MINUTES OF THE MEETING OF THE
STATE OF NEVADA ECONOMIC FORUM

June 11, 2012

The meeting of the State of Nevada Economic Forum (created by Senate Bill 23, 1993) was held at 9:00 a.m. on Monday, June 11, 2012, at the Grant Sawyer State Office Building, 555 East Washington Avenue, Room 4401, Las Vegas, with videoconference to the Legislative Building, 401 South Carson Street, Room 4100, Carson City, Nevada.

ECONOMIC FORUM MEMBERS PRESENT:
Ken Wiles, Chairman
Matthew Maddox, Vice Chairman
Marvin Leavitt
Chris Nielsen

ECONOMIC FORUM MEMBERS ABSENT:
Linda Rosenthal

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
Becky Lowe, Secretary, Fiscal Analysis Division

EXHIBITS:

Exhibit A	Meeting Packet and Agenda
Exhibit B	Nevada Gaming Control Board – Mark A. Lipparelli
Exhibit C	The State of Tourism – Rossi Ralenkotter, President/CEO, Las Vegas Conventions and Visitors Authority
Exhibit D	Residential Real Estate – Market Trends – SalesTraq – Applied Analysis – June 11, 2012, Brian Gordon, Principal, Applied Analysis

I. ROLL CALL.

Mike Alastuey, acting chairman, called the meeting to order at 9:14 a.m. The secretary called roll; all members were present in Las Vegas except Ms. Rosenthal who was absent excused.

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, stated that Linda Rosenthal informed staff that she was unable to attend the meeting due to her work commitments at International Game Technology.

II. PUBLIC COMMENT.

There was no public comment at this time in either the Las Vegas or Carson City meeting location.

III. ELECTION OF CHAIRPERSON AND VICE CHAIRPERSON.

MR. LEAVITT MOVED TO NOMINATE KEN WILES AS CHAIR.
THE MOTION WAS SECONDED BY MR. NIELSEN.

THE MOTION CARRIED UNANIMOUSLY.

MR. LEAVITT MOVED TO NOMINATE MATTHEW MADDOX AS VICE CHAIR.
THE MOTION WAS SECONDED BY MR. NIELSEN.

THE MOTION CARRIED UNANIMOUSLY.

IV. OPENING REMARKS AND OVERVIEW OF THE ECONOMIC FORUM.

Mr. Guindon stated that the meeting material contained in the Economic Forum meeting packet was provided to the public on the Economic Forum webpage (http://leg.state.nv.us/Interim/76th2011/Committee/NonLeg/EcForum/?ID=59). He explained that the Economic Forum was responsible for producing the official General Fund revenue forecasts that were used by the Governor to build The Executive Budget and the Legislature to develop the legislatively approved budget during session. The Economic Forum was responsible for approving the unrestricted State General Fund revenue forecast in December of even numbered years. He noted if the Governor wanted to spend more or less revenue than what the Economic Forum projected then there would be recommendations in The Executive Budget to account for that. In addition, the Economic Forum was required to produce a revised forecast on or before May 1 of odd numbered years, which was the forecast used by the Legislature during session to produce the legislatively approved General Fund budget.

Mr. Guindon referred to Assembly Bill 332 (2011) on page 5 of the meeting packet (Exhibit A). Assembly Bill 332 added two new meetings of the Economic Forum. The bill requires the Economic Forum to hold additional meetings, on or before June 10 in even-numbered years and December 10 of each odd-numbered year, to consider current economic indicators or segments of the economy, and review how the current forecast of the Economic Forum was tracking in relation to actual collections. In addition, Mr. Guindon said the Chair of the Economic Forum was required to report to the Interim Finance Committee (IFC) after the two meetings pursuant to A.B. 332. He noted that Mr. Wiles presented the required report at the February 9, 2012, IFC meeting regarding the December 13 meeting. After the current meeting, the Economic Forum was required to produce another forecast, which would likely be presented at the August 23, 2012, IFC meeting.

V. APPROVAL OF MINUTES OF THE DECEMBER 13, 2011, MEETING.

MR. WILES MOVED TO APPROVE THE MINUTES OF THE DECEMBER 13, 2011, MEETING. THE MOTION WAS APPROVED BY MR. MADDOX.

THE MOTION CARRIED UNANIMOUSLY.

VI. PRESENTATION OF THE TAX CHANGES APPROVED BY THE LEGISLATURE DURING THE 2011 SESSION AND THE ECONOMIC FORUM MAY 2, 2011, FORECAST FOR FY 2012 AND FY 2013 ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2011 SESSION AND COURT DECISIONS.

Mr. Wiles thanked the Economic Forum members and appreciated their participation. In addition, he thanked everyone who would be presenting at the meeting; he believed that there was a good set of discussion points and hoped to have worthy and open dialogue at the meeting.

Mr. Guindon referred to page 47, Exhibit A, which contained the summary tables of the unrestricted General Fund revenue sources the state used to fund the General Fund budget. The table showed three years' worth of General Fund revenue history and the Economic Forum's May 2011 forecast adjusted for legislative actions that were approved during the 2011 Legislative Session. The Economic Forum had to produce a forecast for the current fiscal year, which was FY 2011, and then the Economic Forum produced a forecast for a one-year ahead forecast for FY 2012 and two-year ahead forecast for FY 2013. The tables on page 49 through 53 provided the details for each revenue source that were summarized in the tables on page 47 and 48. The number displayed on the left side of the page was the general ledger number that staff used for tracking the revenue in the Controller's system when the agencies posted their revenue. Mr. Guindon noted that at the December 3, 2011, meeting, staff had information on actual collections for FY 2011 to compare to the Forum's forecast, which was approximately $38 million below actual collections. He explained that $38 million may seem like a large number but the forecast was only off by 1.2% of the total General Fund revenues.

Mr. Guindon explained that pages 58 through 61 of the meeting packet (Exhibit A) contained tables that summarized the legislative actions approved by the 2011 Legislature.

Lastly, Mr. Guindon stated that staff would be explaining the tax revenue sources at the fall Economic Forum meeting in October or November. He said that staff put together a Revenue Reference Manual, which provided a brief description of the different Nevada tax and revenue sources, and Carol Vilardo, Nevada Taxpayers Association, provided the Nevada Tax Facts, which he would provide to the members of the Economic Forum.

VII. REPORT AND DISCUSSION OF FY 2012 YEAR-TO-DATE ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM MAY 2, 2011, FORECAST, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2011 SESSION AND COURT DECISIONS.

Mr. Guindon explained that Agenda Item VII was a status report on FY 2012 year-to-date actual collections relative to the Economic Forum's May 2011 forecast. At the December 2011 meeting, the Economic Forum directed staff to establish a monthly schedule to update the tables that presented the status of actual fiscal year-to-date collections compared to the Economic Forum's May 2011 forecast for the State General Fund revenue sources, which was also provided on the Economic Forum webpage. Table 1 on page 65, Exhibit A showed the 2011 actual and the FY 2012 forecast for the General Fund revenues. The sales and use tax and percentage fee tax represented approximately 50% of the state's General Fund revenue. The major General Fund revenue sources were broken out because those sources had separate forecasts from different forecasters, which were presented at the December and May meetings. The major revenue sources represented approximately 75 percent of the state's General Fund revenue sources. He explained that the Economic Forum directed the Technical Advisory Committee (TAC), a statutory body designated to support the Economic Forum in its duties and responsibilities, to produce a forecast for all other General Fund revenue sources. The larger non-General Fund revenue sources were broken out in the chart, and comprised approximately 13% to 14% of the state's General Fund. All other revenue sources accounted for approximately 11% of the state's General Fund, and were represented by approximately 73 different revenues sources. In addition, displayed under the FY 2012 forecast on the chart was the original Economic Forum projected growth rate in May 2011 based on what they forecasted for FY 2011. For example, in May 2011, the Economic Forum originally projected the sales and use tax would grow 2.2% in FY 2012 compared to the FY 2011 forecast. Since the FY 2011 actual is known, they could compute what the growth rate would have to be to hit the FY 2012 forecast based on the 2011 actual collections, not the forecast. Based on the calculation using the 2011 actual collections, sales tax collections had to increase by 0.8% to achieve the FY 2012 forecast. Table 2, page 66, showed the FY 2011 and FY 2012 actual year-to-date for each revenue source. He explained that the right column for each revenue source showed the number of periods of actual revenues known, because some of the revenues were reported monthly, quarterly, or the end of the fiscal year. He said when doing the comparisons it was important to know the timing and the number of months for the reporting. For instance, for the sales and use tax, the first 9 months were known, which represents about 74% of FY 2011 actual collections and 78% of the FY 2012 forecast. Mr. Guindon noted that the Economic Forum only produced a fiscal year forecast, not a monthly forecast for the monthly revenue sources or quarterly forecasts for the quarterly revenue sources, so staff would translate the fiscal year forecasts into a monthly or quarterly forecast. Staff used whatever the revenue source was projected to grow for the fiscal year to calculate the required growth for each month or quarter. The chart on page 66 showed that sales and use tax was $31.5 million or approximately 5.3% above forecast fiscal year-to-date through the first 9 months. In addition, the table showed how much was collected year-to-date as a percent of the total forecast, as well as actual for FY 2011.

Mr. Guindon explained that the major General Fund revenue sources made up approximately 75% of the General Fund and fiscal year-to-date was approximately $46.7 million above forecast or 2.7%. The non-major General Fund revenues were $781,000 above the forecast or 0.2%. Mr. Guindon said that the major General Fund revenues were easier to track. He noted it could be hard to do the comparisons for all other revenue sources because they moved around more than the major revenues on a month-to-month basis and was a composition of 73 different revenue sources that were semi-annual, annual, monthly or quarterly in terms of when the payments were deposited in the Controller's system. He believed the important thing to note was that fiscal year-to-date they knew about 80% of the major General Fund revenue sources and about 82% of the select non-major revenue sources. However, almost through the end of the fiscal year, only 41% of all other revenue sources were known, because of three revenue sources – net proceeds of minerals, unclaimed property and another revenue source that gets transferred at the end of the fiscal year, which accounted for approximately $160 million in revenue. Mr. Guindon said that approximately three-quarters through the fiscal year they knew 9 or 11 months of the monthly revenue sources, and three-quarters of the quarterly revenue sources. Therefore, with 75% total General Fund revenues known, the state was about $58.9 million above the forecast at this point, which was only 2.7% of the total General Fund. Table 3, page 67, showed the remaining amount of revenue to be collected to hit the FY 2012 forecast based on actual fiscal year-to-date collections for each revenue source. The table also displayed the growth needed over the remainder of the fiscal year to achieve the FY 2012 forecast, which could generate various results depending on how the revenue source was tracking. However, early in the fiscal year it provided an idea whether actual collections were behind or ahead and what the revenue source would have to grow compared to the same period a year ago to know whether a large amount of growth had to occur to hit the forecast target.

Chairman Wiles stated that he looked at the bottom right side of the chart on page 66 to see if the revenue in the state was up or down, and then he backed into all the revenue sources, and the -14.5% was put in to see how the state would do relative to the forecast. Therefore, based on the next three months the state could be down 14.5% and still hit the forecast.

Mr. Guindon stated that Chairman Wiles was correct. When Fiscal staff put the table together they looked at the bottom right of the chart to see what the state was up and then looked at the other revenue sources. Fiscal staff looked at the all other revenue sources because that caused them problems and then looked at where the state was. He said that the -14.5% seemed a little absurd, but it was the statistical result because the state did so well the first three-quarters of the fiscal year relative to the forecast. He pointed out that the state was ahead less than 3.0%, but $60 million above forecast seemed like a lot of revenue and the state could possibly end up with more by the end of the fiscal year, but currently it was less than 3.0% of the total General Fund.

X. PRESENTATION ON THE VISITOR AND TOURISM STATISTICS FOR THE LAS VEGAS MARKET.

This item was taken out of order.

