ECONOMIC FORUM

May 1, 2015
9:00 a.m.

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

With videoconference to

Grant Sawyer Office Building
555 East Washington Avenue
Las Vegas, Nevada
Room 4412

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

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MEETING NOTICE AND AGENDA

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

Date and Time of Meeting: May 1, 2015 - 9:00 a.m.

Place of Meeting: Legislative Building
Room 4100
401 South Carson Street
Carson City, Nevada

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

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

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

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

AGENDA

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

I. ROLL CALL.

II. OPENING REMARKS.

III. PUBLIC COMMENT.

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

For Possible Action

IV. APPROVAL OF THE MINUTES OF THE OCTOBER 17, 2014, MEETING.

For Possible Action

V. APPROVAL OF THE MINUTES OF THE NOVEMBER 7, 2014, MEETING.

For Possible Action

VI. APPROVAL OF THE MINUTES OF THE DECEMBER 3, 2014, MEETING.

For Possible Action

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

Daniel White, Economist, Moody's Analytics (via teleconference)

For Possible Action

VIII. PRESENTATION ON THE STATE EMPLOYMENT OUTLOOK.

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

For Possible Action

IX. PRESENTATION ON TAX CREDITS ALLOWED AGAINST STATE GENERAL FUND REVENUE SOURCES.

A. Transferrable Film Tax Credits (S.B. 165 – 77th Regular Session)
B. Nevada New Markets Jobs Act Tax Credits (S.B. 357 – 77th Regular Session)
C. Economic Development Transferrable Tax Credits (S.B. 1 – 28th Special Session)
D. Nevada Educational Choice Scholarship Program Tax Credits (A.B. 165 – 78th Regular Session)

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

For Possible Action

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

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

For Possible Action

XI. REVIEW AND DISCUSSION OF FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FY 2015, FY 2016, AND FY 2017.

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

For Possible Action

XII. REVIEW AND APPROVAL OF MAY 1, 2015, FORECASTS OF MINOR GENERAL FUND REVENUES FOR FY 2015, FY 2016, AND FY 2017 APPROVED BY THE TECHNICAL ADVISORY COMMITTEE AT ITS APRIL 27, 2015, MEETING.

For Possible Action

XIII. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

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

XV. ADJOURNMENT.

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

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

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

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

October 17, 2014

The meeting of the Economic Forum (created by Senate Bill 23, 1993) was held at 9:00 a.m. on Friday, October 17, 2014, in room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada, with videoconference to room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada.

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

ECONOMIC FORUM MEMBERS PRESENT IN CARSON CITY:
None

ECONOMIC FORUM MEMBERS ABSENT:
Matthew Maddox (absent excused)

STAFF:
Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division
Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division
Susanna Powers, Economist, Budget and Planning Division, Department of Administration
Judy Lyons, Committee Secretary, Fiscal Analysis Division

EXHIBITS:

Exhibit A	Meeting Packet and Agenda
Exhibit B	Nevada's Commercial and Industrial Real Estate Market Trends – Colliers International
Exhibit C	The LV Housing Recovery or, the New "Normal" – Home Builders Research, Inc.
Exhibit D	Northern Nevada Economic and Housing Outlook.
Exhibit E	Nevada Governor's Office of Economic Development
Exhibit F	State of the Health Insurance Marketplace – Division of Insurance
Exhibit G	Nevada New Markets Jobs Act – Department of Business and Industry
Exhibit H	Medical Marijuana Program - Department of Health and Human Services
Exhibit I	Nevada Mining Association

I. ROLL CALL

Chairman Ken Wiles called the meeting of the Economic Forum to order at 9:17 a.m., and the secretary called roll. The members were present at the meeting in Las Vegas, with member Mr. Matthew Maddox absent excused.

II. OPENING REMARKS AND OVERVIEW OF THE ECONOMIC FORUM.

Chairman Wiles thanked the audience and the presenters for attending the meeting, and expressed that it was an exciting time for the State of Nevada. He explained there would be two additional Economic Forum meetings held in November and December of 2014. Chairman Wiles pointed out that the meeting materials were available in hard copy at both meeting locations in Las Vegas and Carson City, as well as on the Nevada Legislature's website.

III. PUBLIC COMMENT

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

IV. APPROVAL OF THE MINUTES OF THE JUNE 3, 2014, MEETING.

Chairman Wiles asked for approval of the minutes.

> MR. LEAVITT MOVED FOR APPROVAL OF THE MINUTES FROM THE JUNE 3, 2014, MEETING. MS. ROSENTHAL SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

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

John Stater, Research Director, Colliers International/Las Vegas

Mr. Stater said he would provide a general overview of commercial real estate and its current trends, along with a copy of the Colliers International *Las Vegas Quarterly* for those who were interested in specific data pertaining to Southern Nevada's economy (Exhibit B).

Mr. Stater addressed the following segments of commercial and industrial real estate markets in the Las Vegas Valley:

- Industrial Market: Mr. Stater indicated that the industrial market was performing very well. He said build-to-suit construction picked up, and vacancy rates dropped over the last two years, which caused speculative industrial construction to emerge. He said in prior years, between one million and two million square feet of industrial product was built per quarter, but construction was nowhere near that today; although it picked up in North Las Vegas and was expected to increase in the southwest area as well. He thought the surge was primarily driven by service partners who catered to the distribution industry, convention center, and the Las Vegas Strip. He projected continued success over the next year in the industrial market. Mr. Stater said the marijuana industry had minimal impact on real estate at this point, but the industrial market is the projected target. He was told by colleagues in Denver that the marijuana industry is attracted to older product that is less marketable. He said this could be very positive for the area, because it would take older product off the market and make room for more development.

- Retail Market: the retail market expanded over the last three years and was doing well. Although this market did not report much activity in early 2014, it was in line with normal cyclical business trends. Mr. Stater reported that retail taxable sales were doing well, and speculative construction projects in the retail market were picking up, particularly in the northwest part of town and Downtown Summerlin. He described the Summerlin project as a regional mall, and noted that upscale retail did very well throughout the recession. Additionally, Ikea is opening a new location in the southwest area along the 215 Beltway, and vapor e-cigarette stores have appeared in several retail centers in Las Vegas, which indicates confidence in the market. He implied that the marijuana industry will influence the retail market in terms of dispensaries, but probably will not be a major impact at this point. Mr. Stater did not foresee any future problems with the retail market in Las Vegas as long as retail taxable sales stayed healthy and local incomes were stable.

- Professional Office Market: this is a difficult market, with a high vacancy rate. Studies showed that poorly located and poorly designed office space greatly contributed to the high vacancy rate. Mr. Stater said the Las Vegas Valley saw expanded growth in employment, which normally stimulated the professional office market and demand for office space; however, a transition occurred with the introduction of computers and the internet. He said the need for employee office space in Las Vegas was shrinking, much like in the large major markets located in New York, Chicago and San Francisco. The combination of shared office space, employees working from home. and cloud computing has eliminated the demand for onsite space. He said the office market was underperforming, by old standards, but new standards showed the office market was improving; it was just a little bumpier than the industrial and retail market experience.

