA. He explained that the Gaming Control Board reported total percentage fee collections on a monthly basis. The forecasters considered the EFA and credit play to clarify what was underlying business, and to separate anomalies that occurred due to how the Gaming Percentage Fee Tax was paid and collected.

Moving to Table 4M (page 278, Exhibit A) Mr. Guindon said the State's non-restricted gaming licensees reported the quarterly total win to the Gaming Control Board each month, which was the starting point for calculating TGR. The difference between the two was attributable primarily to credit play. Under the gaming tax law, credit extended was not taxable until it was collected. Every month, the casinos issued credit. Some of the credit was repaid within the reporting period, some was repaid for prior periods, and some was not repaid within the period. The tax rate is applied to TGR and not total win, based on the treatment of credit issued and collected.

Mr. Guindon said he reviewed the monthly data, but forecasted based on the quarterly data. He pointed out that Table 1Q (page 279) and Table 1M (page 277) contained the same data, but for the quarter and the month, respectively. He noted that regular spikes occurred due to seasonal activity, for example, the New Year's holiday. He said credit play affected the difference between total win and TGR, but it also influenced the EFA. He said the EFA had been a relatively important part of the forecast in the previous cycle. Although the EFA had been negative for the past three fiscal years, it grew from -$33 million to -$8 million, which was a positive $26 million swing in the amount of collections from one year to the next.

Mr. Guindon said Table 3Q on page 281 showed the actual quarter-to-quarter EFA and the cumulative behavior of the series for each fiscal year. The table showed a pattern in the EFA in that the cumulative total declined over the last two fiscal years.

Mr. Guindon said Table 4Q on page 282 showed total win and taxable gaming revenue. He said the table was comparable to Table 4M, but differed in that it showed interaction of credit extended and collected within the quarter, instead of on a monthly basis.

Mr. Guindon said Table 6Q on page 284 showed the ratio of TGR to total win. The table compared the quarter-to-quarter ratio with the fiscal year cumulative ratio. The table showed a decline in the first quarter due to the Christmas and New Year's holidays, which tended to be a period of very high credit issued. The credit extended during that period was often not repaid in that quarter. He noted that collections fell in the first quarter of FY 2010, and recovered some, but the average ratio for FY 2010 was only about 93%. On average, the collection ratio had been around 96%, which was very good considering the amount of credit that was extended by the gaming industry.

Mr. Guindon said Table 7Q showed the tax rate (page 285), or the Gaming Percentage Fee collections from TGR divided by the TGR. The dramatic shift in 2003 and 2004 was due to the Legislature raising the gaming tax rate by 0.5%. He noted that the monthly gaming tax rate was three tiered: a rate of 4.5% was applied to taxable gaming revenue up to $50,000, 5.5% on the next $84,000, and 6.75% on any amount over $134,000.

Mr. Guindon said the slot win was made up of activity from slots – or electronic gaming devices – and table games. He explained that modern slots machines were different devices than older slot machines. Slot win changed dramatically with the advent of the "ticket in, ticket out" (TITO) machines, because those slots allowed multiple games on one device. He noted the devices were run from central servers now rather than from an operating system within each machine.

Mr. Guindon said Table 10Q (page 288, Exhibit A) showed total statewide slot win and Clark County accounted for about 81% to 82% of the total statewide slot win. The Las Vegas Strip alone accounted for about 40% of statewide slot win. He said that slot win had been increasing its share of the market, but since about FY 2009, slot win had contracted compared to table games, declining from 67% to 64% of the market. The percentage of slot win to total win in Clark County was about 62%. He said the Las Vegas Strip was the only area in the State where the split between slot win and table game win was nearly 50% to 50%. Most of the other markets were 80% to 90% slot win, a percent of each markets total win.

Mr. Guindon explained the amount of wagering at the slots was called "coin-in." He said that Table 10Q showed that slot win had declined dramatically, and there was no indication that the decline was stabilizing. More dramatic was Table 11Q (page 289), which showed coin-in, or the amount of wagering that occurred, which showed even less of a turning point. The number of visitors was rising, but the amount wagered per visitor had not returned to previous levels. The returning visitors did not have the same budget for wagering as observed historically.

Mr. Guindon said Table 13Q on page 291 showed the ratio of slot win to slot coin-in. This was the hold from the industry point of view. There was a significant increase in hold in early 2000s due to the addition of the TITO machines. The average hold on those machines was higher, so the rate increased. The average rate was starting to flatten out, play was not stabilizing, and less was being held. If the coin-in continued to fall, there would be double negative impact on slot win.