Mr. Rossi Ralenkotter, President/CEO, Las Vegas Convention and Visitors Authority, began his presentation by referring to the Las Vegas Tourism handout, The State of Tourism (Exhibit C). He stated that he would address the state of tourism in Las Vegas, both the summaries from 2011, as well as the current first four months of 2012. He noted that in 2011 Las Vegas experienced the second highest visitor volume count in history with almost 39 million visitors. Looking at some of the trends, Las Vegas has seen steady increases in volume counts, although the overall visitor spend was still not at the 2007 and 2008 levels. However, the non-gaming leisure spend for visitors was up 4.6%; meeting attendees and the non-gaming spend on the convention side was up 18.7%; and trade show attendees and exhibitors spend was up 16.8%. He noted that 40 million visitors were projected for 2012, which would be the most number of visitors Las Vegas has ever attracted. Therefore, the Las Vegas brand was very strong and Las Vegas was attracting people and the impact from the recession still had an impact on the total revenue. Over $40 billion was projected in total economic impact from visitors and conventions, which was very positive. Looking at the key indicators from 2011 – visitor volume was up 4.3%; room inventory saw a slight increase of 0.8%; citywide occupancy rates were up 3.4% net over 2010, and 25 points ahead of the national average, which has been consistent. Therefore, the Las Vegas market share of visitors in the country was reflected in the fact that they were 25 points ahead of the national average. The Las Vegas Average Daily Rate (ADR) continued to have a steady increase – 10.7% over year 2010; convention attendance was up 8.8%; and the number of conventions was over 19,000, a 5.7% increase. The McCarran International Airport passengers represented approximately 47% of all the visitors coming to Las Vegas and was up 4.3%; daily traffic from Southern California was relatively flat only up 0.3%; and gross gaming revenues for the county was $9.2 billion, up 3.5%. He said that 2011 was a very positive year for Las Vegas. Looking at the preliminary numbers for year-to-date through April 2012, things were trending similar to 2011, visitor volume was up 2.4%; room inventory was up 0.9%; occupancy rates were relatively flat at 83.7% up 0.1%; Las Vegas ADR continued to increase at 3.4% over the first four months of 2012. Convention attendance was also relatively flat for the first four months of 2012, although the remainder of the convention calendar looked good. McCarran International Airport passengers were up 3.0%, and average auto traffic from Southern California has seen a slight rebound in the first four months of 2012, up 7.1%.

Mr. Maddox stated that at the December Economic Forum meeting Mr. Ralenkotter forecast that 2012 would be similar to 2011 and there was a lot of dialogue about the fact that he thought that Revenue Per Available Room (Revpar) would be up between 10% to 15% for the Las Vegas Strip, which was clearly not happening. Mr. Ralenkotter replied that was calculated by the ADR. Mr. Maddox asked Mr. Ralenkotter if he thought the second half of the year would pick up the revenue to get back up to the 10% to 12% range.

Mr. Ralenkotter replied that looking at the first four months he thought the revenue would be up more in the 5% to 6% range and some of that could be impacted by the convention counter for the second half of 2012.

Moving to employment, Mr. Ralenkotter stated that since November 2009, employment for the leisure and hospitality sector saw an increase and 21,500 jobs were regained since bottoming in November 2009, which was positive for Southern Nevada. In the past, Las Vegas has led the country and Southern Nevada out of recessions and that trend continued as more employees were added to the work base. Since 2008, more than $22 billion was invested and nearly 18,000 new hotel rooms were added to get close to 151,000 rooms. Current investment was over $4.0 billion, and part of the investment would complete the $2.4 billion Terminal 3 at McCarran International Airport. The Linq Project, a $550 million investment was being done by Caesars Entertainment, and included an observation wheel that should be complete in approximately 12 months. He noted that room renovations at MGM were a $160 million investment; Flamingo had $10 million in renovations; and downtown Grand, the former Lady Luck, had $100 million in renovations, indicating that money was still being invested in the marketplace.

Continuing, Mr. Ralenkotter stated the graph on page 9, Exhibit C, showed that visitor volume would continue to increase and has trended up since 2009. Las Vegas was in a highly competitive market environment and all destinations, both domestically and internationally, were competing with Las Vegas for the leisure dollar, as well as the convention dollars. He noted that there were some very strong campaigns and one campaign launched in May, was “Take Back Your Summer” which encouraged Americans to use their vacation time in Las Vegas, so Las Vegas was in the major markets across the United States. The McCarran International Airport Terminal 3 project opened in June 2012 and was very critical for Las Vegas with a new 14-gate terminal, with 7 gates dedicated to the international arrivals. The new terminal allowed the airport to facilitate more flights, which was important because there was a continued increase in the number of international non-stop flights coming into Las Vegas. He noted that during the last two years there was a 23% increase in the number of airline seats from international markets like WestJet from Canada. In addition, when Terminal 3 opened in June 2012, Copa Airline would start non-stop service to Las Vegas from Panama City five-days a week, which connected into 35 major markets in Central and South America, a very strong growth market for travel to the United States, as well as potential travel to Las Vegas from Brazil. Air Berlin was flying seasonal flights into Las Vegas and Dusseldorf, Germany; Arkeyfly from Amsterdam, Netherlands; and British Airways added three more flights from the Gatwick Airport in London starting in October 2012, so the growth potential was there and the international flights were important. The three major market segments for growth for Las Vegas going into the future were corporate meetings, both domestic and international; special events and “branded” weekends allowing Las Vegas to capture different types of holiday situations such as Halloween, which Las Vegas called “Hallow Week” in the international side. Currently, the branded weeks generated over 6.0 million international visitors to Las Vegas in 2011 and international visitors spent approximately $7.6 billion on lodging, shopping, dining, entertainment, sightseeing, local transportation and gaming. The international visitor stayed approximately one day longer and spent more money than the domestic tourists and supported about 65,600 jobs in the marketplace. Mr. Ralenkotter stated that the goal that he has given his staff, which corresponded with the Executive Order, as well as the tourism strategy for the United States that President Obama recently released, was 100 million international visitors to the United States in ten years, so Las Vegas would take the market share of 16% of total visitors internationally and grow that to 30% within the same timeframe, offering a lot of opportunities for Las Vegas.

Mr. Ralenkotter said convention attendance was trending up and for 18 straight years, Las Vegas has been the number one trade show destination for North America with the "Trade Show 250" which comprised the largest 250 trade shows. He said that Las Vegas would do everything possible to make sure it stayed number one with that particular market segment.

Looking at the Las Vegas Convention Center repeat customers listed on page 10, Exhibit C, Mr. Ralenkotter said that there were a lot of "anchor tenants" in the destination – Consumer Electronics Show (CES), MAGIC, National Association of Broadcasters, and the Automotive Aftermarket Industry Week, SEMA Show, which is the premier automobile specialty product event in the world that attracted over 60,000 domestic and international buyers. He noted that all those customers were very critical to how Las Vegas positioned the rest of the year, both at the Sands, Mandalay Bay, as well as at the Las Vegas Convention Center and were very positive signs for Las Vegas. He said Las Vegas was continuing to book until 2023, and he will soon be in Southern California to book the SEMA Show for another five years of hard leases for Las Vegas.

Mr. Ralenkotter said that another thing that Las Vegas was looking to do, which had an impact on the destination not only now but into the future, was the expansion program for the Las Vegas Convention Center in order to maintain a competitive advantage. He noted that there were 14 significant projects over 53 years, one every 4 years, but none in the last 11 years. Prior to the recession, Las Vegas started an expansion program which had to be stalled; however, a lot of the pre-work was done, such as water lines, electrical, and mechanics inside the building, as well as AC programs. To maintain a competitive advantage, the Las Vegas Convention Center "District" was proposed, which was a little different approach from what was discussed in 2006 and 2007. The District was all about the arrival experience for customers and how to facilitate visitors. The expansion would include ingress/egress and how to move customers within the building, more meeting room and public space, in a partnership with the county, because they would be helping LVCVA with creating the convention center District look, in addition to the hotel operators within that area. Mr. Ralenkotter noted they would recapture some of the old neon signs, which would be outside and inside the buildings to be part of the welcoming experience so there was a seamless Las Vegas branding message from the airport to the Strip to the convention center. He noted this was a new trend in the convention industry and Las Vegas needed to stay ahead of the competition. Mr. Ralenkotter said LVCVA would start meeting with their customers and hotel industry officials over the next six months to get input into the District project. The District project would be done in phases and he hoped to be in the design phase by the second quarter of 2013, and be able to finance it through the convention center. Mr. Ralenkotter was excited about the project, which would provide an opportunity to redirect the message of meetings, conventions and trade shows for the destination.

Mr. Ralenkotter said that the LVCVA has been involved with the advocacy side of the industry and currently he was the chair of the United States Travel Association. He noted that a lot of issues were being discussed – from travel infrastructure to how people and goods were moved from point A to point B in the country and how to make it a seamless operation, which had an impact on Las Vegas. He noted that the Interstate 11 project from Phoenix, Arizona to Las Vegas was part of the discussion and looking to connect with the other travel infrastructure, not only in the Southwest but in the country. He said the expansion of the McCarran International Airport also fit into infrastructure. Domestically, the importance of meetings, conventions and commerce in America was another thing on the LVCVA agenda. In addition, on the international side the LVCVA would discuss Visa reform and the expansion of the Visa waiver program and the arrival experience. He stated that President Obama directed the State Department, Homeland Security and all agencies involved with commerce and international travel to look at ways to increase the facilitation of the Visa waivers. He noted that two countries were targeted, Brazil and China, and Visa applications from Brazil increased by 60%, and China increased by 48% since the first of the year, which was mostly from business decisions – deciding to stay open on Saturdays, adding more staff, and seeing how to expedite the Visa process, which was important for not only the United States, but also for Las Vegas as they go after those markets. In addition, President Obama has had conservations with the President of Brazil about a Visa waiver for Brazil and there was legislation in Congress relative to the issue. He said he would continue to monitor that which dovetailed into a 30% opportunity for Las Vegas as they moved into the future.

Mr. Ralenkotter said the projections for total FY 2013 Clark County room tax collections was a 5% increase based upon the trending of the last fiscal year for LVCVA, as well as what they look at as far as business in the building. Referring to page 14, Exhibit C, Mr. Ralenkotter said the State of Nevada schools were projected to receive $131 million from room tax collections; Nevada Commission on Tourism received $17 million and approximately 90% of their funding comes from Clark County; Nevada Department of Transportation Debt Service was projected to receive $20 million; Clark County Transportation received approximately $44 million; local jurisdictions received approximately $73 million; and the Clark County School District, for the construction and remodeling of schools, received $72 million. He noted that the total room tax collections was truly a partnership and approximately 33% of the collections was kept by LVCVA, and the remainder of the 67% was divided up. The projections were given to the different entities as they were revised by the LVCVA through the course of the year.

Looking at scenarios into the future, which had to be done for the bonding purposes as the LVCVA went to the financial markets for new expansion, room tax collections scenarios reflected a modest 2% growth for the county going forward. The numbers would be revised as actual numbers come in, but currently for the LVCVA budget for the expansion program, as well as the ability to brand the marketplace, they were using a conservative approach of 2% growth.

Concluding his presentation, Mr. Ralenkotter said that in 2012 and looking forward, 40 million visitors and $40 billion was projected for Las Vegas; the numbers were steadily increasing and Las Vegas was on track for those numbers. He added that there was a lot of demand for Las Vegas, both on the convention side as well as the leisure side.

Mr. Leavitt asked Mr. Ralenkotter how long he has been with the LVCVA. Mr. Ralenkotter replied that he has been with LVCVA for 39 years.

Mr. Wiles asked Mr. Ralenkotter to comment on the convention attendance which was essentially flat in the first part of 2012 compared to 2011. He said that Mr. Ralenkotter mentioned an expected uptick over the second half of 2012 and was curious to understand more about the uptick.

Mr. Ralenkotter explained that looking at the convention numbers, because one month does not make a year, there was a different mix of conventions from one year to the next and some shows rotated in and out of Las Vegas. Looking at the calendar of conventions there was MAGIC, a fashion trade show in the spring, the InfoComm convention was opening soon with 32,000 people, which was an increase, and the SEMA show with 133,000 in attendance, so he believed the remaining eight months would be strong for the convention center. He said they had to look at the mix of conventions because some shows like the Tonka Toy Show only came to Las Vegas every few years, which also had an impact on the calendar. He said that they were seeing more exhibit space being leased, more exhibitors coming to the trade show floor, which turned into more delegates, so convention attendance should get back to where it should be as it trends up. Mr. Ralenkotter said LVCVA made an attempt to keep the anchor tenants in Las Vegas. He noted that Las Vegas was the only destination for some anchor customers because of the availability and amount of convention space available in Las Vegas, which was why the lease for the SEMA show was extended. He added that based on federal rules, the LVCVA could only hard lease a show by a certain number of days, so they would maximize that whenever possible. He said that the Consumer Electronics Show was on a rotation with LVCVA and as soon as the lease was up, a new lease was signed for the next sequence, which was one reason Las Vegas was ranked number one for conventions for 18 straight years.

Mr. Leavitt said that sales tax growth numbers exceeded the growth in the percentage gaming tax, but currently tourism seemed to be driving the economic growth. In addition, if looking at the revenue coming into a hotel, it seemed the percentage that represented gaming was decreasing. He wondered what that scenario said for the future and what it meant for tax revenue for the state, since gaming was such a huge percent of the revenue.

Mr. Ralenkotter replied that the destination keeps reinventing itself and fortunately for Las Vegas, the entrepreneurs and corporations that owned the hotels looked at the marketplace and saw a need for non-gaming types of amenities in today's world. Many hotels were on the non-gaming side, so the percentage of the non-gaming spend continued to increase from the club scene to shopping, dining, and spas. Therefore, there was the need for more diversity of the product offering to drive 40 million visitors a year, which would continue to evolve, so the percentage of gaming versus non-gaming continued to decline.