- Medical Office Market: the medical office market was troubled, and reported another quarter of very high negative net absorption. It is a flat market that is experiencing a similar transition as the professional office market, but the issues are mainly due to less demand for work space. Mr. Stater explained that doctors are generating less profit today, and are giving up their private practices to join medical groups. These groups require less medical space than those doctors would need individually, because they utilize offsite billing services that are located in professional office space. Additionally, there has been a rise in health clinics that share space with places like Walmart, Walgreens and other retail centers, which also decreases the need for medical office space. Mr. Stater said the medical office market was affected by the recession, and needed to reconfigure their space, which will be very expensive. He said it was not a good time to build speculative medical offices unless it was integrated with a hospital or other related medical facility, such as Union Village in Henderson. Mr. Stater implied that the transition was related to health care and how it was delivered, and was driven by government regulation and insurance companies rather than by what customers actually need or want.

- Multi-Family Market: Mr. Stater informed the committee that the information regarding the multi-family market was obtained from other websites, but this market appeared to be doing very well. He said not as many people were moving to the Las Vegas Valley; however, multi-family construction was expected to increase over the next year, which would help the low vacancy rate.

- Hospitality Market: Mr. Stater reported that the hospitality market is healthy and the Las Vegas Strip is doing fine. He said the hospitality operators are ahead of the market in terms of delivering what people desire, such as night clubs, party pools, and retail venues. He conveyed that Reno, Atlantic City, and China were having troubles in this market, but Las Vegas seemed to be moving ahead very well. He reported two major sales occurred in Las Vegas over the last year, specifically the Las Vegas Hotel and Casino (LVH) and the Cosmopolitan.

- Land Market: Mr. Stater said the available land for development was being used up, and had experienced slightly less activity in 2014 than it had in 2013. He said there has been a lot of interest in this market, especially in the southwest part of the Las Vegas Valley. Mr. Stater recognized the activity to be a sign of confidence in a growing market. He reported that home builders are actively purchasing the few finished lots that are available in the Las Vegas Valley, although construction is not expected to start for a couple of years.

Concluding his presentation, Mr. Stater expressed satisfaction with the commercial real estate market. He said it improved and was expected to move at a steady pace in 2015; however, with less population gain, the Las Vegas Valley will be more reliant on consumer spending than in past years. Overall, he thought the Las Vegas Valley was growing right along with the rest of the country.

Mr. Leavitt targeted sales tax, one of the largest revenues forecast by the Economic Forum. He said, historically, a fairly substantial portion of sales tax revenue came from construction; however, construction fluctuated over the last year. He asked what the sales tax revenue projections were for both commercial and residential construction in 2015. His question was specific to projects that were currently in the construction phase and were generating sales tax revenue; not projects in the planning or permit stage.

In terms of commercial construction, Mr. Stater replied it was expected to pick up over the next year. He said T.J. Maxx was almost complete and Downtown Summerlin was wrapping up. He said there was speculative industrial construction going up in North Las Vegas and the southwest part of the Las Vegas Valley, along with two other projects that already broke ground or intended to do so in the next six to nine months. Mr. Stater reported that the retail market was not as active; however, there was build-to-suit activity going on. Overall, there was an increase in commercial real estate construction, but a major rise was not expected.

Mr. Leavitt asked Mr. Stater if his projections were specific to Clark County. Mr. Stater replied they were primarily related to the Las Vegas Valley.

Chairman Wiles mentioned the Manhattan West property that sat vacant for many years. He said it was coming online, and asked Mr. Stater if he had any information regarding it.

Mr. Stater replied that Manhattan West changed its name to “The Gramercy.” He said The Gramercy and the regional mall in Downtown Summerlin are large, Class A office projects that are being completed in a short span of time, and in a questionable market with a high vacancy rate. Both projects stopped construction during the recession, but there was a desire to see them through. He said the number of preleases were not extraordinary at either project, although they were not terrible. The mall in Downtown Summerlin is projected to do very well, but in order to complete the mall the centralized office tower had to be finished. Mr. Stater described The Gramercy as a mixed-use project that consisted of condos, retail space and an office building. He assumed that both projects had a demand for part of the product, so the office buildings had to be completed as well to avoid an eyesore. Mr. Stater projected that both projects will enter the market with a 50% occupancy rate, and will cannibalize the local markets a little. Additionally, those projects will contribute to the already high vacancy rates found in the professional office marketplace.

Chairman Wiles commented that one of the early indicators of economic activity was the demand for different types of commercial real estate. He thanked Mr. Stater for his presentation.

Before moving to the next agenda item, Chairman Wiles introduced and welcomed Jennifer Lewis as the newest member to the Economic Forum. As a member, today’s Economic Forum meeting is Ms. Lewis’ first meeting in attendance. Ms. Lewis thanked Chairman Wiles and stated that she was pleased to be a member.

VI. PRESENTATION ON THE SOUTHERN NEVADA HOUSING OUTLOOK.

Dennis Smith, President, Home Builders Research, Inc.

Mr. Smith explained that Home Builders Research, Inc. tracks and reports the housing market for clients around the world, and has done so in the Las Vegas Valley for about 26 years. The intent of his presentation was to provide an overview of the new home and resale markets in Southern Nevada.

To begin his presentation, Mr. Smith touched on net sales per subdivision per week. He said the graph on page 2 (Exhibit C) represented results from a weekly collection of data going back to 2012. It is the most current data available in regard to sales office traffic, written contracts, cancellations, etc, and was used by every builder, developer and banker in Las Vegas. The data suggests that net sales per subdivision in 2014 were somewhat off from what occurred in 2013. Mr. Smith acknowledged the pattern as a “false sense of recovery;” and elaborated by comparison. He explained that the net sales per subdivision per week in the first half of 2013 (1.0 to 1.5 sales) was higher than the second half of the year (.5 to .6 sales). Although there was hope for a repeat of that market trend in 2014, the first half of 2014 started out lower than 2013 (.8 to 1.0 sales), and dropped even further the second half of the year (.5 to .6 sales). He said because of the holiday period, a drop was expected in the fourth quarter of 2014 to approximately .4 or .3 net sales per subdivision per week; however, that decline was considered a normal seasonal trend. The graph on page 3, (Exhibit C) identified the trend line (black line), and reflected how flat the year was overall. He projected the same pattern for 2015.

Mr. Leavitt asked Mr. Smith to clarify the percentage of sales that came from existing inventory versus from homes that were being newly constructed.

Mr. Smith clarified that his definition of existing inventory referred to the standing, unsold inventory of new homes. He explained that inventory in Las Vegas typically sold within 30 days or less, and if not, the builder offered serious price reductions or incentives in order to get rid of it; therefore, standing inventory was usually at a minimum. In response to the question, Mr. Smith estimated that 80% of sales came from new construction, and 20% came from existing inventory. He testified that his estimate could be off, but he thought it was reflective of the Las Vegas market.

Relative to sales tax, Mr. Leavitt asked if the construction of homes would follow closely with the sales of homes, and if the sales tax coming from the construction of those homes would be similar to the sales projections. Mr. Smith concurred.

Moving on to the next slide (page 4, Exhibit C), 2011 – 2014 Monthly New Home Closings, Mr. Smith reported that monthly new home closings trended upward in the first half of 2013, but tailed off in the second half. In 2014, closings slowly increased, and there was continued growth through September. He projected by the end of 2014, new home sales would peak at about 600 to 650 closings per month, and would hold steady through the first or second quarter of 2015. His projection was based on weekly data collections, permit data, the resale market, and many other factors.