Mr. Guindon said Table 14Q (page 292) showed the number of slot machines statewide. He said the peak was in 2001, and had fallen ever since. There were bumps in the numbers when new casinos opened, but almost immediately afterward the number of slots fell. He said the industry was searching for equilibrium in the number of devices, given the demand. He described the TITO devices as multiple game devices on which a player could select from any number of games. Therefore, the casinos did not need as many machines on the casino floor. Interestingly, the quarterly slot tax and annual slot tax were tied to the number of devices. He noted the quarterly slot tax was a General Fund revenue.

Mr. Guindon said Table 15Q (page 293) showed the productivity of the devices by dividing slot win by the number of devices to create a win per slot machine statistic. The productivity of the devices fell dramatically, but there might be an indication of some stabilization in the recent numbers.

Mr. Guindon said table games, such as craps, baccarat, 21, roulette, and pai gow poker, were more difficult to forecast. The two larger counties made up about 92% of the statewide gaming win for table games: Clark County made up 84% to 85% percent, and Washoe County made up 7% to 8%.

Regarding Table 18Q, table games win (page 296), Mr. Guindon said the amount fell dramatically, but had been strong in the last two quarters. He said if the upturn was not anomalous, the strength in table games could boost the overall forecast. He explained that table games were very high-end, and in some months or quarters there could be a phenomenal level of wagering (or drop).

Mr. Guindon said the hold percent, which was the ratio of win to drop, had been relatively stable around 14.5%, then fell dramatically. He did not have an explanation for that decline. Table 22Q showed a falloff in the number of table games (page 300). He supposed that the falloff was driven by reduced demand. He said the win per table game on Table 23Q showed a run up and fall off, with a little bit of bounce back in the last couple of quarters (page 301). Table 24Q (page 302) showed the drop improving, which affected the hold.

Mr. Guindon told the members that the tables would be updated and distributed, but not discussed at future meetings of the Economic Forum. He noted other monthly tables were posted on the State of Nevada Economic Forum section of the Nevada Legislature's website (www.leg.state.nv.us). He asked the members to contact him with any questions on the tables.

Chairman Restrepo asked the Economic Forum members if they had a preference as to the level of detail provided on the sales tax and gaming tables.

Mr. Alastuey said the historical charts showing the variance between projections and actuals had been covered, and did not need to be discussed further, particularly since there were no projections to be made at this meeting. He concurred with Mr. Maddox that outliers representing substantial variances from one collection period to another in sales tax should be identified. He appreciated the detail shown on the cyclical nature of the EFA. He thought that Mr. Guindon and Ms. Rogers had a fair sense of what the Economic Forum members wanted.

Chairman Restrepo asked that the sales tax numbers be presented as a total number at future meetings, and the members would then ask questions on specific categories. In addition, the gaming data should be presented on request. He said it was important to understand the underlying economic drivers. While it might appear that the economy was reaching some sort of stabilization, he was not convinced that the economy had reached the bottom of the decline. He emphasized that outliers, such as one-time special events, should be footnoted and extracted so as not to give a false reading.

Mr. Maddox requested that the sales tax presentation focus on the last six months. He said data from 2005 to 2008 was from a different world. In addition, he suggested that baccarat be forecast separately. Mr. Maddox noted that over the previous 12 months, baccarat play was up 46%, for $350 million of additional gaming win on a base of $10.2 billion. He explained, if that had not occurred, gaming revenue would have experienced a double loss, and would have been down 8% over the last 12 months. The baccarat activity was due to visitors from China, and nothing else. To include baccarat in the data and think that that trend would continue would be a mistake. He asked the forecasters to report on what was expected of Asian business and domestic business separately. He noted that in July, gaming revenue was down 5%, but baccarat was up 10%. Separating baccarat from the other table games was a good indicator of what was going on in terms of tourists coming from the United States. It was hard to predict what was going to happen in Asia, but those economies were leveling off.

Mr. Maddox said domestic business for slots and other table games was down significantly. He noted that the price of airfare had risen significantly, and visitors were spending less because they had to pay more to travel to Las Vegas. The visitors did not have as much money in their pockets, and that trend did not appear to be changing.

Chairman Restrepo asked for more information on ratios that were very specific to the gaming industry. He said using the same metrics the gaming industry used to measure what was happening on a per visitor basis was very important. He asked that the charts be converted to per visitor, per job, per population to set context. He agreed with Mr. Maddox that baccarat should be extracted from the domestic number because it tended to swing dramatically.