Mr. Leavitt said that the state could expect that the gaming revenue source would not grow over time as rapidly as some of the other revenues, which would appear to be a fairly significant problem for the state in the long-term.

Mr. Ralenkotter stated that the LVCVA intended to bring more visitors into the state that would spend more money collectively, which would create more tax revenue across the board, especially on the international side, because the international visitor spent more while in Las Vegas, especially on shopping.

Mr. Leavitt stated that obviously part of the sales tax relates to visitors and what they spent in Las Vegas. He was curious about the whole scenario of the growth not being there on the tax side in the gaming segment.

Mr. Ralenkotter said another thing to look at was the fact that more visitors meant more jobs for locals, which would generate more tax in the state.

Mr. Maddox noted that in his experience gaming has been a challenge because now over 40 states in America had casinos, so Las Vegas branched out internationally and generated over a $1.0 billion of revenue from the international customers, which no other market has done. Therefore, the international market was where gaming has been growing and the domestic market has been flat. In his opinion, Chairman Wiles stated that the only way Las Vegas continued to grow was because of people that invest millions in capital every year to reinvent the city. He noted that Wynn Resorts spent $330 million updating their rooms and built three nightclubs along with other upgrades because it was the only place where they could try to drive more tourism for Las Vegas. In his opinion, Mr. Maddox said that people were not coming to Las Vegas to gamble, but to attend shows or conventions and it would be tough if Las Vegas did not keep reinvesting in its properties.

Mr. Leavitt said that looking at some of the numbers it appeared that the high-end gaming like baccarat was becoming an increasing portion of the revenue. He said baccarat also seemed to be the most volatile when they looked at what happened from month-to-month. Mr. Maddox replied that Mr. Leavitt was correct.

Chairman Wiles requested a breakdown of the percentage of visitors coming to Las Vegas from California versus the rest of the world. He recalled that visitation was growing faster from places outside of Southern California and believed that much of the revenue growth was anticipated to come from the international customer. In addition, he asked if there were capacity utilization numbers for the conventions, as well as the different properties. He asked if facilities like Mandalay Bay shared information on how often their facilities were used during the year for convention purposes.

Mr. Ralenkotter said he could provide the breakdown but looking at the domestic versus international customer – international customers had a 16% market share – domestic visitors was 84%, and Southern California represented approximately 24% market share for Las Vegas. He would provide the exact breakout of customers by region, Southern California, and internationally, and break it down by ten different categories.

Addressing the capacity utilization numbers, Mr. Ralenkotter said the convention center ran at approximately 70% occupancy, which was basically full for a convention center because of the move-in and move-out days and dates that could not be sold because of holidays. He believed that Mandalay Bay and the Sands were also fairly close to that percentage. He reiterated that Las Vegas had 3 of the 11 largest convention centers in North America so they were able to have different conventions moving in and out and multiple conventions held at the same time.

Based on the projections for domestic and international growth, Mr. Maddox asked what the greatest risks factors were that could impact the projections.

Mr. Ralenkotter replied that it was all about the economy in the fact that no matter what happened any place in the world had an impact on Las Vegas because it was truly an international destination. He said the economy was a risk factor and looking to see what was happening both domestically and internationally. In addition, it was the lift capacity from the airlines because the airlines were in a capacity control and there were 13% fewer seats into Las Vegas than during the peak of 2007 and 2008. Therefore, trying to get the airline carriers to add more capacity on the international side. In addition, it was infrastructure of transportation and getting the people from point A to point B. Currently, the economy was the one key indicator that the LVCVA continued to monitor every day.

Mr. Maddox said looking at the forecast from December 2011, FY 2012 felt stable and was not a big growth year off of 2011, but FY 2013 was pacing at 56% of where the state should be. He said that last year at this time the state was as 48%, meaning FY 2013 at this point in time looked better than FY 2011 and FY 2012, both on the rate and occupancy side. He said the Economic Forum thought FY 2013 could be a good year assuming the economy does not fall apart. He asked Mr. Ralenkotter why he continued to forecast more growth in FY 2012 and only 2% growth in FY 2013.

Mr. Ralenkotter stated the 2% growth was on the room tax side – so the 2% growth was a conservative projection. He said the volume projection would be between 3% and 5%, and again knowing what the convention counter looks like in 2013, which was good, there were the unknown variables with domestic as well as international visitors.

He said there would still be about 3% to 5% growth in total number of people, but the 2% on the room tax side was a conservative projection.

VIII. PRESENTATION ON THE STATE EMPLOYMENT AND UNEMPLOYMENT OUTLOOK.

Bill Anderson, Chief Economist, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation (DETR), stated that he believed that one of the benefits of having more frequent Economic Forum meetings was that it allowed him to delve into the information that he typically presented in a little more detail, not necessarily in one meeting, but certainly over the course of several meetings. He noted that at this meeting, in addition to the typical information that he always presented, he would provide a feel for some of the structural forces in play that were shaping how the labor market conditions were unfolding in the various local areas and in the state. When putting together the general information as well as the structural forces, the story he would tell was a labor market that was steadily improving, but with a long way to go. He said Nevada dug a deep hole during the most recent recession and it would take a while to get out of the hole; however, the state was making progress in the direction of improvement.

Mr. Anderson said that he would keep his remarks almost solely focused on the state's labor markets. He noted that currently he had information through April 2012, and May 2012 information would be released soon. He said he would provide some background information as it pertains to the national economy. Nationwide, the unemployment rate was 8.2%, up by 0.1% from April to May 2012, which was the first time in several months that an uptick was seen. The trend over the past few years has been down in terms of the national unemployment rate. Mr. Anderson said that much has been made with respect to the underlying reasons behind the decline in the unemployment rate, one of main drivers behind the downward pressure was that people were simply dropping out of the labor market and giving up on their search for employment and were not counted as unemployed. The labor force participation rate (page 77, Exhibit A) was trending down over the course of the past several years – some of that was structural in nature as the baby boom population reached retirement age and dropped out of the labor force, but there was also some cyclical forces in play as well. As the economy worsened, some people became discouraged and gave up on their search for work and dropped out of the labor force. He said it was hard to differentiate between the two, but the best evidence that he read suggested that half of that decline of late was structural in nature, most likely related to baby boomers, and about half of it was cyclical in nature related to the weak state of the economy.

Continuing, Mr. Anderson said that nationwide job growth rate has seen a well-publicized drop off in hiring activity over the course of the past several months. In the first quarter of 2012, job growth averaged more than 225,000 jobs per month. In April and May 2012 there were less than 100,000 new jobs per month so there were some signs of a nationwide slow down at least on the labor market side. Going back to the structural theme, there was evidence that rates of hiring and job openings expressed in percentage terms were rising. United States job openings and hire rates bottomed out in mid-2009 and currently job openings were starting to increase, as well as hiring rates. Even though the nation was seeing some temporary slowdown in the labor markets, the underlying fundamentals suggested improvement. Switching the focus to Nevada, Mr. Anderson said the key economic indicators were taxable sales, which were up in Nevada from a year ago; gaming win, although very volatile, was trending up; visitor volume has been on the rise for more than two years; average weekly wages were up; gold prices were up, which benefited the rural counties; export activity in the state was up; the number of new business entity formations was trending up; and the number of Nevadans seeking various social assistance resources was showing signs of leveling off. Nevada personal income growth levels were up on a year-over-year basis for the past seven quarters, which followed six quarters of year-over-year declines, so Nevada was currently growing at a pace the state has not grown since 2007, which was good news. Transfer payments which were government payments as a share of personal income most often for social assistance type programs, have peaked and were declining. Nevada average weekly wages grew by approximately 1.3% for FY 2011, which was the first increase since 2008. Mr. Anderson stated that the chart on page 83 of Exhibit A showed that wages actually declined in both 2009 and 2010, but have rebounded modestly of late. Consumer price gains were up higher than that so in terms of real terms, wages were stagnant in 2011.

Mr. Anderson explained that one of the revenues that the committee would be debating was the modified business tax, so it was good to know what was happening on the wage front. He said that through a cooperative arrangement with the United States Census Bureau, good information could be provided on wage dynamics. Nevada's new hire earnings (measured on a monthly basis) tend to be considerably less than the overall average wages which was not a surprise because on average, new hires were not paid as much as the existing workforce, which was consistent across time and industries as well. The number of businesses were growing in Nevada and he looked at the number of employers participating in the state's Unemployment Insurance (UI) program, which totaled about 57,000 UI-covered employers in the state, up 1.8% from the first quarter of 2011. Following ten consecutive quarters of year-over-year declines, Nevada started to see business and employer growth move into positive territory in the second half of 2011. Human Services caseload trends, which he was showing solely as an economic indicator because they had budgetary implications, the recent trends fit in with the picture he was trying to paint of an economy with a long way to go to regain all that was lost, but an economy that was headed in the right direction. In terms of actual labor market information, Nevada's unemployment rate fell from 12% in March to 11.7% in April, which marked the eighth consecutive monthly decline and was the lowest reading since mid-2009. The jobless rate peaked at approximately 14% in October 2010, which was the height of the recession. Mr. Anderson noted that just like the nation as a whole, there was a lot of discussion in Nevada about the underlying reasons for the decline in the unemployment rate, and although Nevada was seeing some job and employment gains, Nevada was also seeing the labor force participation rate trending down. He stated that Nevada did not have history from several decades that was available nationwide, so he was only showing the last half decade. The

Nevada labor force participation rate has trended down recently and he believed there were structural forces that play, as well as cyclical forces in response to the weak economy.

Continuing, Mr. Anderson stated that often when the numbers were released from DETR people thought it was the official unemployment rate and they wondered about when DETR took into account the discouraged people that dropped out of the labor force, or the part-time employees who would rather be working full-time, and he said that the U.S. Department Labor came up with the categories. The chart on page 89 of Exhibit A showed alternative measures of labor utilization and what would happen if the definition of unemployed workers and the labor force was broadened to include discouraged workers, and part-time workers who would rather work full-time. He noted the U-3 measure was very close to Nevada's official unemployment rate, but the U-6 number on the right of the chart, was the broadest measure of what was called labor underutilization or unemployment. If the definition of unemployed workers was broadened, the labor underutilization rate was in excess of 22%, taking into account the discouraged workers as well as some other categories, such as part-timers who would rather be working full-time. In terms of the employment picture, as of April 2012, job readings were up by 5,400 relative to a year ago and essentially unchanged from where they were in March – a 600 job decline month-over-month, which has since been revised, and the April numbers were increased by approximately 700, so Nevada was actually up 100 from month-to-month. Mr. Anderson noted that a definite sign of stability was seen following the state's loss of close to 175,000 jobs during the recession and then more recently there were some signs of modest growth. Nevada job readings were up 0.5% from a year ago. The increase marks the 10th month, and in 15 of the last 16 months, in which year-over-year gains have been recorded. In mid-2009, job losses exceeded 10% on a year-over-year basis. He noted that although it was modest improvement, it was nonetheless very welcome.

Mr. Anderson moved to the structural indicators and said that Nevada had the capability to work with U.S. Department of Labor and the Census Bureau to look at the underlying dynamics in the labor markets and disaggregate between job gains at growing businesses and jobs losses in establishments that were cutting back. During the recession, gross job losses spiked at closing or contracting establishments, whereas job gains in the establishments that were growing or opening plummeted and the net result was job losses. As the economic recovery entered its early stages, the level of gross job losses leveled off and was back down to pre-recession area levels, and the level of new jobs has stabilized. Mr. Anderson said that essentially this indicated that Nevada did not have a job loss problem, but more of a job hiring problem. Nevada's job losses have somewhat eased and the next stage in the economic recovery should be a an increase in hiring activity. Mr. Anderson stated that after growing at a much faster pace than the U.S. prior to the recession, job losses were more pronounced in Nevada than the nation during the recession, although the gap was narrowing. Nationwide, during the first four months of 2012, jobs were up by 1.5% and Nevada growth was .75%, so the gap narrowed considerably. Leisure and hospitality was currently leading the way for job growth with 10,600 more jobs for the first four months of 2012 compared to where they were a year ago. In addition, Nevada was seeing some contributions from other industries such as transportation, trade and utilities, professional and business services, and health care. However, the construction sector continued to lag and shed jobs, and 3,500 positions have been cut to date in 2012. Mr. Anderson noted that Nevada topped out at close to 150,000 construction jobs during the boom times, and currently was down to approximately 100,000 construction jobs off the peak.

Mr. Maddox asked for clarification and if the Nevada was down 100,000 construction jobs. In addition, out of the 175,000 construction jobs that Nevada lost since the beginning of the recession, 100,000 were in the construction sector, which he would consider temporary jobs anyway in a building boom that was not going repeat for a decade.