Mr. Smith discussed the trend of annual new home closings in the Las Vegas Valley (page 5, Exhibit C). He referred to the decline in closings as an "eye opener," and noted that it was not a pretty picture after 2008. He said there were many influences in the housing market, additional to supply and demand, and a normal level of closings would be hard to define. In his opinion, 20,000 new homes a year could be justified as "production capable" in the Las Vegas market, but he thought 10,000 new homes would be a sustainable "normal" level. To compare, he said closing 10,000 units per year would equate to 50% of what the new home market closed in ten years prior to the boom, before the recession. Mr. Smith said approximately 7,000 units were built in 2013, and that number was estimated to drop to between 6,250 and 6,500 homes in 2014. He expressed that closings could have easily increased by another 500 in 2014 if it was not for delays in production, unrelated to actual construction of the units. The delays revolved around processing maps and subdivisions from raw land to permit. Mr. Smith said some home builders relayed that certain subdivisions in Clark County were taking 10 to 12 months to process, doubling the amount of processing time since two years ago.

Chairman Wiles asked for an explanation as to why this was happening.

Mr. Smith replied that staff within the building departments would have to answer that question. He communicated that he was not involved in processing maps, but heard from builders that building officials were sticking too close to the current code, whereas in the past there was leeway. He reported there are parcels of land being built on that have issues and require a zoning change, drainage study or other modification in order to process the subdivision. He said the plan check process varied by jurisdiction (Henderson, North Las Vegas, City of Las Vegas, Clark County), but Clark County was taking almost three months to start the process, and they accounted for approximately 50% of the permit activity each month. He reiterated that delays were holding up subdivisions and impacted the number of new home closings per year.

Continuing with his presentation, Mr. Smith said the new home monthly absorption rate is what home builders base their pro formas on when evaluating future projects, and the current rate in the Las Vegas Valley totaled 4.0 to 4.3 sales per month (page 6, Exhibit C). He said if the rate continued to drop, the builders would offer price incentives to induce buyers; however, that would affect appraisals. Mr. Smith said price incentives present a false sense of true value. For example, $1,000 in incentives does not necessarily equal $1,000 in value. He expected the absorption rate in 2015 to remain similar to the 2014 rate.

Mr. Smith referred the members to page 7 (Exhibit C) to compare the new home median price trend from one-year ago. He said the trend line (black line) was running slightly downward, and pointed out the dip in the market that occurred in mid-2014. The new home median price in September 2014 was $299,601, an 11% year-to-year increase from 2013, but end-of-year prices were expected to resemble 2013 prices. He described the new home market as segmented, meaning the median price of homes was different throughout the various regions of the Las Vegas Valley. Mr. Smith projected the median price of new homes would increase 4.0% to 5.0% from year-to-year (2014 to 2015), with increases varying by region from 0.0% to 9.0%. He said the new home market is influenced by individual markets, and a few home sales in one neighborhood could affect an overall submarket area. Currently, median prices are not controlled by the demand for housing, but rather by a change in product type. He said land prices had been steady over the past year or more, but a price surge in 2014 became the primary factor that influenced larger new homes. He said as long as the builders can sell in the move-up segment, they would continue to build larger homes. The unsold inventory of new homes varied slightly in 2014, but appeared flat overall (page 8, Exhibit C). He noted that new home inventory was much larger leading up to the dip in 2013.

Mr. Smith moved on to discuss the resale market in Las Vegas. He explained that the annual resale closings used to generate the graph on page 9 (Exhibit C) did not come from the Multiple Listing Service (MLS), but instead was based on actual deeds. He said data showed that about 38,000 closings should occur by the end of 2014, which would be a year-to-year decrease of 9.2%. He expected the resale market to decline by 3,000 closings in 2015 and 2016, totaling 36,000 closings, and attributed the loss to limited supplies; hard-to-get loans; and increased home prices. He said the resale market went from distressed listings to traditional listings, which was a natural price increase. In reference to resale closings per month, the chart on page 10 (Exhibit C) showed the trend line gradually decreasing, which was expected to continue for the next couple of years. Denoting distressed properties, Mr. Smith said short sales and real estate owned (REO) properties were practically gone. In 2009, the MLS showed that 22% percent of the listings were traditional listings, and in October of 2014, 68% of the listings were traditional. Mr. Smith said he would share the price differences between the traditional listings, REOs and short sales to those who were interested.

Mr. Smith provided a monthly comparison between the median price of a new home and a resale home (page 12, Exhibit C), and specifically focused on the gap in price between the two from 2002 through 2014. Currently, the gap reflected a $122,600 difference, with new homes costing more. Although the resale market prices were inching upward, he did not see much change in the price gap because the available product type changed, and new homes prices were not expected to rise in the Las Vegas market in 2015 and 2016. Mr. Smith disclosed that his data was taken from the MLS, but the numbers were scrubbed by Residential Resources. He said the number of resale listings increased, which was good because there was less than a three month supply available, whereas a six-month supply was typical. He pointed out that the chart on page 14 (Exhibit C) was a good comparison of year-to-year listing types and their percentage changes from October 1, 2009, through October 6, 2014.

Moving on to the Notice of Default in regard to SFRs, Mr. Smith said that reports from around the state indicated that foreclosures were moving quickly, and advancing through the system. Although the number of defaults has been relatively flat, Mr. Smith disagreed with those reports and emphasized that a lot of houses still had to go through the foreclosure system. He said the number of foreclosures changed daily and weekly because of circumstances in the market. Confirmation from various utility companies suggest that approximately 43,000 water meters and 40,000 electric meters are set inactive in the Las Vegas Valley. He said there would always be some inactive meters, but approximately 30,000 homes still needed to flush through the default system.

Home Builders Research, Inc. projected 7,000 new home permits would be obtained in the Las Vegas Valley in 2014, and if it was not for delays, the count would have been closer to 7,400 or 7,500. Mr. Smith implied there was demand for more permits, but based on delays, he believed that Clark County would issue approximately 7,000 permits in 2015 and possibly 8,000 in 2016. For historical comparison, Mr. Smith referred the committee to page 17 (Exhibit C). The chart ranked the builders in the Las Vegas Valley by the number of new home permits pulled in 2004. There were nine builders that pulled over 1,000 permits in 2004, including two that pulled more permits than the whole metro area acquired in 2014. In terms of 2013 statistics, not one builder pulled 1,000 permits that year (page 18, Exhibit C).

In closing, Mr. Smith reiterated the following:

- The absorption rate is flat, but not bad. There is hope for improvement as new subdivisions bring new products and features to the market, including energy efficiency and high-technology. New home sales should improve if other factors do not hold down the market.
- New home prices are expected to rise slowly because the product size is increasing. Resale prices are inching upward as more traditional listings appear.
- The inventory of new homes is increasing at a manageable rate. Builders will offer seasonal incentives to reduce standing inventory.
- Mortgage qualification requirements are strict. A change to the Fair Housing Act (FHA) requires a Mortgage Insurance Premium (MIP) to be purchased up front, and remain in effect for the life of the loan. FHA loans cost more, and are a large factor in the Las Vegas Valley marketplace.
- The replacement lot shortage will remain an issue and will keep the permit numbers down.