Mr. Maddox added that baccarat revenue made up $1.1 billion of the $10.2 billion total. The baccarat revenue was a result of only a couple hundred visitors and to add that $1.1 billion to the visitor count distorted the math completely. It was better to remove the baccarat revenue, and remove 200 visitors, to provide an “apples-to-apples” comparison for domestic win per visit, and get a better sense of what was going on in the United States.

XI. DISCUSSION AND RECOMMENDATIONS REGARDING THE ECONOMIC FORUM'S USE OF MOODY'S ECONOMY.COM AS A PRIVATE FORECAST SERVICE.

Mr. Guindon said historically, the Economic Forum had a national forecasting firm provide national and state outlooks as an independent neutral party outside of the State of Nevada. For the December 2008 and May 2009 meetings, Global Insight was the firm under contract with the Budget Division and Fiscal Analysis Division to provide national and state economic forecasts. Thus, it was Global Insight that participated during those Forum meetings and provided their sales tax and gaming percentage fee tax forecasts to the Forum for consideration. In the summer of 2009, a change was made to Moody's Analytics to provide the national and state economic forecasts to the Budget Division and the Fiscal Analysis Division as well as provide sales tax and gaming percentage fee tax forecasts. Mr. Guindon reminded the members of the Forum that Moody's generated a sales tax forecast that was provided to the Economic Forum at its January 2010 meeting.

Mr. Guindon asked the Economic Forum members whether they would like for Moody's to present sales and gaming forecasts to the Forum at the November and December meetings. He noted that Moody's was under contract with the Budget Division and the Fiscal Analysis Division, and was paid to produce the forecasts, but those forecasts did not have to be presented to or considered by the Economic Forum.

Mr. Alastuey said the notion of having a party outside of the Executive and Legislative Branch involved in forecasting was reasonable in a general sense. He recalled that Global Insight's presenter was asked a number of questions as to the connection between the national forecast and circumstances specific to Nevada. Certainly, the Nevada market was national and international, and the outside reviewer's observations might be valuable, but he sensed that particular line of questioning was not as beneficial as expected. First, there needed to be a view from outside of the State. Second, there should be an effort on the part of that entity to interpret the information based on the specific situation in Nevada. Third, Moody's did not provide major revenue forecasts, nor did it provide a representative to present the information to the Economic Forum at its January 2010 meeting.

Mr. Guindon said the Budget Division and Fiscal Analysis Division staff gave Moody's the understanding that the January 2010 meeting was not a typical meeting of the Economic Forum. Moody's did not present its forecasts in January 2010 because that meeting was outside of the normal forecasting cycle. Moody's would be available to present its forecasts to the Economic Forum for the upcoming meetings, if requested by the members.

Mr. Maddox said he expected Moody's to present the national forecast and a very specific Nevada forecast to the Economic Forum. He asked whether Mr. Guindon and Ms. Rogers worked with Moody's on their forecast, or whether the forecast was completely independent.

Ms. Rogers replied that Moody's was contracted for two presentations of both a national forecast and Nevada forecast to the Economic Forum. In addition, the Budget Division requested that Moody's present its sales and gaming forecast to the Economic Forum. Moody's would make as many presentations as the Economic Forum requested. She said for $5,000 per fiscal year, Moody's was contracted to present twice: once in the fall of 2009 and once in the spring of 2010, and to provide quarterly forecasts for sales and gaming. She said that Moody's had not lived up to the bargain, and thus agreed to make additional presentations to the Economic Forum. Ms. Rogers said she could arrange for Moody's to present at each of the meetings of the Economic Forum if that was requested.

Mr. Maddox clarified that he did not expect Moody's to present at each meeting, but if there was a Moody's forecast presented, a representative from Moody's should be in attendance and prepared to answer any questions.

Ms. Rosenthal asked for the forecast-to-actual data for the external forecaster to be tracked separately as to whether the forecast had been prepared by Global Insight or Moody's. Mr. Guindon said that the information would be shown separately in the tables.

Chairman Restrepo was uncertain as to whether Moody's could provide a better forecast of gaming win and sales tax than the forecasters at the University of Nevada, Las Vegas (UNLV) and the University of Nevada, Reno (UNR). The national data was important, but the value of that data at the state level was limited. The State was already contracted with Moody's to provide the information, so they should come to present their forecasts and be prepared to answer questions. He recalled there were some issues between the State and Moody's due to the contract with the Interim Finance Committee's Subcommittee to Conduct a Review of Nevada's Revenue Structure, and the Nevada Vision Stakeholders Group. He asked if the two contracts were separate, and whether the Moody's staff were the same.