Mr. Anderson clarified that Nevada peaked at approximately 150,000 construction jobs and around 100,000 construction jobs were lost off at the peak, so statewide, Nevada was hovering around 50,000 construction jobs. He explained that the 100,000 job losses were from 2007 through 2010. Currently, the state was down approximately 160,000 jobs and construction jobs were down approximately 100,000 jobs.

Continuing with his presentation, Mr. Anderson said Nevada private sector job growth has been positive in every month since January 2011. As 2011 unfolded, approximately 12,000 new private sector jobs were added. Through the first four months of 2012, Nevada was trending about 14,000 jobs higher than the first four months of 2011, which was good news in the private sector; however, the public sector employment trends in Nevada was partially offsetting some of the gains. Local government jobs were down by approximately 14,500 since peaking in October 2008. State government employment held steady as the recession unfolded but has trended down by approximately 2,000 since late-2010. He explained that the big spike in federal employment shown on the chart, page 97 of Exhibit A was not an error and reflected temporary census hiring by the federal government in 2010. Mr. Anderson said that all new job growth was coming in the private sector and the public sector was cutting payrolls as a whole because of the budget difficulties.

Mr. Maddox asked how many jobs were due to the construction of Terminal 3 at McCarran International Airport, considering construction on the airport would be winding down in the next couple of months.

Mr. Anderson replied that he did not have information on specific establishments activity. He knew the employment numbers, but did not know the specific projects for employees. He explained that there were lots of ebbs and flows in the state's labor markets, including the construction side. He said there was the Ruby Pipeline project that was built in rural Nevada so there were many different projects unfolding, but in terms of specifics, they did not have access to that information.

Mr. Maddox asked Mr. Anderson if he was projecting a slowdown in the recovery of jobs because Nevada was about to have a large project open and construction jobs would go away and it was immaterial to the current base employment.

Mr. Anderson replied that to put it in context he was talking about a total employment base statewide of approximately 1.1 million jobs and a construction sector with only 50,000 jobs. Mr. Anderson said that DETR was looking forward to continued moderate growth in employment.

Mr. Anderson said that initial claims for UI totaled 18,300 in April 2012, down from 19,600 a year ago. Claims activity during the recession peaked in excess of 36,000 claims per month. The Nevada unemployment rate would ease down from the peak of 13.7% in 2010 by 0.1% in 2011, and should fall to 11.5% in 2012, and 10.1% in 2013. To provide a feel of how realistic that was, Mr. Anderson stated that Nevada ended up with a 13.5% unemployment rate in 2011 and averaged about 12.1% in 2012, so he was comfortable with the 11.5% forecast for 2012. The Nevada employment growth was expected to remain around the 1% to 2% range, which translated into 10,000 to 15,000 new jobs coming online every year. He explained that there were ebbs and flows in job growth and the leisure and hospitality sector was trending about 10,000 jobs higher than a year ago. In addition, there were other industries that were growing but job losses in the public and construction sector were offsetting some of those gains. Mr. Anderson stated that he was presenting the forecast solely in aggregate terms and he looked for continued stable but modest improvement in the state's labor markets.

Concluding his presentation, Mr. Anderson said that in light of the state's growing initiatives with respect to economic diversification, it was good to look at job growth in the long-term and where he thought new jobs were coming from over time and what sort of skills those jobs would require. DETR expected the jobs requiring a two-year associate's degree to show the most growth in percentage terms, as well as higher-level training requirements. The largest number of available job openings would continue to be found in occupations requiring on-the-job training (approximately 4,800 per year). As the Nevada economy diversified, DETR was seeing the kinds of skills that job seekers and employees needed to be successful and the requirements changed and diversified as well.

Mr. Nielsen asked Mr. Anderson if he had an idea of the types of employers broken down by industry sector that were being added through the growth. Mr. Anderson replied that he did not have that information at least on a current basis by industry. He said the information was tabulated on an annual basis and DETR recently put together the information for the fourth quarter of 2011. He said he would see where DETR was in that process and provide the information to staff.

Chairman Wiles asked Mr. Anderson if he had a breakout of the average number of employees at companies that were hiring or divesting of employees. He believed that information would provide an idea if the companies were established that were hiring or letting workers go, and how Nevada was doing in terms of economic diversification and attracting new business startups. Mr. Anderson replied that information was available, which he would provide before the next Economic Forum meeting. He said that he looked at that information when the recession still had a hold on Nevada and found that most of the job losses were in larger establishments, which was not surprising because many of the large gaming properties laid off employees relatively early in the recession. In addition, many of Nevada's large construction employers trimmed payrolls early in the recession. He said it took a while but eventually the recession caught up with the state's smaller business establishments.

Chairman Wiles asked Mr. Anderson if he knew the current population of the state versus 2008, not only total population but population of the workforce. Mr. Anderson replied in terms of the labor force, currently Nevada was holding steady. He said that common sense would suggest that with an economy that was hit as hard as Nevada's by the recession that many of the people that lost jobs would have moved away and to some extent that did happen in 2009. For the most part the population in Nevada has stabilized, which he believed had to do with the fact that there were really no "boom" state that could absorb a lot of unemployed workers. In addition, in many cases the housing situation anchored people and there was no flexibility for people to move elsewhere. Currently, Nevada was looking at stable population and labor force and was seeing that in some other anecdotal information. He was aware that school enrollments were holding relatively steady and school enrollments would drop if the population and labor force was declining.

IX. PRESENTATION ON NEVADA'S GAMING INDUSTRY.

Mark Lipparelli, Chairman, Nevada Gaming Control Board (GCB) stated that the State Gaming Control Board was a taxing authority and received and prepared taxation reports on behalf of all the gaming licensees in the state. He referenced the GCB handout, Exhibit B, which provided a picture of where the state has been over the past few years, as well as a more definitive look at the recent months of activity. He noted that Chart 1, page 2 of Exhibit B was raw data not adjusted for inflation. Chart 1 for statewide gaming win provided a sense of where Nevada has come from the declines that occurred in FY 2008 and FY 2009. Fiscal Year 2010 and 2011 showed a rebound, and in 2011 the state eclipsed back to a growth mode. After five straight years of growth in Nevada there were three years of declines and it was an important general statement about the relative health of gaming revenue in the state. Gaming win as its defined comes from slot machines and table games and represents the amount of money retained by the casino. It is the primary driver of the states gaming revenues. He added that the state taxed on gaming win and the state's gaming tax is based on gaming win.

Moving to page 3, the chart displayed the same picture of gaming win on a calendar basis and showed the beginning of the declines in 2006, and the slowing of the growth rate and the magnitude of the declines in 2008 and 2009. Nevada starting building out of that declining period in calendar years 2010 and 2011. Chart 3, page 4 reflected the relative volatility of some of Nevada's revenue categories; however, there was a general sense of good news, and gaming revenue turned positive in 12 of the last 16 months. In any given month it was very risky to look at the numbers and draw conclusions and even in May 2012, the state saw a decline, which if anyone jumped on that information and tried to extrapolate there was often accounting of holiday periods, big events, and major conventions and particularly in the case of baccarat that would reflect that level of volatility. Mr. Lipparelli said that generally speaking over the span of time, if they looked at January 2011 through April 2012, there was a 6% increase in gaming win.

Mr. Lipparelli said Chart 4, page 5, of Exhibit B, showed growth in total coin-in and drop, slot coin-in, and game and table drop. He stated that one of the things he looked at for the "core" numbers was slot coin-in because it was a reflection of slot handle irrespective of game play or percentage hold. Slot coin-in was really the measure of day-to-day activity on slot machines, which was the day-to-day walk up traffic and people played slot machines without respect to the amount of money that was held by the slot machine. He noted from January 2011, 12 of the last 16 months have seen positive trends in slot handle, which was far from the 6% to 8% declines seen in the previous years.

Chart 5, page 6, the first line on the chart for baccarat win showed an increase not adjusted for inflation, but the trend was definitely positive. From January 2011 to April 2012 there was a low of baccarat revenue of $40 million to a high in another month of $195 million, which was most likely reflective of the Chinese New Year. Generally speaking, baccarat play was a positive contributor to the economy – it was growing and healthy which was good for the state. However, baccarat revenue made forecasting in the Economic Forum's world more difficult and dramatic assumptions could be made in error in any given month. Chart 6 showed state gaming win excluding baccarat, which presented a similar picture. Since January 2011, the state has had a series of positive months and still sustained some volatility in those numbers even in the core non-baccarat numbers. Chart 7 on page 8 (Exhibit B) was an attempt to provide a sense of what was happening in capacity and the amount of slot machines. The number of table games were also provided and there was a consistent contraction for a number of months, which he did not see abating. Mr. Lipparelli stated that there were a couple different dynamics at work – optimization across the city and state and as financial performance was being tested, most of the operators were looking at a way to optimize casino floors, which was paired with a series of innovations by the manufactures to achieve the same distribution of product in a smaller number of games, which had a fiscal impact for the Economic Forum. A decline was projected in the number of slots and table games on the floors, which again he did not see abating. He believed that approximately eight to nine years ago casinos started to make optimization decisions on their floors that they could get as much revenue from a smaller number of games. He noted that size was always the story and there would be 5,000 to 6,000 slot machines on the floors, which have contracted dramatically and the level the service still needed to be maintained, so there was some things working against the GCB on the slot revenue side and what they saw on fixed fees, the non-restricted gaming fee and the quarterly fees that they would probably continue to project contraction. Growth in percentage fee collections, Chart 8, page 9 of Exhibit B, primary collections were measured in the form of percentage fee collections on revenue on gaming win. He said the chart tracked gaming win and there was volatility in the collection numbers based on the collection efforts – credit play for example on baccarat could throw the numbers off in any given month, so too many presumptions could not be made about any one month in terms of gaming collections. Since January 2011, the state saw a fairly steady increase compared to the great decline seen in the previous fiscal years.

Mr. Lipparelli said page 10 (Exhibit B) displayed a simple picture of how the state tracked actual percentage fee collections relative to the month-to-month forecast, broken down and adjusted for major events. He explained that one of the other primary revenue categories collected in the state was the live entertainment tax (LET) which has been fairly steady. He said that in some cases the state has seen double digit increases in the LET. which were reflective of all the non-gaming amenities now being offered throughout the casino industry. He said that 14 out of 16 months have seen positive collection growth in LET, which applied to shows, alcohol served in bars, and other areas. The large majority of the LET collections were from the major shows in Las Vegas, such as the Garth Brooks show, and Cirque du Soleil shows. Chart 11, page 12, displays the growth in quarterly coin-in per visitor and was reflective of a positive trend, where Southern Nevada gaming revenues were related to the visitor volume. He noted that it was important to look at the 3rd quarter in 2009, which was really the dearth of revenue per visitor. Many people talked about the visitor spend being down in Las Vegas; however, for almost nine straight quarters they were starting to see a rebound. Since the 3rd quarter in 2009, revenue per head on the gaming side has clawed its way back from what was a series of almost two to three years' worth of revenue declines per head as gaming revenue was related to visitor volume. Mr. Lipparelli stated that this was a positive message that visitors were getting back to normal and would move in more positive trend on the gaming side in the ensuing quarters.

Lastly, Mr. Lipparelli said the chart on page 13 was a 20-year chart of Las Vegas gaming versus non-gaming revenue that reflects the change in the nature of what happened in non-restrictive gaming facilities where 60 percent of the state's revenues came from gaming revenue in 1989, which has flipped almost entirely in the opposite direction. He said that the GCB required all licensees to file standard financial statements at the end of each fiscal year. The statistics were compiled and non-gaming revenues reflect room revenue, food and beverage revenue and all of the non-gaming amenities which were related in the chart. In one sense, Mr. Lipparelli said the chart could be looked at negatively if they looked at the gaming revenue chart and saw that major decline, but it also was potentially a "glass half full" where they looked at the relative contribution of non-gaming amenities. In one way the application of taxes on the non-gaming side actually exceeded the rate of taxes on the gaming side, so from an Economic Forum perspective, a state contribution perspective, that rate of tax on the non-gaming amenities probably exceeded the rate of tax on the underlying gaming revenue. Therefore, the fact that the chart was reflecting that major change in spend could have some positive ramifications to the state in terms of tax revenue. Page 14,

Chart 13 of Exhibit B showed FY 2012 actual collections versus forecasted amounts through May 2012 and the message in the table was that the state was essentially on the Economic Forecast through 11 months and approximately 2.3% above the forecast. The right side of the chart showed that the state would have to have dramatic reductions in the numbers, which he did not anticipate in the next month in order to not to hit the Economic Forum forecast, in fact the state would be slightly ahead of the forecast.

Mike Lawton, Senior Research Analyst, Gaming Control Board, stated that the linear average on the charts showed the trend lines from the beginning of a certain period to where the state was currently.

Mr. Maddox stated that he looked at slots because the hold percentage has been tightened and people come to Las Vegas with a fixed budget, and while coin-in may be down slightly, win was often doing a little better. In the future, he thought it was important not to focus so much on coin-in in the presentations, but slot win.