Ms. Lewis asked if the Supreme Court's (Court) super priority lien decision was expected to hurt the resale market in Las Vegas or if it was thought to help increase the values.

Mr. Smith replied it was too early to summarize the effect of the Court's decision, but initial discussions suggest that the ruling will help the neighborhoods and Homeowner Associations (HOAs) understand what costs and fees are recoverable in terms of back dues. He explained that if the first deed of trust holder wants to maintain their position, all they have to do is pay the HOA dues. He implied that future escrow accounts will be set up to collect HOA dues, and future monthly mortgage payments would include principal, interest, taxes, insurance and association fees (PITIA). Mr. Smith said it was questionable as to how much would be impounded at the closing for the association fees, but that it would be a factor because it created an additional move-in expense and thought this issue would be addressed during the 2015 Legislative Session. He said according to the lawyers that represented the winning side of the decision, the cost of auction homes immediately increased to retail price.

Relative to Mr. Smith's concern over the lot shortage, Ms. Lewis referenced the newer master planned communities: Cadence, Skye Canyon and Inspirada. She asked if those communities would make up for some of the lot shortage.

Mr. Smith said those lots will allow builders to construct houses in master planned areas, and keep the supply funnel occupied to maintain status quo. He said he did not see public builders increase their future lot supply from one-year to two years; however, the builders were aggressively purchasing infill lots because of the land shortage in the 215 Beltway areas. He said three or four years ago, builders did not look at land that amounted to less than ten acres, but now the five-acre parcels are drawing interest.

Chairman Wiles thanked Mr. Smith for his presentation on Southern Nevada's housing outlook. He remarked that the housing market was the ultimate measure of consumer confidence, not only in individual purchases, but also that of the country, state and local community. He said a trend depends on where the measure starts. For example, the trend looked great if comparisons were measured from 2008. He said that he noted many factors in Mr. Smith's presentation that created uncertainty in the forecasts, such as lending standards, shift and building type, plan value, silent inventory, permanent delays, economic uncertainty, negative equity, and more.

VII. PRESENTATION ON THE NORTHERN NEVADA ECONOMIC AND HOUSING OUTLOOK.

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

Mr. Bonnenfant said he would present the economic and housing indicators in the greater Reno/Sparks Metropolitan Statistical Area (MSA), which included Washoe and Storey counties. In reference to monthly employment, he reported that 203,300 jobs were recorded as of August 2014, reflecting an increase of 4,700 jobs since August of 2013, and the highest August employment since 2008 (page 2, Exhibit D). He said the Reno/Sparks MSA was still 25,000 jobs below the peak in December of 2006 (228,000 jobs).

Mr. Bonnenfant said that seasonal job growth increased by 15,000 jobs between January and December of 2013, and was recorded as the highest seasonal increase since 2005. Mr. Bonnenfant said the August 2014 year-to-year increase (2.4%) in annual employment growth was in line with projections made by state economists of 2.0% to 2.5%. He noted the unemployment rate dropped to 6.9% as of August 2014, and reflected 2.3% less than the rate in August of 2013.

Directing the committee to page 3 (Exhibit D), Mr. Bonnenfant elaborated on the month-over-month employment change; meaning month of the current year versus the same month of the previous year. The chart showed an increasing rate of employment growth through 2013, and a decrease in the rate of growth in 2014. He reminded the committee that the United States Gross Domestic Product (GDP) contracted during the first quarter in 2014, and caused jitters throughout the economy, both nationally and locally. He said employment increased 3.9% between January and August of 2014, and exceeded 2013's annual average growth rate of 2.9%.

Mr. Bonnenfant turned his focus to employment increases by sector in the Reno/Sparks MSA (page 4, Exhibit D). He said the leisure and hospitality sector was the driving force behind employment growth over the last few years, and represented 19% of total employment. The subsectors that comprise the hospitality sector are bars, restaurants, entertainment and recreation, and not the accommodation and casino hotel categories. Mr. Bonnenfant said growth was revealed in the professional and business services sector, and jobs within this sector paid higher wages than the median. Retail and construction had picked up again, and education and health services continued to grow. He said due to demographic shifts, the education and health services sector was the only industry that grew through the recession.

The chart on page 5 (Exhibit D) showed the transition of Nevada's industries over the last 12 years (2002-2013) within the Reno/Sparks area, and represented the linkages between industry and demographics in a five-county region: Carson City; Lyon; Storey; Douglas; and Washoe counties. Mr. Bonnenfant pointed out that the graph was color-coded and illustrated both the supersectors and subsectors in the region.

- Gaming (light green); this sector was the leading industry in 2012, but currently ranks number three after losing 12,400 jobs over twelve years.
- Retail (white); this sector lost some employment through the recession, but currently led the region in employment.
- Heath Care Services (blue); this sector's sudden growth was driven by a demographic shift. This industry was identified as "the sleeper of the decade," and is now fighting the retail industry for the number one employment sector in the Western Nevada region.
- Manufacturing (red); this sector was the fourth leading employer in 2002. It still remains fourth, but is anticipated to overtake gaming in the next five years with the Tesla jobs coming onboard.
- Construction (orange); this sector ranked fifth in employment in 2002 and number three in 2006. Since that peak, construction has lost 17,000 jobs. Currently construction employment is at 13,000 jobs, but the Tesla project is expected to employ 3,000 construction jobs and another 1,000 jobs in equipment installation in 2015, which is also classified as construction related.

Mr. Bonnenfant said the abatement policy requires Tesla and its participants to hire 50% of its workforce local to Nevada. To qualify as a Nevada resident, the potential employee must have a Nevada driver's license and registration. He said discussions with a local representative from The Associated General Contractors of America (AGC) revealed that skilled labor was very difficult to find in the Reno/Sparks MSA; therefore, many workers were expected to come from the Las Vegas area to supply those needed jobs in 2015.

Moving on to page 6 (Exhibit D), Wages and Employment Versus Inflation, Mr. Bonnenfant brought attention to two columns; 2013 Average Wage and 2008-2013 Percent Change, both reported by industry. He said the combination of all industries in Washoe County generated 4.4% growth in wages from 2009 to 2013, and the inflation rate over that same period rose 6.3%. He said this was a confirmation that wages were not keeping up with inflation. The chart identified the number of employees in each industry that are negatively affected by inflation, and the industries that are keeping up with inflation. The industries highlighted in green were keeping up with inflation (31%), and the industries highlighted in red were not (69%). Nevertheless, Mr. Bonnenfant said the growth in jobs and population were driving an increase in taxable sales in the Washoe/Sparks MSA (page 7, Exhibit D). He conveyed that Washoe County experienced only two quarters of decreases in taxable sales over the last four years of -0.9% and -0.1%. Taxable sales in calendar year 2013 grew 8.6% on top of 4.0% growth in 2012, and in calendar year 2014 (January through July), taxable sales were 8.7% above 2013 growth; keeping a consistent rate of growth with 2013 sales. He said top sellers continued to be the bars, restaurants, auto sales and general merchandise, and noted that bar and restaurant taxable sales in Las Vegas totaled more than all sectors combined in Washoe County.

Ms. Rosenthal asked if the decline in quarterly taxable sales occurred in the outlying areas of Nevada, and if the decline was mainly related to the sales tax on mining equipment.