Mr. Guindon said the two contracts were separate. The issue between the Interim Finance Committee's Subcommittee to Conduct a Review of Nevada's Revenue Structure and Moody's was not germane to the Economic Forum, so he would not go into detail. There was some overlap of the Moody's personnel providing services, but that was not surprising, considering the services being contracted for both relate to Nevada. Mr. Guindon clarified that the Moody's contract was not only for the Economic Forum. The State of Nevada contracted with the national forecaster because the Budget Division and Fiscal Analysis Division staff had responsibilities other than the Economic Forum. Moody's provided timely updated information on a monthly basis. There was a need for the national and state forecast to be provided by an outside consultant. Mr. Guindon said that the Economic Forum members would be provided with an executive summary from Moody's. He and Ms. Rogers would make sure that Moody's was clear on the need for a representative to appear to present the material to the members of the Economic Forum, and be prepared to answer questions about the national, state and international economic outlook, as well as questions about how the sales and gaming forecasts were produced.

Mr. Guindon said that representatives from the private sector might have a better feel for what was happening in the economy than the public sector employees. He noted that Mr. Maddox had access to information that he and Ms. Rogers did not with regard to spending by visitors from China. He said that if he had a data series with that information he would incorporate that into his forecast. Without that data, he was speculating.

Chairman Restrepo requested that Moody's send the chief author who was involved in the analysis to present the forecast to the Economic Forum. Mr. Guindon said he would review the contract as to whether the State could make that request. Otherwise, that point could be considered when the contract was renegotiated.

XII. DISCUSSION AND RECOMMENDATIONS REGARDING OUTSIDE REVIEWERS VOLUNTARILY PROVIDING INFORMATION TO THE ECONOMIC FORUM.

Mr. Guindon said three or four cycles ago, there was a request that voluntary outside reviewers examine the forecasts prepared by the Executive and Legislative Branches, and provide comments, or forecasts of their own. He said that staff provided the Economic Forum's preliminary forecast from the second meeting to the reviewers, who then responded with comments, and in some cases, their own forecasts. This information would be compiled and provided to the Economic Forum as part of the December meeting packet. He clarified that this process involved only the major revenue sources. He invited the Economic Forum members to suggest outside reviewers who may be qualified and willing to participate in the process.

Mr. Guindon noted that Chairman Restrepo and Mr. Alastuey had both participated in the Economic Forum process as outside reviewers in the past. He noted that Dr. Mark Nichols, a professor at UNR, has been consistently willing to participate in the process. He took the process very seriously, and provided useful comments. Chairman Restrepo asked if the outside reviewers not only commented on revenue numbers, but provided their views on the economic metrics as well. Mr. Guindon said Dr. Nichols offered a little of both.

Chairman Restrepo said that outside reviewers in the development and resort industry might not be able to opine on the intricacies of the various modeling techniques, but they could opine on where they thought the economy was going within their industries. He encouraged the members to recommend people who may want to participate in the process.

Mr. Guindon clarified that the outside reviewers did not attend the meeting to address questions, rather, they provided written material.

Chairman Restrepo asked Mr. Guindon who else would testify in front of the Economic Forum. Mr. Guindon said that at the second meeting, Bill Anderson, Chief of the Research and Statistics Bureau, Department of Employment, Training, and Rehabilitation, would provide employment numbers. His view sometimes differed from that of Moody's and the other forecasters. Also, Jeff Hardcastle, State Demographer, would present information on the State's population. Chairman Restrepo asked for a presentation of the results of the United States census and a quick overview of population trends by the State Demographer. In addition, he recommended that regional economists from UNR and UNLV speak to the Economic Forum, perhaps via videoconference, on what was happening in Nevada's economy in the north and south.

Mr. Alastuey suggested that the time allocated to those presenters be carefully scheduled to allow the Economic Forum enough time to hear the testimony and deliberate the forecasts.

Mr. Guindon said he would ask the presenters to keep their presentations to between 15 to 20 minutes. He would contact Mr. Anderson and Mr. Hardcastle to arrange a presentation by them or their staff at the upcoming meeting of the Economic Forum.