Chairman Wiles asked about the number of people playing baccarat, where they were coming from and the key risks since baccarat play was such an important component of revenue.

Mr. Lipparelli said there has been an increased focus and speculation that as the marketplace in the Far East opened and expanded it could benefit Southern Nevada. He noted that there were only a few locations in the country willing to take the risks associated with the high levels of baccarat play and the regional markets and the river boats states were very unlikely to take that risk. He believed the more live table game play was exposed, especially in the Far East and at the levels of baccarat play, that would tend to benefit Southern Nevada. He stated that there was only a fixed amount of play that Southern Nevada got locally in the baccarat area. There was been some discussions about increased traffic in South America and Central America as well, so they were seeing some increases in those areas.

Mr. Maddox added that the Wynn Resorts were approximately 15% to 25% of the baccarat market depending on the month. He said baccarat play in Southern Nevada was largely from the Asian population from China, Hong Kong and Taiwan. He noted that the reason the Asian population came to Southern Nevada was not because of the baccarat table. He said the Asian population came to Nevada for the non-gaming and then would play baccarat while visiting, so often the Asian population would make a few trips to Macau or Singapore where there were baccarat tables, and then take a week-long family vacation to Las Vegas. He said that Las Vegas has done a good job of being the long vacation destination for the baccarat player and Wynn Resorts has seen a large increase in new players after being exposed to Macau. Nevada has benefited from the rapid expansion in Macau because the operators continued to market Las Vegas. In addition, there was an expansion in the population of people coming to Las Vegas.

Mr. Lipparelli said the second portion of his presentation deals with the status of interactive gaming in Nevada. He stated that recently there has been a large amount of coverage on interactive gaming. Nevada passed a law in 2001 allowing for interactive gaming, although the state did not do anything with that law until the 2011 Legislative Session when there was discussion about whether Nevada was a likely location for Internet poker. He said changes were made in law and there were a series of workshops and discussions at the Gaming Control Board and Gaming Commission level to create the first set of regulations allowing for interactive gaming. The state started with interactive poker, although Nevada state law would include all forms of gaming. The regulations were established in December 2011 and the GCB stated seeing applications associated with that activity in November and December of 2011. The GCB recently recommended the state's first two licensees of interactive gaming in the United States – Valley Technologies and International Game Technology. He noted it was a Nevada only activity to begin with, but there were activities occurring throughout state legislatures across the country, as well as some hope for resolution at the federal level. However, from the State of Nevada's perspective, the state was first in line and has established its rules and regulations and created a mechanism for people to become licensed and he expected to see a number of companies submitting technology for approval. He said that whether somebody decides to ultimately begin taking wagers in Nevada would be an open question – he believed it was a business question, but if they wished and desired, it was likely that could happen as early as the first quarter of calendar year 2013. Mr. Lipparelli was not aware of any state that passed regulations for interactive gaming so he believed Nevada created a window of opportunity for gaming leaders to establish themselves in Nevada. He said that there was one potential impediment that he believed the state could deal with at the statutory level or from a policy standpoint and a Gaming Policy Committee (NRS 463.021) was convened by the Governor to discuss matters of gaming policy. Mr. Lipparelli believed that Nevada established itself as the worldwide leader and would be the first to accept an interactive wage in the United States.

Chairman Wiles called for a recess of the meeting at 11:02 a.m. The meeting reconvened at 11:18 a.m.

XI. PRESENTATION ON NEVADA'S MINING INDUSTRY.

Tim Crowley, President, Nevada Mining Association, referred to page 105 of Exhibit A, and said it was a good time for the mining industry and he would focus on some of the aspects of the mining industry. Providing an overview, Mr. Crowley said that the mining employment was good and the industry was hiring and seeing positive growth in the employment aspects. In addition, Nevada mining was growing in terms of gross domestic product (GDP) and there was a lot of investments that were helping drive that growth in GDP and the mining industry was expanding the supply chain. Mr. Crowley stated that mining in the State of Nevada was often thought of in terms of gold because it was the most important metal mined in Nevada. However, often when one mineral was found there were more, and the state was mineral rich from barium for drilling supplies, and specialty clays in the Amargosa Valley. In addition, copper was doing well in the state, geothermal energy was mining and expanding throughout the state; and gold was doing well with a current value of approximately $1,580. Mr. Crowley said that gypsum was a construction mineral that was mined in Clark County and Washoe County to a great extent but has taken a serious hit because of the downturn in construction. He noted that one gypsum mine in Washoe County closed in the last few years, but there were other gypsum operations hanging on. Lime was primarily mined in Clark County and was doing well. Lithium was mined in Nevada and there would be an expansion on Lithium in the years to come, which he would discuss later in his presentation. Lithium was used for a wide variety of things like pharmaceutical, but was more readily known and used in the energy storage business. Lithium ion batteries were used in cell phones, lap tops and in hybrid car technology. He explained that a mineral similar to lithium was vanadium and a vanadium mine was coming on line in Eureka County, which was the metal being looked at for big energy storage uses. As solar energy was developed and renewable energy that was not considered base load energy, a battery storage was needed to make it a base load capacity and vanadium was the metal to get the state to that point.

Providing some history, Mr. Crowley said that mining developed in the 1850s and at that time miners were looking for minerals that could be seen in creeks and streams, such as plaster, nuggets, and veins. The state went through some very cyclical times and to overstate how mining was done in the 1800s – miners would find an anomaly on the surface and it would be mined, the state would continue to invest as if they had revenue, miners were hired to help with the processing and the mine would grow and places like Virginia City developed. However, when the state stopped seeing that metal and came to what they might have thought was the end of that vein or plaster deposit, they were done, which could come very abruptly. He explained that today's mining was quite different and what was currently known was there was much more than meets the eye. In terms of the gold industry, disseminated gold was being mined – it was microscopic and could not be seen, and miners had to explore below the surface and assay the earth to find the concentrations of gold. For example, he believed they could probably find gold below the Grant Sawyer State Office Building in Las Vegas, but probably not in a concentration that merits mining it, or a concentration that merits taking down the state building. He said that Nevada was blessed in the sense that it had very rich deposits of metals that no one was aware existed in the 1860s. Continuing, Mr. Crowley said it takes millions to drill for the reserves and someone could not take a drill rig out to the desert and drill one hole and find something. If traces of minerals were found through one drill hole, an entire program of drill holes had to be done where they could model what they think was below the surface of the earth and at that point get investors and develop the mine. He stated that the current process to build a mine took upward of seven to ten years of development, permitting, and investment.

Mr. Crowley said General Moly was going through the process of building a molybdenum site in Eureka County and hoped to be operational in 2012 and employ approximately 400 people. Great Basin Gold, Reno, has reopened the historic Hollister Mine and invested significant resources into putting that mine back into production and expanding the mine throughout the next decade. Barrick was developing new mines at Red Hill and Goldrush and expanding virtually every mine currently in production – Turquoise Ridge, Bald Mountain, and Gold Strike, and also opened a major mine in Cresent Valley about four years ago called Quartz Hill, which was a $600 million development. Mr. Crowley said to put this into perspective, currently it would cost approximately $1 billion to go through the development process to open a mine today.

Chairman Wiles asked what the drivers were behind the increased costs of opening a mine.

Mr. Crowley stated that the costs of mines were going up in every aspect – the cost of steel drives up the cost of the equipment and processing. Therefore, to build a mill facility to process and extract microscopic ore from the earth today was approximately a $1 billion investment. Consequently, there was not a lot of mill production and once a mill was built it would be utilized as long as possible and mines would be built around the mill. Mill construction was expensive – the cost of rubber, diesel fuel, which was consumed a lot, and energy costs were very significant to the mining industry to the extent that in 2004, Barrick Gold Corporation built its own 115 megawatt power plant outside of Reno. In addition, Newmont Mining Corporation built a 240 megawatt coal-fired power plant a few years later in Boulder Valley. Mr. Crowley stated that Newmont Mining Corporation was developing new mines and one in particular – Long Canyon mining project east of Elko was believed to be as big as the Carlin Trend. The Carlin Trend outside of Elko Nevada was founded in the 1960s and was currently going very strong and one of the most productive gold deposits in the world. Western Lithium was developing Kings River Valley, north of Winnemucca, a lithium mine used to power the next generation of hybrid/electric vehicles.

Moving to Nevada mining employment (page 113, Exhibit A), Mr. Crowley said there were approximately 16,000 people employed in the entire mining industry which did not include the vendor base. He said that often the Mining Association referred to 12,000 people employed, which was related to metal ore mining which were predominately the members of the Mining Association, but as they blend in the aggregate industry and some of the industrial minerals that were mined in the State of Nevada, there were 16,000 people employed in the mining industry. Over the last ten years there was robust and steady growth in the mining industry in terms of employment. As a percentage increase, page 115, there was a 68% increase in Nevada mining employment over the last ten years. Compared to the rest of the state, which he was not sure was fair because the state has gone through such tremendous ups and downs in employment, the 68% increase compared to a 8% increase in the rest of employment statewide. Mining represents approximately 1% of the state's employment not counting the vendor base and the 16,000 people represent just above 1%. Looking at employment in a two-year window to provide an idea of how employment was going, mining employment increased by 27% and added 2,500 jobs. He said the mining industry was paying some of the higher wages in the state and the average salary in the mining industry was $83,000 per year with good benefits – health insurance, retirement, and scholarship programs for children of miners. He noted the reason that the wages were so high for mining employees was because it was a highly skilled industry. Currently, the mining industry relied on every type of engineer possible – mostly mining engineers, but also civil, mechanical, metallurgic, and geologic engineers. He said that even the operators that were operating the equipment were highly skilled and highly compensated. He noted there were highly-skilled employees driving a mining pickup rig worth approximately $7 million with a 400-ton carrying capacity, or operating an $25 million excavator with a 50-ton capacity, and there was a lot of dependence on those employees.

Mr. Crowley referred to page 119 of Exhibit A that contained a snapshot of where some of the growth in major hiring activity was currently occurring. He said that Allied Nevada Gold based out of Reno Nevada was adding 300 jobs at the Hycroft mine in 2012; Barrick was adding over 100 jobs; Coeur Rochester, a silver mine out of Lovelock added over 100 jobs; General Moly was adding 150 jobs; Newmont was adding 100 jobs; and Ormat was adding 280 construction drilling jobs and 7 operators. The projected employment growth was 1,500 employees and he hoped to refine the survey ability and share that data with the committee as they move into the future.

Mr. Crowley stated that the biggest challenges today for employment growth was finding skilled workers and workforce development was very difficult because of attrition issues and the aging workforce. In addition, a few generations were missed in training engineers and young miners and they were trying to backfill that as well by working with the universities. In addition, the permitting process could take seven to ten years which made it very hard in the capital development world to build confidence in the project and ensure the demand for the product was the same seven years later. Costs of exploration and extracting were rising along with the environmental regulations.

Mr. Crowley said that he has seen a great uptick in Nevada mining GDP in the last few years primarily because of the value of gold going up, but the GDP was around $6 billion and if that was put into perspective with the rest of the state, it put mining at around 4% to 5% of the state's GDP. He said Nevada mining industry was growing and coming at a time when the state needed that growth, especially in the rural Nevada communities like Yerington, which was the most depressed city in the state and now seeing cooper development coming online and growth that would put people back to work. He added that part of the uptick in mining GDP was because of the suffering in the construction industry. He said that mining was often referred to as the second largest industry in Nevada, in fact they were the ninth behind accommodations, and real estate, construction, retail and others.
Continuing, Mr. Crowley said that the major mining investment activity happening in the state was in the magnitude of billions and there concerns about gold prices and where it was going. The chart on page 126 of Exhibit A showed gold pricing over the last 30 to 40 years in today's dollars. He said there was a spike in gold prices in 1980 when inflation was high along with oil prices, Russia was intervening in Afghanistan, there was a revolution in Iran and there was an uptick, and there was an equally precipitous downfall shortly after that. However, the value of gold has risen steadily since 2000 and at a very moderate rate, although historically it was not the highest gold values seen,

but the spikes were very healthy and he anticipated seeing similar growth for years to come. Recently, the World Gold Council (WGC) released a study to show that in today's world gold prices had to average $1,300 for a mine to be profitable. However, because mining costs continued to escalate, gold prices would need to rise to $3,000 in the next five years to be profitable assuming that those costs increased at the same rate and the mining industry did not become more efficient. Therefore, the assumptions around the WGC study may be misleading. Page 129 showed an informal collection of the vendor list for the Nevada Mining Association. There were 2,400 vendors in the State of Nevada that provided service to the mines and approximately 100 of the businesses were in Clark County. Most supply chain vendors were in the northeast part of the state – Winnemucca, Battle Mountain, and Elko. In addition, Reno, in Northern Nevada had a very robust supply chain element. Mr. Crowley noted those businesses were an aspect of the mining industry and were determined to grow and there was fertile ground in Nevada for growth. For example, there may be businesses in Las Vegas that "fly under the radar" such as Las Vegas Rope, which made cabling for the hoists for underground mines. In addition, Cashman Equipment was a company that would be hurting if they were not involved with mining during the economic downturn. Cashman Equipment was able to supplement their loses in construction around the mining industry to stay afloat, which was also true for companies like Western Nevada Supply, and Reno Tahoe Construction in Washoe County.