Mr. Bonnenfant concurred, and said the Ruby Pipeline had significant taxable sales during its construction, which has since been completed. Additionally, the drop in gold prices affected exploration in the rural areas, and caused a slowdown in mining taxable sales.

In regard to taxable gaming revenue, Mr. Bonnenfant stated that Washoe County reported four straight quarters of increases in calendar year 2013, which had not happened since 2000; however, taxable gaming revenue decreased in 2014, which was thought to be related to the GDP contraction in 2014.

Mr. Bonnenfant directed the committee to Washoe County's visitation statistics, specifically the chart showing trend changes of cash-occupied room rates over the last seven years (page 9, Exhibit D). He said the trend in Washoe County was in cash-occupied rooms in the non-gaming sector, and noted the fluctuation that had taken place in Sparks, Downtown Reno and Suburban Reno. Surprisingly, he said non-gaming properties were driving the market, and charging the highest rates, averaging slightly above $100 per night. In FY 2014, properties located in Sparks had more occupancy because they lowered their rates, while properties in Downtown Reno and Suburban Reno increased their rates. He said the number of visitors grew in 2012 and 2013, but as of August 2014, visitation was down 0.1%. He attributed the decline to the loss of the Safari convention to Las Vegas, unhealthy air conditions during Hot August Nights, and rain during the weekend of Street Vibrations.

Mr. Bonnenfant reported that Washoe County's population and school enrollment has been lagging since 2007, per the State Demographer's population estimates and the

Washoe County School District's enrollment counts (page 10, Exhibit D). In 2008, Washoe County was running at 2.7% annual growth per year, but the recession caused this area to hover around 1.0% to 1.2% in growth since 2008 and 2009. There was an uptick in population in 2014, but a drop in enrollment, which implied that Washoe County's population growth was not driven by families. He expected that the jobs associated with Tesla would bring more families to the area and change the trend.

Mr. Bonnenfant redirected his focus to single family home values, and drew attention to the graph on Page 11 (Exhibit D). He said the red line represented the "housing bubble" that showed the single family market peak in 2005, along with the steady drop afterwards. He said the fourth quarter prices were flat in 2013, but third quarter numbers in 2014 reflected a median resale price of $248,000. He explained that the blue line on the graph signified what housing comparisons adhered to, and that it reflected a 1.0% appreciation per quarter, or 4.0% per year. He said if he were to extend the graph at that rate, it would show that the area was still undervalued by approximately $25,000.

Mr. Bonnenfant conveyed that 714 new SFR sales were recorded in 2013, which was 31% more than in 2012, but far from the 3,000 homes sold in 2006. Through August of 2014, 630 new single family homes were sold in Washoe County. He said that number was expected to grow to approximately 1,200 homes by the end of 2014, and average 79 sales per month, which was the highest growth rate since 2008. Mr. Bonnenfant reported that the median value of a new single family home is $339,000, and the gap between the cost of an existing home and a new home is slightly over $100,000, with new homes costing more. He pointed out that there was no such gap during the peak between 2005 and 2006. Mr. Bonnenfant said the confirmation of economic recovery coincided with purchases of higher priced homes. He said the days of buying distressed homes or product between $100,000 and $200,000 in Washoe County were over, and homes selling between the $200,000 and $300,000 market were taking a beating because they were not of quality (page 13, Exhibit D). However, homes selling in the $300,000 to $400,000 range were starting to pick up. He said homes that sold for above $300,000 accounted for 25% of all sales in 2013 versus 17% in 2010.

In conclusion, Mr. Bonnenfant summarized that jobs, sales, population, home sales and values were all on the rise in the Reno/Sparks MSA. Referring back to page 47 in the meeting packet (Exhibit A), Mr. Bonnenfant referenced a slide from the Economic Development Authority of Western Nevada (EDAWN), and said the slide spoke to the activity of company interests in the region prior to the Tesla announcement. He indicated that companies were showing a lot of interest in the Reno/Sparks MSA, and projected employment from signed deals equated to over 1,000 jobs, with 60% of those jobs in manufacturing. EDAWN reported another 4,000 jobs are relative to pending agreements made with companies coming to the area, with 45% of those jobs in manufacturing. He reiterated that all of the mentioned agreements were established prior to the Tesla agreement, and none of this was speculation. Mr. Bonnenfant acknowledged the weaknesses in the Reno/Sparks MSA were gaming, wages, and the lack of skilled labor related to job growth and construction. He said employers in that industry will have to pay higher wages to avoid losing their employees to other sectors that pay more.

Chairman Wiles asked if the new jobs reported by EDAWN were related to newly formed companies or from companies relocating to the area. He asked where those companies were coming from.

Mr. Bonnenfant replied those companies were relocations from California, Washington, Kentucky, Taiwan, North Carolina, Ohio, Illinois, Pennsylvania, Europe, New Jersey, Florida, Oregon - all over the nation and world.

Mr. Leavitt asked how the current assessed valuation of Washoe County compared to its valuation in 2013. Mr. Bonnenfant replied that it flattened out in 2013, and was now up about 3%.

Chairman Wiles thanked Mr. Bonnenfant for his presentation, and emphasized the significance of the starting point when performing trend analysis to determine whether a trend improved or not. He thought it was remarkable that the average SFR value rose from $148,000, in the first quarter of 2012, to the current price of $248,000; a 68% increase in just a little over two years. He was curious if there was anywhere else in the country that had seen such an improvement.

Mr. Bonnenfant noted that California's economy recovered quicker than Nevada's, which created the ability for California residents to sell their homes and invest in the Reno/Sparks MSA real estate market. He said California's implementation of Proposition 30 in 2012 triggered a large influx of Californians to the area to escape tax increases. Mr. Bonnenfant expects another housing bubble will occur due to the impact of the Tesla project, and the ripple effect of the 22,000 direct and indirect jobs it is estimated to bring to the area. He implied that speculative home sellers have put a small margin on their listing value and are remaining firm.

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

A. CATALYST ACCOUNT (NRS 231.1573)
B. KNOWLEDGE ACCOUNT (NRS 231.1592)
C. TRANSFERABLE TAX CREDITS
D. TAX ABATEMENTS

Steve Hill, Executive Director, Governor's Office of Economic Development (GOED)

Mr. Hill opened his presentation by acknowledging the regional development authorities across the State of Nevada. He said they partnered with GOED, and were often the lead group/people on the ground that generated most of the recruitment and success that the state has been experiencing. Mr. Hill said he would discuss the Tesla project in terms of what the project is, the agreement approved by the Legislature during the 28th (2014) Special Session, and the project's economic impact to the area.

Additionally, he would describe other programs, and what was happening from an assisted job standpoint, including his perspective on the state's future.

Mr. Hill reported that Tesla's building footprint would probably be the largest of any building in the world, and would measure between 5.5 million and 6.0 million square feet. Some areas will extend two and three stories, with a clearance height of 60 to 70 feet in most places. The site will also include outbuildings. He said the dirt work is ongoing and foundations are ready to pour. Tesla is in the process of purchasing steel and hiring their construction partners and workers, and plan to move ahead at a quick pace. Mr. Hill anticipated that construction would occur in five phases, with the first phase encompassing 1.2 million square feet. Tesla hopes to obtain a Certificate of Occupancy in the second quarter of 2015, at which point they will begin to move manufacturing equipment into the facility.