XIII. INSTRUCTIONS TO THE TECHNICAL ADVISORY COMMITTEE.

Mr. Guindon referred to Exhibit C (page 3), Economic Forum Major General Fund Revenues for FY 2010. He explained that the Secretary of State commercial recording fees were moved from the minor General Fund revenues to the major General Fund revenues during the 2008-09 cycle. He suggested that if the Economic Forum wanted to reduce the number of major General Fund revenues to be forecast, the Secretary of State commercial recording fees could return to the list of minor revenues forecast by the Technical Advisory Committee (TAC).

Mr. Guindon explained that in forecasting that revenue source, he met with the agency to review the Secretary of State's Office forecast. If he was not comfortable with the forecast, he would produce his own. If the agency's forecast was reasonable, he would go with it. This information along with the revenue forecasts were then presented to the TAC. He reported that the Secretary of State's Office was comfortable with presenting the information to either the TAC or the Economic Forum. Mr. Guindon said moving the forecasts to the minor revenues would not prohibit the Economic Forum from making changes to those forecasts.

Mr. Alastuey said the collection of fees for commercial filings for businesses wishing to either establish or continue business in Nevada was a ministerial duty performed according to specific statutes. The collecting agency might be in the best position to forecast the revenue. On the other hand, time might be well spent looking at the economic factors underlying some of the more sensitive things relating to the major revenue sources. For example, even though it was producing less revenue at the moment, the Real Property Transfer Tax had a nexus to property values, new and existing homes, closings, the economy as a whole, commercial real estate and more. There was a closer relationship between what was considered to be major revenues, such as the Real Property Transfer Tax, than there was to commercial filings. He recalled the initial interest in commercial filings was established because the Economic Forum was concerned about the flight of business from the State. He noticed that the three of the four estimates for that revenue were very similar. He thought that the collecting agency had a good handle on the forecast.

Chairman Restrepo agreed and thought the forecast for Secretary of State Commercial Recording Fees should be assigned to the TAC.

Mr. Martin said he was curious to gain an insight from the TAC about what variables were most sensitive. He knew the Real Property Transfer Tax was one. He said incorporating that into the analysis, and helping the Economic Forum to understand where the sensitivity was, would help in the future as well. He supported the Chairman and Mr. Alastuey, and wanted to gain more perspective.

Mr. Guindon said that if the Economic Forum wanted more presentations on the economy, it would help to assign other major General Fund revenues to the TAC. For example, the Cigarette Tax (Exhibit D, page 2`) was a relatively large amount, but with very little variance in the different forecasts presented from meeting to meeting. The TAC could produce a forecast for cigarettes for the Economic Forum to review. The Economic Forum would have the opportunity to discuss and override the TAC's forecast if there was no agreement.

Mr. Alastuey suggested the TAC include Cigarette Tax and commercial filings separately. If any member of the Economic Forum had an issue with the forecast, it could be addressed separately.

Chairman Restrepo observed that although the Economic Forum's most recent forecast for Cigarette Tax revenue was very close to actual collections, the previous two cycles were way off. He did not know the reason for this result, but suggested using a consent agenda for this item.

Ms. Rogers reiterated that it was probably a better use of the Economic Forum's time to forecast the revenues that were more directly influenced by the economy. If the Cigarette Tax forecasts diverged, then the Economic Forum could ask for further justification. She noted the amount of Cigarette Tax collection would not have a bearing on any of the other major revenues forecast. Although the Real Property Transfer Tax revenue amount was very small, it was tied to many other parts of the State's economy. Understanding how that forecast was prepared would help with the forecasts for the other major revenues.

Chairman Restrepo said that the level of Secretary of State filing activity was due to both Nevada's role as a "friendly" place to incorporate, and the health of the economy. He understood it did not have as direct a nexus as some of the other revenues.

Chairman Restrepo asked if the Economic Forum needed to vote on the request. Mr. Guindon said that the Economic Forum could simply direct the TAC to perform the forecast on the commercial recording fees and Cigarette Tax revenue, along with the other minor revenues. Staff would create a table showing the larger minor revenues so that the Economic Forum could more easily review and discuss the forecasts provided by the TAC.

Chairman Restrepo made it clear that the TAC would provide a forecast for the Cigarette Tax, the Secretary of State filing fees and securities. The Economic Forum had the option to discuss the revenues as a consent agenda item.

XIV. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

After discussion, it was agreed that the Economic Forum would meet on Friday, November 5, 2010, and Wednesday, December 1, 2010.

XV. PUBLIC COMMENT.

There was no public comment.

XVI. ADJOURNMENT.

The meeting was adjourned at 1:29 p.m.

Respectfully submitted,

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Patti Sullivan, Committee Secretary

APPROVED:

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John Restrepo, 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.

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