Mr. Crowley said the Nevada Mining Association commitment to the State of Nevada was to put a heavier weighting on Nevada-based businesses as they fulfill mining contracts and as mining grew.

Concluding his presentation, Mr. Crowley said that the Nevada Mining Association was investing billions of dollars, growing the employment base and expanding the supply chain and saw a very bright future for the mining industry in the years to come.

Mr. Leavitt asked Mr. Crowley where he saw the net proceeds of gold heading over the next several years. Mr. Crowley replied that production in gold has actually gone down year-over-year the last five or six years and he believed that the state would see a turnaround in production because of new projects coming online like the Long Canyon Mine project in Elko, and Allied Nevada Gold, so not only was quantity going up, but the margins were predicted to stay steady leading to an increase in tax contributions. In addition to the tax changes made during the 2011 Legislative Session, Mr. Crowley predicted an uptick in net proceeds of minerals tax. He pointed out that prior to 1989, the net proceeds of minerals tax was a revenue flow simply to the counties just like any other property tax, and a property tax rate was paid equal to the rate in those counties. In 1989, an increment was put on top of that rate that went from the county rate to 5%, which went to the state. He believed the Economic Forum should be concerned with that increment. He added that increment could change in that net proceeds contributions could go up simply by property taxes in the counties where the mineral was produced going down. He stated that was a possibility for additional increases in net process of minerals taxes and he could not predict whether property taxes were going to go down in some of the counties, but because of the robust nature of mining in those counties, it was a possibility.

Mr. Leavitt said the situation in those counties were unlike the rest of the state where the valuation for property purposes were going down because of other revenues the need for property tax was not as great.

Mr. Crowley stated that currently one of the biggest challenges mining was dealing with was a housing shortage and scrambling to find facilities to house the uptick in mining employment in Battle Mountain and Elko. In addition, Yerington and Lyon County will be facing a housing shortage in the next few years with the Pumpkin Hollow copper mine coming online in those counties in the next few years. Mr. Crowley said that housing values were kept relatively flat in those communities and mining should drive housing values higher due to the shortage.

Mr. Leavitt asked if the mining communities had cash for infrastructure to accommodate the additional housing and if construction bonds were being issued.

Mr. Crowley replied that the largest problem was not necessarily cash but companies willing to take the risk in building facilities. He noted that Barrick Gold Corp recently built an apartment complex in Elko for employees of the mines, and Newmont Mining Corporation was also partnering with contractors to build housing. There were suppliers willing to put in more housing and some growth was seen, but not to the levels needed in mining communities. He found that builders were reluctant to take a risk that was normal in the housing business and the mining companies were at the point of negotiating with the builders to find middle ground so the builders and the mining companies could each incur a reasonable level of risk moving forward. He stated that one of the concepts was a guarantee of occupancy which was something the mining companies were willing to entertain and has been done in some cases. He mentioned that one of the scariest parts of the mining industry was that they often talked about a mine life of 10 to 12 years, which frightened banks into lending and businesses from diversifying the economy because they did not want to be tied to an industry that was only going to be around for 10 to 12 years. He said Nevada has operated with a 10 to 12-year mine life since the 1960s. As mineral deposits were found and drilling started for that mineral, millions could be spent proving out the borders of mineral deposits, but once a point was hit to build confidence in investors and employees to actually build that mine, the focus would be redirected to the construction of the mine and the extremes and boundaries of that mine would not be known until there was a cash flow so miners could continue to look at the mineral deposits. Typically, an exploration company would come into the state to explore and find 10 to 12 years' worth of proven reserves to not overstate the value of the asset, and construction of the mine would begin, and when the cash flow was there, miners would continue to explore the boundaries of the mine property and maintain a 10 to 12-year mine life in perpetuity. Mr. Crowley said that at some point the mines would reach their end life, but 10 to 12 years seemed to be the number that gives people some confidence to move forward, but does not necessarily give confidence to bankers and construction in the housing world.

Chairman Wiles asked Mr. Crowley to provide the committee with the list of the mining projects. He asked about the rare earth that was recently found in Clark County.

Mr. Crowley replied that Molycorp was mining 17 distinct minerals across the Nevada border, south of Searchlight. He stated that the workforce and supply chain from mining those minerals almost exclusively came from Las Vegas, which led people to believe if there were rare earths in California, near the Nevada border, there should be some rare earths in Nevada. He said Nevada had rare earths and exploration companies were looking for distinct minerals but have not found the minerals in a concentration that merits taking on the risk to invest the millions to build a mine. He said that rare earths were important to keep an eye on because they were used in all types of high technology, such as computers and windmill technology. The supply of rare earths has consistently come from China; however, China was now seeing a need to maintain their own supply and exporting less each year to the United States.

Mr. Maddox said he was aware that the Las Vegas Strip gaming revenues were approximately $6 billion and asked what the revenues were from Nevada mining. He asked about the risks to the industry profitability (page 127, Exhibit A) and if the WBC study was a global study or specifically a Nevada study. He asked what the gold price would have to be to remain profitability in Nevada.

Mr. Crowley said that gross product revenue was $6 billion and the margin was not measured because mining did not pay an income tax like a gross gaming tax, so it varied from property to property and was not something collected. Mr. Crowley stated that the WGC study on the risks to industry profitability was a global study. He believed that Nevada would have to be close to a gold price of $1,300 to remain profitable because the one variable seen around the globe was tax liability. Nevada conducted a study comparing Nevada mining tax liability to the western region and found it was comparable as well. The terminology varied from state-to-state but what they often found were jurisdictions that were considered high mining tax states do not pay all the conventional business taxes. He said the State of Nevada mining companies paid the modified business taxes, sales taxes, and property taxes, and also paid the increment on the net proceeds of minerals taxes, not in lieu of those taxes but in addition to it. Therefore, Nevada taxes were not varied much compared to tax liabilities around the world.

Chairman Wiles asked Mr. Crowley if he had a comparison of the Nevada total tax obligation relative to other western states because he believed it would be helpful to see a comparison of the total tax burden.

Mr. Crowley said that he would provide the Nevada tax obligation to the committee. He believed that information would be helpful for the committee as they moved forward to estimate the total tax revenues.

Mr. Leavitt stated that there was a lot of mining construction planned for the future and adding the mines involved a substantial amount of equipment. He wanted to see what the effect on sales tax over the next few years coming from the mining industry because eventually the Economic Forum would have to provide projections.

Mr. Crowley stated that the Nevada Mining Association does not collect sales tax contributions on an industry-by-industry basis and actually went to the people making the purchases to find out what they were going to buy in the future to get the anticipated sales tax contributions. He has seen a very significant uptick and currently the mining industry was paying over $100 million in sales taxes. However, that was triggered by the opening of those properties and purchasing new equipment, although there was purchasing going on through the mine life, but the big uptick was when a mine opened just like any kind of business. He said the Mining Association was asking their members more directly the anticipated sales tax contributions for the 12 months going forward. The Nevada Mining Association did see an uptick but it was hard to quantify what that uptick was from.

XII. PRESENTATION ON NEVADA'S COMMERCIAL AND INDUSTRIAL REAL ESTATE MARKET TRENDS.

John Stater, Research Director, Colliers International, Las Vegas, said that commercial real estate started seeing very low vacancy rates around 2004 and 2005, which spurred construction and dovetailed with all the residential construction that was seen at that period (page 131, Exhibit A). An astounding amount of commercial real estate space was built right before the recession hit and as demand for commercial real estate began to level off, fortunately there was still building going on and construction did not taper off as quickly as demand. Early in the recession, approximately 25 million square feet of commercial real estate was added, so the overhang was one of the things that was hurting them now. In the past 12 months, commercial real estate has leveled off, which was called "bouncing along the bottom" and good demand for space was seen in the early part of 2011, which stalled in the second half of the year. The first quarter of 2012 was awful and mirrored what the state saw in employment because employment and commercial real estate were linked. Mr. Stater indicated that the preliminary second quarter numbers he was seeing looked better, although the industrial market was still losing ground but not as bad; the retail market looked like it was starting to see a sustained recovery; and the office sector looked good. He said that employment was really what he looked at and occupancy of commercial space and employment generally tracked close. In terms of industrial employment, the construction sector was still flagging which seemed to be the real big problem for the industrial market; and the manufacturing, transportation, and wholesale sector were starting to see increases in employment. Office occupancy sector year-over-year growth was negative; financial activities, which included real estate, was still doing poorly; and professional business services was looking good in 2011, but has suddenly turned around along with the heath care/social assistance sector. Mr. Stater indicated that the retail sector was obviously seasonal and in the fourth quarter of every year there would an explosion in retail employment, but currently it was looking weak with some signs of improvement.

He reiterated that the construction sector seemed to be the big problem and took a dive when the recession hit. Leisure hospitality was starting to grow again but all other sectors were really boosted by construction because the state was not seeing the gains in leisure and hospitality translate into gains outside of leisure and hospitality yet, which he expected to see at this point. He believed the lack of construction employment was what was really hurting the state at the moment for commercial real estate. Distressed real estate was something he has been looking at over the last few years and about 8% of the commercial and industrial buildings he tracked were considered distressed, meaning they have received a notice of default or were in some phase of foreclosure process. He has seen sales of those properties improve especially in early 2011 with the online property auction which seemed to set a lot of prices and get investors to look at the market. However, since sales has flagged a little since then but overall they were seeing decent investment activity in office and retail properties, not so much in industrial. Early in the recession, office and retail distressed property dominated the market, but in the past year, industrial space has overtaken those sectors. Year-over-year they were starting to see the rate of increase in distressed property slowing down, especially in the last few quarters. Mr. Stater thought Southern Nevada would have another five to six years before distressed properties stopped being a major problem, because unfortunately as one property sold at a lower price the new owners could lower the rents which pushed competing properties into the distressed category.

Mr. Stater stated that a new buzz word for commercial real estate was “obsolescence” which immediately brought to mind older buildings that could not compete with the newer buildings due to wear and tear. He noted that because so many properties were fairly new, Southern Nevada was seeing a bigger problem with some of the newer buildings because they could not fill up, which was partly because they were built when the recession hit and there were not as many tenants. However, another issue was when construction started ramping up, a lot of the big builders were building on land purchased at a very low price five to ten years earlier. Southern Nevada started seeing amateur developers buying expensive land which resulted into small freestanding retail, office space, and some industrial. Builders were able to get loans to build but unfortunately there was no demand for that type of space, which created an overhang. The builders were trying to please the lenders as opposed to actually serving some demand in the market. In addition, there were problems with many of the high vacancy rate properties which went into the distressed category and therefore the landlords could not offer any kind of tenant inducements to get renters. Mr. Stater said Southern Nevada was starting to cycle through that inventory but thought the real obsolescence Southern Nevada was going to see was a mismatch between what new tenants want and what Southern Nevada had to offer. In addition, there was a similar concept with employment with a lot of job openings demanding skills that the available unemployed might not have. Industrial tenants were coming to Southern Nevada looking for large buildings – 300,000 square feet or more which were not available. Since the tenants could not necessarily wait to build a large building, the tenants were going to Reno in Northern Nevada or Phoenix, Arizona instead. Southern Nevada was also seeing call centers starting to come back into the market similar to the reshoring concept of bringing good, well-paying manufacturing jobs back to the United States. The tenants wanted full floors of Class B back office space, and Southern Nevada was running out of that type of space. Recently, Southern Nevada signed a few 20,000 square foot leases and he was aware of at least four additional tenants looking at the market, but Southern Nevada did not necessarily have the type of space needed. In terms of retail, Mr. Stater said that Southern Nevada was getting to the point where the big box retailers were starting to shrink their concepts and did not want large properties on the market and it would be expensive to subdivide the larger properties. He said that Winco Foods recently came to Southern Nevada and did not utilize existing empty space. He said it was a problem for Southern Nevada but there was an opportunity there as well and they were seeing some businesses wanting to build new properties such as Switch Data Center, building facilities in the southwest, along with U.S. Micro Corporation, and Winco Foods. Mr. Stater said that even though there were high elevated vacancy rates in Southern Nevada, he could see the beginnings of construction for commercial real estate coming back to the market, although not near levels seen in the past, which might stop the construction employment from eroding.

Lastly, Mr. Stater said that over the next 12 months he believed that 2012 would look like 2011 in terms of demand improving and he hoped things would not flag off as bad toward the end of the year. He thought 2013 could be better and a lot of the economic measures were starting to improve, which should translate into more demand for commercial real estate. Currently, Southern Nevada was bouncing along the bottom and he was hopeful about the future.