Mr. Hill described Tesla's plant in Freemont, California, as a marvelous looking facility that was very clean and robotized. He was confident that the plant in Nevada would have the same general feel, but thought many areas would look more like a semiconductor fabrication plant, with robotic arms extending throughout the entire facility. He described the facility as high-tech and automated, with an environment cleaner than an automobile manufacturing plant. He explained that the project was not a corporate type partnership, but instead it was compiled of a number of companies referred to by legislation as "participants". Tesla is the lead participant, but there will be 12 to 15 corporate entities on the site that will be investing and putting their own equipment inside the building that Tesla is constructing. For example, Panasonic will be making a significant investment that is part of the overall investment in the project.

Mr. Hill clarified that the 6,500 jobs relative to the Tesla project, projected by the GOED, would be divided up between all of the participants on the site. He thought that to be a positive factor for a couple of reasons: 1) the 12-15 companies invested on the site will diversify the risk, and provide different partners to fall back on in the event that is required, and 2) the project attracted an entire cluster of companies pertinent to the industry, and will not rely on a single company to attract the supply chain. The entire supply chain of investors will be located in this facility, giving Nevada access to their customers and vendors all across the globe from 12 or 15 companies. He accredited Tesla for the design and structure of this project, and thought the participants were a beneficial component of the project.

Mr. Hill said the average wage associated with the 6,500 jobs would be in excess of $25 per hour, or 25% higher than the state's average wage of $20.62 per hour. He noted that Tesla, specifically, would offer a great benefit package, and their health care benefits would be effective on the first day of employment. Mr. Hill informed the members that a company must offer their employees a minimum health care standard that equates to the bronze standard in the Silver State Exchange Plan in order to receive state incentives. He emphasized that the GOED will not incent a company to locate to Nevada if the state had to assume responsibility for their medical care.

Mr. Hill referred to the agreement made with Tesla as "abatement," a combination of an abatement of a portion of the sales tax and an interlocal agreement with Storey County that acknowledges Tesla as the lead partner on the site. Through those methods, the sales tax is eliminated for Tesla and the other participants on the site until June 30, 2034. He conveyed that Nevada is one of eleven states that charge sales tax on manufacturing equipment, which is the majority of Tesla's onsite investment. There was also an agreement to abate 100% of real property tax, personal property tax and the Modified Business Tax for the participants on the site through June 30, 2024 (page 3, Exhibit E). Mr. Hill explained that the abatements will not start until the GOED receives an application from Tesla, which had yet to be received; however, the application was compiled simultaneously with the 28th (2014) Special Session of the Nevada Legislature. He indicated that the application size and complexity was more involved due to the number of partners that had to report through Tesla. Each company had to meet specific criteria in order to make the project eligible for tax abatements.

1. The company is required to invest $3.5 billion or more on the site. The site could be designated by any county throughout the state.

2. The company is required to hire at least 50% Nevadans. From a definitional standpoint, a person can be a non-Nevadan and later become a Nevadan. The GOED will measure days of work for everybody on the site and determine whether they qualify under the definition of the law as a Nevadan or non-Nevadan. Mr. Hill said the criteria in the agreement with Tesla were strong and clear to avoid ambiguity or leave any opening for a future law suit.

Additionally, Tesla was offered the opportunity to earn $195 million in transferable tax credits that could be sold one time to another Nevada company, and be used against the Gaming Percentage Fee Tax, the Insurance Premium Tax or the Modified Business Tax to reduce tax liabilities. During the process of working through the agreement with Tesla, Mr. Hill asked a few companies in the state to buy these transferable tax credits at par, so the state would not have to make up the 5.0% discount that equated to approximately $10 million. He said there was a show of support and patriotism for the state, though he specifically recognized and thanked the MGM Grand for their willingness to purchase many of the tax credits at par in order to avoid the additional cost to the state.

Mr. Hill said the transferable tax credit program was structured on a revenue neutral basis for the state, and would use a portion of the Film Tax Credit combined with a sunset of the Home Office Tax Credit. Those programs will offset the cost of the $195 million and eliminate any additional fiscal impact on the General Fund. He said the GOED will not grant the transferable tax credit programs until July 2015, and the credits cannot be earned at a rate in excess of $45 million per fiscal year in total. The repurposed tax credit programs were calculated on a calendar year basis, while the Forum's projections were based on fiscal year. He said the GOED estimated that programs would be earned 50% in a six-month period of one fiscal year, and the other 50% in a different fiscal year's six-month period, basically balancing each other over the course of multiple fiscal years.

Mr. Hill explained that the Film Tax Credit was currently valued at $80 million, which would have allocated $20 million each calendar year from 2014 through 2017, but with the repurposing, its value was reduced by $70 million. He clarified that the Film Tax Credit program allocations will be reduced by $10 million in 2014, and by $20 million per year in each of the subsequent three years.

Mr. Hill said the Home Office Tax Credit provided a 50% reduction in the IPT for insurance companies that established their home offices in Nevada. There are approximately 1,200 companies that pay IPT in Nevada, but approximately 12 companies receive the benefit of the 50% reduction in the insurance tax. Mr. Hill said in order to not impact insurance rates in 2015, because the new rates were already accepted by the Insurance Commissioner, a sunset was placed on the 50% home office reduction program to start January 1, 2016. To clarify, Mr. Hill explained there is now a cap in law that limits the program's funding to $5 million per year to be apportioned amongst the companies that are eligible to receive the tax credit, based on the legislation from the 2014 Special Session. He said the current tax credit did not have a cap or sunset so it steadily grew over the past several years, and is estimated to be valued in excess of $30 million in calendar year 2014. Due to the program's cuts, starting in calendar year 2016, all of the proceeds from the current program, except for $5 million, will be available to the General Fund. Mr. Hill estimated that amount to be between $26 million and $27 million by 2016, with some gradual growth after that. In 2021, the program will sunset and be totally eliminated, so the additional $5 million per year toward the General Fund Revenue will be added.

Mr. Hill said the rate at which Tesla and their partners become eligible for Transferable Tax Credits lines up with the reductions in the Film Tax Credit and Home Office Tax Credit programs, so there is no additional net cost to the General Fund. He said in the out years, there is approximately $30 million available, which was something that had not been talked about in the entirety of the Legislative package that was passed.

Mr. Hill said there was a lot of focus on the $1.1 billion tax abatements that potentially could be made available to Tesla, but those abatements really depended on the amount of investment made on the site. He clarified that the $1.1 billion is directly related to $10 billion of investments. If the investment drops to $5 billion, then Tesla will be made available approximately $675 million in abatements. Mr. Hill also clarified that the reduction in the Home Office Tax Credit not only offsets the transferable tax credits, but it comes close to offsetting the tax abatements that have been made available. In regard to Tesla's economic impact, Applied Economics projected that approximately 16,000 indirect jobs would be created; bringing the total number of jobs to approximately 22,500 jobs. He said Elon Musk, Chairman of Tesla, thought the total number of jobs on the site would grow to about 10,000, but 6,500 was a solid estimate.

Mr. Hill said the Tesla project is projected to make a $100 billion economic impact over the course of 20 years, or approximately $5 billion per year. To give perspective, he compared that to the gross state product in Nevada totaling approximately $130 billion. The indirect impact of the Tesla project is estimated to produce between 3.0% and 4.0% additional gross output for the state.