Mr. Nielsen asked Mr. Stater what he thought about incomplete projects as they related to vacancy rates and if there was another chunk of overhang of incomplete projects in Southern Nevada. He asked if most of the incomplete project space was in the retail sector or across all properties.

Mr. Stater replied that incomplete projects were not included in the vacancy rate numbers and projects had to be complete before they were counted as truly vacant. He has heard that the Summerlin mall may have the funding to move forward with their project, which was stalled in 2008 after financial problems. He said that malls were not really tracked in terms of retail; primarily the more suburban projects were tracked. The continuation of the Summerlin project would be great for construction employment, but in terms of office projects, incomplete projects was probably space that was really not needed in the marketplace, so it would cannibalize other spaces and cause some problems for the landlords. Mr. Stater said that primarily the incomplete projects were in office and industrial sector.

Chairman Wiles said that a challenge with identifying distressed properties was that properties were not considered distressed until a notice of default (NOD) or foreclosure was filed. He added that a delay was seen in the marketplace because banks were not necessarily filing the NODs as quickly as they used to and he thought the distressed numbers could actually be higher. He believed Mr. Stater's estimate of distressed properties was more likely low and there was a higher percentage of truly distressed properties in the marketplace and there may be even a longer window to work through those properties.

Mr. Stater agreed with Chairman Wiles and lease rates collapsed for properties that were not on the verge of a NOD and now close to where Southern Nevada was in 1999 and 2000. He said there were a lot of landlords hurting and just able to keep their heads above water, but the potential for more distressed property was definitely there and he agreed that they were probably only grabbing a small portion of the distressed properties.

XIII. PRESENTATION ON NEVADA'S RESIDENTIAL REAL ESTATE MARKET TRENDS.

Brian Gordon, Principal, Applied Analysis, directed the committee to the handout, Residential Real Estate, Market Trends, SalesTraq, Applied Analysis (Exhibit D). He stated that SalesTraq was the residential division of Applied Analysis and tracked all new and existing home sales activity, foreclosures, pricing, new home communities, along with a wide range of residential data. He would walk the committee through the presentation to set the stage in terms of what was seen in the State of Nevada, particularly Southern Nevada, which represented about 72% of the overall population. He said that one of the questions he gets fairly often was how Southern Nevada got to where they were currently and how Southern Nevada has historically built out. Page 3 of Exhibit D contained a graphic of Las Vegas Valley to demonstrate the level of expansion by decade. Southern Nevada has been growing at the fastest clip of any market of its size and a lot of the development activity has moved to the peripheral of the Las Vegas Valley where much of the new home construction has taken place over the past decade or more. Page 3 showed the year-by-year results for two decades worth of data and the level of expansion that has taken place in terms of overall population. During the better part of the past half century the population in Southern Nevada doubled every decade – from 1990 up to 2000 reaching approximately 1.4 million people. Currently, Southern Nevada was hovering around 2 million people, which has flat lined in the last 4 years. Mr. Gordon said to provide more perspective, and how this related to the housing market, the growth rates leading up to the period prior to the latest recession averaged in the 3% to 5% range in terms of overall population growth. However, in the last 4 years, the official data from the State Demographer showed a drop off in 2011, primarily sourced to the official data related to the U.S. Census, and the decline was more likely spread over the last 4 to 5 years, as opposed to all coming off in 2011. However, as it relates to the housing market, the number of new homes closings were generally trending in the 18,000 to 20,000 units per year range during the better part of the last two decades. During the boom period in 2003 to 2006, Southern Nevada was clearly constructing more housing units than were needed. Comparing that to the longer run historical average, what would have been more appropriate was somewhere near 40,000 to 50,000 too many homes relative to the population base. At the same time, when that population flat lined, it turned negative in some years but essentially remained flat to down and homes were still being built. Another 20,000 units were built when the population was essentially flat, so they were left with approximately 60,000 to 70,000 homes relative to the population during that timeframe. He said that created a number of shifts in the residential real estate markets, specifically the resale market. He stated that the map, page 8 of Exhibit D depicts the amount of equity lost from the peak year of 2006 throughout the Las Vegas Valley, and showed the areas harder hit from a residential perspective. The chart demonstrated the lower rates of equity declines and currently approximately two-thirds of borrowers were underwater. The existing resale home closing data showed the historical trend in terms of the sales volume taking place during the boom years of 2004 and 2005 in the residential market selling over 55,000 homes in each of those years – the falloff in 2006 and 2007 as prices were plummeting. Sales volume started to pick up in 2008 and during the trailing 12 months of 2012, the Las Vegas Valley reached almost 60,000 home sales. Mr. Gordon said a lot of the sales during the last several years were investor purchases and 51% of the homes sold in the 12 months were cash buyers, which was a sign that there was a significant number of investors in the market. At the same time, 76% of those homes were actually vacant when they were sold.

Mr. Gordon said that Assembly Bill 284 (2011) page 11 of Exhibit D gives Nevada residents detailed information on foreclosures and creates transparency in the process. Page 12 showed the bank repossessions that have taken place during the better part of the past two years, which were peaking well over 2,000 homes a month being repossessed by lenders. He said the chart on page 12 showed where the Las Vegas Valley was in the last month of available data (April 2012) and only 258 bank repossessions took place. At the same time, there were fewer homes with past due loans but the decline was nowhere near the level of foreclosure decline that was experienced showing there was still a number of homes pent-up in the foreclosure process or potential foreclosure process. Another element to look at was the seriously delinquent category and although they have seen the numbers come down modestly, the delinquently rates were nowhere near the level of foreclosure activity. These were the 90 days plus delinquent loans, as well as foreclosure inventories. He said the chart on page 14 showed the number of bank-owned homes (REOs) overtime as well as where they sit today. The dots on the chart depicted the number of REOs throughout the Las Vegas Valley and these homes were listed as available in the Multiple Listing Service (MLS) that potential buyers could seek out at this point in time. The graphic on page 15 showed the unlisted REOs in the marketplace, which were much more rampant throughout the area. He said there were approximately 13,000 REOs currently in the Las Vegas Valley and the numbers were on the decline and almost 4 out of 5 homes were unlisted – being held by banks but not in the marketplace today. Mr. Gordon stated that this particular data source was from the county records and he was able to look at every parcel and determine whether it was bank-owned, based on both the deeds that were being transacted in addition to the owner's name. He clarified that 13,000 represented the total number of homes owned by banks today, both listed and unlisted homes in some contract for sale, either contingent or pending.

Moving to page 16 of Exhibit D, Mr. Gordon stated the graphic on the left of the page showed the foreclosure volumes. Over the past few years the Las Vegas Valley has seen thousands of foreclosures moving through the process and foreclosures or REOs being sold to ultimately third parties; however, in the last several months, particularly since the enactment of A.B. 284, that availability has turned down significantly. He noted that over a year ago resale inventory, which were available homes that were not in some type of contracted status, were over 16,000 homes and currently that number was around 4,700 homes available on the market in the entire Las Vegas Valley. To put those numbers into perspective and comparing them to the number of sales that were actually taking place, Mr. Gordon said that effective inventory in terms of months, which was trending in the three to four months of effective inventory range at one point, was now down to 1.2 months of effective inventory in the entire Las Vegas Valley, a fairly tight inventory level. Mr. Gordon explained that the graphic on page 19 demonstrated that some areas of the Las Vegas Valley were experiencing tighter inventory levels if they thought about selected areas in master planned communities – homes that have been sought out by potential buyers trending at less than one month of effective inventory. The Las Vegas Valley was starting to get that feel in the resale market, somewhat similar to what it was like during the boom years, where homes were outbid, people were bidding over the asking price and there were multiple offers, not to suggest the economics were not like that during the boom, but a lack of inventory had a lot of buyers being much more aggressive than they were.

Mr. Gordon stated that Bank of America and other lenders understood what was happening in the State of Nevada and were more likely to move toward short sales and other alternatives to shore up some of the distressed properties in the market. He said it was coming out publicly that 2012 was the year of the short sale and Bank of America was streamlining short sale procedures that would shorten decision times on offers to 20 days, down from 45 days or longer. In addition, Bank of America was working on other assistance programs to get people out of homes, cash for keys types of programs, looking to keep properties in decent condition, but take ownership, and also considering deeds in lieu of foreclosure and willing to lease properties back to the former owners. Bank of America was looking at other alternatives understanding that foreclosure might not be the viable option for them on some homes.

Mr. Gordon noted that looking at the mix of properties that were sold a few years back and how that compared to today (page 21, Exhibit D), obviously bank-owned properties were a substantial portion of the sales; short sales were 10% during 2009; REOs were now down to 42% of total sales in 2012; short sales increased to 19% of the total and in absolute terms those were much higher – the non-distressed categories remained relatively consistent period-to-period.

Moving to the shifts in the new home market, Mr. Gordon stated that the number of new home builders in Southern Nevada has dropped off sharply over the past several years as demand for the product was slowed. Looking specifically at home builders that were doing any sort of volume, 12 homes over the past year or so are still off substantially from where they were just a few years ago. Home closing volumes has edged up the last few months of 2012, but still only 350 homes were sold during the last month, which were not significant numbers on the pace for about 4,500 plus homes over the next 12 months. However, new home permits were showing some signs that developers were returning to the market, relatively small numbers in the big picture, but home permitting was starting to creep up in terms of potential units to come to the market.

New home pricing tended to bounce around and new home closing prices were in the $95 per square foot range, significantly higher than the $68 to $69 per square foot that was seen in the resale market, edging up a little. He stated as far as tracking new home communities – builders were starting to edge up the asking prices anywhere from $1,000 to $5,000 per floor plan, starting to see an upward movement probably likely not to be realized for the next nine months.

Concluding, Mr. Gordon stated that he believed the constraint on inventory was more of a temporary situation with the change in the foreclosure process and banks would continue to find alternative ways to move those assets they were not being compensated or paid for. Future valuations to be predicted on longer-run supply demand balance, investor volumes may start to trend off some as the inventory becomes tighter and investors would not have access to as many units and there may be some bulk sales from lenders. Mr. Gordon indicated that something had to give – people were staying in homes they were not paying for and the delinquency rates were not improving dramatically relative to what was happening in the market, so at some point people would transition to other housing options by way of foreclosure, short sale or some other method.

Mr. Leavitt wondered what would happen to new construction when the investors that purchased foreclosed homes put those homes back on the market when the values went up.

Mr. Gordon stated that new supply and excess inventory in the market would certainly put downward pressure on the new construction side. Investor purchases today were much different than during the boom, and the "flippers" from the boom times during 2004 through 2006, were looking to get in and out of properties relatively quickly. The investors today and antidotal reports suggested that a lot of the investors have a much longer view of the investment horizon understanding what was witnessed over the past decade in the housing market in Nevada. Therefore, investors were buying homes with the intent to hold the least amount and many of them would be in 6 to 12-month leases and the window of turnover would be longer. As those properties go into the resale market, it would certainly add supply and potentially have an effect on new home construction as well as pricing, but they would expect a more stabilized environment to prevail at that point.

Chairman Wiles asked about the mismatched product and the three-story homes built on postage stamp zippered lots that were not selling. He asked if those properties were re-purposed by tearing them down or where they turned into rental properties and how was that overhang measured.

Mr. Gordon replied that Nevada was seeing that in two areas and there was inventory that was not for the typical homebuyer because it was either in such a state of disrepair that it required a substantial amount of investment and the dollar does not justify the purchase price potentially. In addition, there was not as much standing inventory on the new construction side and there were frustrated homebuyers that have put multiple offers on homes in the resale market and not able to capture any properties. Many of those home buyers were migrating to the new construction side despite the higher prices so a lot of the standing inventory has gone away. He believed home builders would be looking for products that the market was going to demand going forward so there may be some communities that were stalled in the process, but he did not think that was going to be a huge number in the large picture.

Mr. Nielsen said it was obviously an interesting set of dynamics in the market. He wondered how consistent that was in Nevada with what people were generally seeing across the country.

Mr. Gordon stated that the State of Nevada has been the hardest hit and ranked at the top of the foreclosure lists throughout the economic cycle. Clearly, Nevada has built more homes than was needed and population growth has slowed, particularly in Southern Nevada, so the dynamics were such that at the time builders were building the home inventory demand was slowing and Nevada ended up with excess capacity. Looking at other markets like Arizona and California, some of those states have managed to move through the excess supply relatively quickly which helped stabilize pricing. Mr. Gordon was aware that there was a major housing overhang, yet those houses were not available on the market which was slowing down the process and the cycle for recovery.

XIV. PRESENTATION ON NEVADA'S HOUSING POLICIES AND INITIATIVES.

Ashok Mirchandani, Deputy Director, Department of Business and Industry, said he would present the state's perspective on the housing market. He directed the committee to page 137 of Exhibit A, The State of Nevada's Housing – Trends and Perspectives. He stated that Nevada, with a population of 2.7 million, had the highest foreclosure and unemployment rate in the nation. At the epicenter of the Nevada housing crisis was the issue of negative equity with 67% of homes in Nevada underwater. Nevada's homeowners have approximately $12 billion in negative equity, which per capita, was the highest in the nation. The major share of the negative equity rests in Clark County with 71% of the homes in Las Vegas being underwater. He said that Northern Nevada was not far behind with 62% of homes in Reno being underwater. As a result of the steep negative equity, Nevada has a growing problem of strategic defaults. Homeowners lacking equity in their homes were more likely to strategically default on their mortgages resulting in increased preventable foreclosures, and contributing to the further downward spiral in home values. As well, these negative equity homeowners were less likely to have or utilize disposable income to contribute to economic activity. A number of the programs developed to date have largely experienced difficulties at assisting underwater homeowners.

Mr. Mirchandani said that some of the programs to date have excluded large numbers of persons on the basis of less significant factors, such as their income levels or ownership of multiple properties. He referenced the chart on page 137 of Exhibit A which showed a comparison of mortgage market trends. He said the top three states for delinquency were California, Arizona and Nevada, and Nevada's share of the challenges was relatively steep with 12.63% of loans seriously in default and 9.56% of loans being past due. In light of the challenges identified, Nevada has adopted some policy approaches and worked closely with their federal counterparts to make the federal programs tailored to the need of Nevadan's. For example, the Nevada Hardest Hit Fund provides four programs to assist eligible Nevada homeowners who were are high risk of default or foreclosure, a) Mortgage Assistance Program, b) Principal Reduction Program, c) Second Mortgage Assistance Plan, and d) Short Sale Acceleration Program. The Housing Division has worked to amend the Hardest Hit Funds contracts several times to align the programs more closely to the need of Nevadan's. For example, the Mortgage Assistance Program payment was revised from $500 per month to $1,000 per month for eligible homeowners and the eligibility period was increased from six months to nine months. The Principal Reduction Program has been revised from $25,000 to $50,000 reduction per home to be matched dollar-for-dollar by the lender and in line with the steep falling prices in Nevada.

Continuing, Mr. Mirchandani said that under a pilot program launched recently by Governor Sandoval, the state would use the Hardest Hit Funds to pay down loan balances on borrowers by as much as $50,000 for government-sponsored entities loans, such as the ones owned by Fannie Mae and Freddie Mac. Homeowners would then refinance their mortgages using HARP 2.0, which is an initiative that allows borrowers with loans backed by Fannie Mae and Freddie Mac to refinance, even if they are underwater. This program would reduce both the interest rate and the loan amount thereby sizably reducing the homeowners monthly mortgage obligations leading to increased disposable income which leads to increase economic activity. The state is working on pilot programs targeted to specifics priorities, namely, increase homeownership and retention. Nevada continued to include homeowners and lenders in activities and discussions to correct the housing market, such as the HomeMeansNevada.Gov, a portal which brings all housing assistance information in one central place. The state's efforts included a consumer brochure, foreclosure events and ombudsman for minority affairs person, regular discussions and roundtables with stakeholders. In March of 2012, Governor Sandoval offered a major homeowner workshop which was attended by almost all of the mortgage servicers in Nevada, counselors, along with government sponsors like Fannie Mae, with a record number of 3,500 homeowners coming for assistance. The event was largely deemed as the most successful outreach event for mortgage assistance by the financial institutions.

Nevada's outreach efforts also include free educational workshops and seminars, advertised on the state's Department of Business and Industry (B&I) website. In addition, B&I provided assistance to homeowners, helping homeowners resolve their issues with their lenders. The Nevada Fight Fraud Taskforce, was spearheaded by B&I and has law enforcement and regulatory agencies as its members. The roundtable discussion included the new and existing scams and strategies to avoid falling victim to the scams through better communications and strategic deployment of resources. The Mortgage Lending Division of B&I conducts various education and training sessions for homeowners.

Concluding, Mr. Mirchandani said that the Mortgage Lending Division has taken measures for strict and timely enforcement of statutes and regulations to protect consumers and businesses. Providing an example, he noted that recently a dedicated Deputy Attorney General was assigned to the Real Estate Division to manage the growing needs for legal opinions related to the division's regulatory role and reduce the turnaround time on constituent services.

Mr. Maddox asked Mr. Mirchandani if he would discuss the results of the programs offered by the Nevada Housing Division instead of identifying each program that was implemented.

Mr. Mirchandani stated the page 143 of Exhibit A showed the results of the programs in the sense that it laid down the guiding principles that the Nevada Housing Division had in mind as they moved forward with new programs to help the housing market in terms of how to come up with programs that leverage public/private partnership and limit taxpayer exposure. In addition, the programs would assist the homeowners that have not received assistance to date and emphasis how to correct the negative equity in the market. He stated that the state got into the housing crisis because of under regulating not from over regulating and the Nevada Housing Division wanted to ensure that as they get out of the crisis they did not over regulate themselves getting out of the crisis as well. In addition, they needed to continually educate all of the stakeholders, like the consumers and banks, to make sure they know their responsibilities and rights.

Chairman Wiles asked Mr. Mirchandani if he knew how much money the state was currently provided for the housing assistance programs. He was aware there were challenges communicating the different opportunities to distressed homeowners.

Mr. Mirchandani replied that all the programs were funded at the federal level not with state dollars except for the Administrative Law Judge Program and the Deputy Attorney General. He recognized that the federal programs were national programs and a "one size fits all" program and the regular programs did not work in states like Nevada where the foreclosure crisis was so deep and wide. He said the Nevada Housing Division has been working with their federal counterparts to see how the programs could be aligned more closely to the market needs in terms of increasing the dollar amount in the Principal Reduction Program or giving unemployed people nine months of mortgage assistance instead of six months. He said the Nevada Housing Division continued to work with the federal government to align the programs more closely to the needs to Nevadan's.

Chairman Wiles asked if the banks were being more cooperative in those efforts. Mr. Mirchandani replied that the Governor and the Director of the Nevada Department of Business and Industry have been talking to the banks and at a minimum the banks were very keen to come to the table and talk about solutions.

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

This agenda item was taken out of order.

Mr. Guindon said that the Fiscal Division put together several charts on taxable sales and gaming market statistics. He noted that the historical taxable sales and gaming market statistics charts have been posted on the Economic Forum's Nevada Legislature webpage under the June 11, 2012, meeting link. He said the charts showed gaming market statistics for Nevada, Clark County, Washoe County and the Las Vegas Strip. Gaming percentage fee tax and gaming win statistics for Nevada – monthly and quarterly data. In addition, there were charts for gaming market statistics for Clark County with and without baccarat by month and quarter; taxable sales for Nevada for 17 select North American Industrial Classification System (NAICS) categories reported by the Department of Taxation versus all other NAICS industry categories; and taxable sales for Nevada and selected counties – Clark County, Washoe County and statewide for selected NAICS.

Mr. Guindon reviewed the table Monthly Taxable Sales: Statewide for July 1996 through March 2012. The chart showed the 12-month moving average and the percent change. The chart showed how much stronger the statewide taxable sales was relative to Clark County; however, Clark County was approximately 75% of the state's taxable sales; Washoe County taxable sales were starting to improve; Carson City fell much stronger but was coming back, which he believed was related to automobile sales; and Douglas County was starting to see an increase. Chart 6 showed monthly taxable sales for Elko County. He stated that normally not a lot of time was spent on the small counties for forecasting purposes because if they could get 75% or 80% of the taxable sales and try to get economic activity that could be tied to the forecast that the rest of it was not going to hurt with regard to the forecast. He said the increased mining activity and the Ruby Pipeline project in Elko helped taxable sales in Elko, although taxable sales has settled down some in the last few months. In addition, Nye County taxable sales have increased. The last chart showed taxable sales for the rest of the state – the Ruby Pipeline affected Humboldt County; the 80-unit wind power project in White Pine County, as well as mining is some of the other counties. He said that taxable sales for the rest of the state has been great and explained why they have seen months when the Department of Taxation reported that the state taxable sales grew 6% while taxable sales in Clark County, which was 75% of the state, grew 3% and he had to see what was going on and in this case it was the rural counties that have been driving the taxable sales. When looking at taxable sales they had to think about what was going to replace the projects like the Ruby Pipeline project or the wind power project in White Pine County to keep the taxable sales up, because it would be hard to provide year-to-year comparisons in terms of helping sustain a level of taxable sales above what the largest urban counties generated as the economic engine compared to the rural economic engines. Mr. Guindon stated that the charts were updated for the Economic Forum meetings every month if time permitted or each quarter and he could provide updated charts for the members.

Mr. Leavitt asked if it was possible to identify the continuing large projects in Nevada.

Mr. Guindon said that Fiscal Division staff, as well as Janet Rogers, Budget Office and staff from the Department of Taxation try to identify the large projects. He was aware of the Ruby Pipeline project and tried to include it in the forecast, but he was unaware of the turbine project in White Pine County and it was sometimes hard to find the projects. He stated the biggest concern was that unless the projects have broken ground and work has begun, forecasters were very tentative to put those projects into the forecasts because suddenly they were forecasting based on that and the project might not materialize, which was dangerous as a forecaster. He said Mr. Crowley made a very good point in his presentation that sales tax was collected when a sale was made and it was reported to the Department of Taxation, so a company could be doing things in multiple counties and just report their taxable sales on a single form to the Department of Taxation. He said there were ongoing conversations with the Department of Taxation to see if there was a way to comb through the data. He said the forecasters had to make decisions based on the information available at the time they had to make the decision.

Mr. Nielsen wondered if the permitting process could be used to identify new projects or was that too late in the project lifecycle to be helpful.

Mr. Guindon said they were aware of the large projects from the permits; however, a company could get a permit and not necessarily be breaking ground or starting the project. He said the forecasters looked at that information but they really liked to know that the company had the financing and the project was going forward otherwise it was risky to build a forecast based on a project that had a permit and the company had good intentions, but could not obtain the financing needed for the project.

Chairman Wiles commented that he thought the issue was having access to information about new companies startups and the major projects coming online. For example, he asked a number of people how many software companies there were in Nevada and how much venture capital or private equity was invested in Nevada companies. He said the data for major projects was not available and he was unsure who was best suited to obtain that information – whether it was the research universities, which was preferable because there was some sense of independence in reporting the information and greater comfort from private market participants to provide information and trust it would remain confidential, specifically in terms of who was receiving the amount. He said there was a real challenge in general information flow about measuring what the state already had and he was unsure how to move forward to obtain the type of accurate broad-based estimates without having good information. Chairman Wiles said aside from the information provided from staff, he wondered how the state could have forward looking information in terms of other types of economic activity that were not being measured very well.

Mr. Guindon said Chairman Wiles brought up a valid point but it was the nature of a forecaster to produce forecasts based on the information set available. He stated that as a forecaster he was unsure if he asked a random person on the street what their forecast was for taxable sales and they may have gotten closer than he would have trying to use econometric techniques and data available. He agreed that it would be nice to have that information in some formalized collection method so that there was some quality to the data because if the information lacked quality then they were using noise to try to tie into a signal. He said it would be a benefit if the Economic Forum had things they thought staff could think about or people that they could talk to try to get information, or have the universities collect more information in an organized and formal way.

Chairman Wiles noted that Mr. Maddox had to leave the meeting for a prior appointment.

XV. PRESENTATION ON ENTREPRENEURSHIP AND VENTURE CAPITAL IN NEVADA.

Chairman Wiles stated that Andrew Hardin, Director, UNLV Center for Entrepreneurship would not be present at the meeting to present Agenda Item XV.

XVII. DISCUSSION OF THE REPORT BY THE ECONOMIC FORUM TO THE INTERIM FINANCE COMMITTEE.

Mr. Guindon explained that staff would work with the Economic Forum to put together a report for the August 2012 Interim Finance Committee (IFC) meeting on the matters considered by the Economic Forum at the meeting. The report presented to the IFC would be made available on the Legislative Counsel Bureau's website and be provided to the Economic Forum members.

XVIII. SCHEDULING OF FUTURE MEETINGS.

Mr. Guindon stated that he would work with Chairman Wiles on a date for the next meeting. He said that historically, the Economic Forum met in late September or early October, late October or early November, and on or before December 3 for the final official Economic Forum forecast. He added that the meeting had to be timed around when staff received the latest taxable sales report from the Department of Taxation. He said staff tried to have the forecast meetings in Carson City because the Executive and Legislative staff were in Carson City; however, the meeting was videoconferenced to Las Vegas if the members were unable to attend in Carson City.

Chairman Wiles suggested to avoid an early November meeting date given the other activities that would be occurring at the state and federal level and the 2012 Presidential Election on November 6.

XIX. PUBLIC COMMENT.

There was no public comment.

XX. ADJOURNMENT.

The meeting was adjourned at 1:03 p.m.

Respectfully submitted,

____
Donna Thomas, Transcribing Secretary

APPROVED:

____
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.