Ms. Rosenthal asked about the media's mention of Tesla's contribution to the school system. She asked Mr. Hill to elaborate on what school district would benefit, or if he could discuss the details.

Mr. Hill replied that he did not have the details; however, Tesla was working with Dale Erquiaga, Nevada Superintendent of Public Instruction, to define the specifics of that program. He said beginning in the 2018-2019 school year, Tesla will make a $7.5 million contribution to K-12 education. He said a portion would be contributed to a statewide Science, Technology, Engineering and Mathematics (STEM) program, and another portion would be applied toward capital and operating costs for the schools and the surrounding region of the facility. Mr. Hill insinuated that the $7.5 million number approximated the amount projected as the K-12 component of the real and personal property tax that will be abated during that period of time, and was designed to start when the facility becomes operational and the potential increase to student enrollment takes place. He said Tesla made a five-year commitment to K-12 Education of $7.5 million per year totaling $37.5 million.

Mr. Leavitt asked if an analysis was done to determine how much potential tax revenue would be generated from sales tax via the 6,500 jobs generated by the Tesla project.

Mr. Hill pointed out that both the economic impact and fiscal impact analysis, authored by Applied Economics, was available on the Nevada GOED website, and that the answer to Mr. Leavitt's question was included in the fiscal impact analysis. He said a projection of $1.9 billion in taxes would be generated over a 20-year period. The study revealed that roughly $1.0 billion would be allocated to local government, and about $0.5 billion would be directed to both K-12 Education and the State of Nevada.

Mr. Leavitt said the Economic Forum was working on revenue projections that related to FY 2016 and FY 2017. He asked if analysis was done in relation to when these employees would come online, so the Forum could make projections accordingly.

Mr. Hill replied that the analysis was done, and he was happy to update the results with more accurate data. He said Applied Economics compiled their analysis in conjunction with the Tesla deal, using the information that was most accurate at that time. Tesla has since made schedule changes, so Mr. Hill said the analysis could be updated to include a short term 2.5-year tightened thought process.

Moving on to GOED Tax Abatements, Mr. Hill defined the three abatement programs that are typically used for incentive projects (page 5, Exhibit E).

- Sales and Use Tax: abates the applicable county tax rate down to 2.0%, which is the state's portion of sales tax. The abatement can be applied toward personal property purchases for a two-year period. If a company is building in phases, the sales tax abatement can be renewed each phase.
- Personal Property Tax: abates personal property tax by 50% for up to ten years and can be applied toward personal property purchases. In terms of expansion projects,

it does not retroactively apply to what is already in place; it only applies to the expansion moving forward.

- Modified Business Tax: abates payroll excise tax by 50% for up to four years.

Mr. Hill clarified that the aforementioned abatements are performance based incentives, and there are claw back provisions if the company does not comply with the executed contract.

Mr. Hill acknowledged the Catalyst Fund that was implemented during the 2011 Legislative Session (page 6, Exhibit E). He said it was initially funded with $10 million, and received an additional $1.5 million in the 2013 Legislative Session. He referred to it as a "deal closing" fund that was established to assist companies with creating jobs in the state. Initially, the target was to fund 2,500 jobs at $4,000 per job, but resulted in funding approximately 4,000 jobs at $2,500 per job. Currently, this fund has committed $10 million. Mr. Hill described the program as very successful and important for the state, and named the following benefactors of the Catalyst fund that comprised a lot of Nevada's recent job growth: Nevada Barclaycard, Solar City, Take-Two Interactive, and Catamaran. The program is administered through local governments per an application process, and is performance based; therefore, a wage threshold must be met before payments are made. Upon meeting the wage threshold, the GOED will disperse payments to the local government who will then make future payments to the companies that have created these jobs. There have been no disbursements to date.

The members were directed to page 7 (Exhibit E), Transferable Film Tax Credits. Mr. Hill reported that $5.9 million in film tax credits had been provided for approximately $54 million in production budgets through October 2014. He said the program is measured by comparing the amount of the incentive and total wages. To further clarify, the Film Tax Credit program has not created permanent jobs; however, it created approximately 146 full-time equivalent (FTE) "person years" of employment. The total amount of that incentive calculated to approximately $40,000 per person year of employment, which Mr. Hill described as a healthy percentage of the payroll produced in Nevada. He said these figures were considered when the GOED looked at repurposing both the Home Office Tax Credit and the Film Tax Credit. He said this was about 60% of the total payroll that is generated for film projects. The Home Office Tax credit is a little over 30% of the total payroll that is generated, and the incentives for Tesla were a little less than 3.0% of the total of payroll that will be generated in a 20-year period of time. The GOED thought permanent jobs were important in addition to the ratio results from these tax credit programs.

Mr. Hill said there were other incentive programs offered by the GOED. The Knowledge Fund program was funded during the 2013 Legislative Session, and was used as grant funding for the commercialization of research at the University of Nevada, Las Vegas (UNLV), University of Nevada, Reno (UNR) and Desert Research Institute (DRI). The GOED thought this program was significant to the future of Nevada, and funded six programs that are very much in line with the targeted cutting edge industries relating to Nevada's Economic Development plan. Mr. Hill recognized the Train Employee Now

Grants and the Battle Born Venture Fund. The Battle Born Venture Fund is a $5 million federally funded program that allows investment in companies through a venture fund, and operates like a venture capital fund. He said the GOED committed this funding to three companies to-date, and have more companies on the horizon. The purpose of the fund is to help attract other venture capital to the state. He said there is a required matching component to this program, and a well-experienced advisory committee was assigned to run the program.

Mr. Hill addressed statistics relative to annual assisted companies from 2009 to 2014 (pages 9 and 10, Exhibit E). He said the number of jobs created and the projections for future growth by each company were not recorded until 2013. The assistance programs are audited after two and five years to portray actual statistics. He said most of the companies that are significant to the graph were ahead of their projections. For example, Barclaycard contracted to hire 400 employees by the end of 2014 and they already hired 550 employees, with the intent to grow that number by the middle of 2015. He reported that Solar City was also running well ahead of their projections. He said not all of the companies will work out that well, but was hopeful that the number over the projections is compensatory for the number under the projections.

Ms. Lewis asked if the GOED planned to create new funds in the 2015 Legislative Session that might affect the Economic Forum's projections.

Mr. Hill replied there were no new programs; however, he implied that the GOED was hoping to revive S. B. 385 that related to a partial abatement for aviation components. The bill was introduced in the 2013 Legislative Session, and passed unanimously by the Senate. He said it would have made a relatively small impact to the state's budget, and would allow the GOED to negotiate more competitively, which could potentially bring a sizable number of jobs to Nevada. The GOED felt that as the state moved closer to full employment, the economic development efforts should focus on jobs that would increase the average wage in the state. He said that effort will involve some legislation because the GOED will look to narrow the abatements that are available to companies that pay less than the state average wage or 75% of the state average wage. Mr. Hill stated that, by policy, the GOED has reduced by half the abatements that are available to a company that is paying less than 75% of the state average wage. He said in the 2015 Legislative Session, they will put that principal into law, with the requirement that when a county drops below 6.0% unemployment the abatement would only apply to companies that paid the state average wage instead of 75% of the state average wage. He noted the same abatement rule would apply to the Catalyst Fund. Mr. Hill closed by stating the amount of the incentives per job may increase, but the GOED hoped to focus on the quality of new jobs moving forward.

Chairman Wiles said the Tesla announcement triggered calls from a few impressed and/or surprised people in Texas, along with a very thankful Reno resident. He asked Mr. Hill if he heard feedback or responses from people who lived outside Nevada.

Mr. Hill replied there were responses regarding the Tesla announcement, and specifically mentioned a congratulatory call to Governor Sandoval by Governor Perry of Texas. The GOED also received interest from Nevadans who looked forward to going back to work. He further expanded on the huge amount of interest drawn to Nevada by companies outside the state, and indicated that three other major companies contacted him to inquire about Nevada's legislation and the criteria needed in order to consider doing business in Nevada. He said he was hopeful that something like the Tesla project would land in Southern Nevada as well.

Chairman Wiles commented that he lived in places that encountered strategic economic inflection points. He recalled living in Charlotte, North Carolina, when a competition between two banks resulted in Charlotte becoming the second highest concentration of banking assets in the country. He lived in Jester Dorm, University of Texas at Austin, when Michael Dell dropped out of school to found a small company and compete with IBM. He said it really changed the technology landscape in Austin, and strongly believed that the Tesla project will be one of those strategic inflection points. He hoped for future economic development and consumer confidence to buy homes, and for people to move to the area. Chairman Wiles said that price, terms and speed were the major components to any deal or decision. He added, in all cases, he hoped this will enhance those in terms of the state's ability to attract new people; the terms in which future companies will be here; and hopefully shorten the speed dramatically, because somebody else has done a tremendous amount of due diligence on the quality of the state, the environment and the opportunities in Nevada. Chairman Wiles said it was already being reflected in the number of in-bound calls.

Mr. Hill concurred, and agreed that the Tesla project is an inflection point for the state. Mr. Bonnenfant stated that manufacturing employment in Northern Nevada may surpass gaming employment. He described manufacturing as the industry of the future, and said Nevada would be in the center of its growth; creating a terrific opportunity for the state. He explained that the Tesla project will provide a magnet for other companies to consider Nevada as a place for doing business, and highlighted the large well-trained workforce that will eventually be established in the area. Looking ahead, he anticipated that some people would initially work for the companies on the Tesla site, but would eventually form spinoff companies and emanate future innovation in the area.

Chairman Wiles reiterated that when people at Dell Inc. thought they could do it better, it created a whole industry.

Mr. Hill said it was a very big effort by a lot of Nevadans to make the Tesla project happen.

Chairman Wiles recessed the meeting at 11:26 a.m.
Chairman Wiles reconvened the meeting at 11:38 a.m.

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

Shawna DeRousse, Chief Operating Officer, Silver State Health Insurance Exchange (Exchange)

Ms. DeRousse began her presentation on page 57 (Exhibit A) of the meeting packet, with the intent to discuss 2014 highlights and changes going forward. She said she would address the 2015 plan year; how the Exchange transitioned from last year's health plan to the supported state-based marketplace; current statistics; the insurance landscape; and expectations moving forward.

Ms. DeRousse explained that plan year and calendar year meant the same, and was effective January through December. Per the Affordable Care Act (ACA), open enrollment began October 1, 2013, for the 2014 plan year. She reported there was an amazing amount of interest across the country; nevertheless, the success rate of enrollment was very different. Nevada had good statistics starting out, but for various reasons did not meet the projections. She said going forward into the 2015 plan year, the Exchange Board voted to terminate the contract with Xerox (Nevada's current vendor) at the May 20, 2014, board meeting. Although Xerox has to fulfil their contract by supplying service to the existing plan holders through December of 2014, the infrastructure from HealthCare.gov (the federal government) will be acting as Nevada's new vendor for plan year 2015. She explained that the Exchange will remain a state-based exchange, and is not part of the Federal Facilitator Marketplace (FFM). The Exchange will continue to utilize a plan certification process through the Division of Insurance (DOI), offer a Navigator Assister program, and will still have a toll-free contact number. The Exchange will still be responsible for marketing and advertising.

Moving on to open enrollment, Ms. DeRousse mentioned some of the changes that will take place in the 2015 plan year (page 59, Exhibit A).

- NevadaHealthLink.com will require the user to answer questions pertaining to family size and income to determine eligibility status. If the user is deemed eligible for a qualified health plan (QHP), then he/she will be redirected to HealthCare.gov to start the insurance application process and to apply for subsidies offered through the federal government. If the pre-screener determines possible eligibility for Medicaid, then he/she will be redirected to Access Nevada, through the Welfare and Supportive Services program, to start that application process. If a user is redirected to HealthCare.gov and is determined eligible for Medicaid, then the federal government will take that application information, download it into a file, and transfer it to Welfare and Supportive Services on the back end.
- In-person assistance tools and navigators have been implemented to help with the enrollment process. The Exchange has partnered with licensed brokers, agents and Medicaid representatives to staff static locations, storefronts, and mall venues so that people have a permanent site to visit for enrollment assistance without having to research local events or health fairs.
- Education and links to partners, including certification and background checks through the DOI, has always been required in order to enroll individuals in QHPs through the Exchange. Effective for the 2015 plan year, brokers and agents are required to attend a federal training program in order to access HealthCare.gov.

Ms. DeRousse said the individual health plans and how they are managed will be very different in plan year 2015 versus plan year 2014 when the Exchange and Xerox handled everything in-house. She explained that in 2014, a person enrolled in a plan through the Exchange had to submit payment to Xerox, and Xerox submitted payment to the insurance carrier (carrier). In 2015, a person will be directed to healthcare.gov to choose a plan, and the enrollment file will transfer electronically to Health Plan of Nevada for direct payment to the carrier; eliminating the middle man. Ms. DeRousse said Health Plan of Nevada and the Exchange will work together with the carriers to make sure that the enrollment counts are acknowledged so that the Exchange will get their per member per month fee that is set by the Exchange Board. She clarified that instead of the Exchange giving the carrier the money, the carrier will be giving the Exchange the money.

In regard to reenrollment, Ms. DeRousse said the big difference affected by the transition to healthcare.gov is there would not be an automatic reenrollment into plan year 2015. As of the start of open enrollment on November 15, 2014, anyone who purchased a plan through Nevada Health Link in plan year 2014 will be required to revisit the site and repurchase a plan (page 60, Exhibit A). She said one of the reasons for this is because there was no way for the federal government to convert existing data to their system, and because of the language surrounding “guaranteed renewability,” people must be able to access insurance information. New to plan year 2015, if an existing client does not reenroll by December 15, 2014, the carrier will automatically reenroll that client in an off-exchange policy. The information will be communicated to the client, and a bill will be mailed to them directly. Ms. DeRousse believed this procedure will spur the client to take action toward enrollment. This process happens in the middle of open enrollment, and the client is required to pay by a specific date in order for their insurance to be effective January 1, 2015. If they do not pay by the deadline, the start date will roll over to February 1, 2015. The goal of the reenrollment campaign was to reenroll existing clients, promote the new program, and to boost the enrollment numbers for 2015. Reenrollment notifications were sent via email blasts and letters to remind clients of the open enrollment period starting November 15, 2015.

Ms. DeRousse explained that Nevada is part of a supported state-based marketplace (SSBM). She said the following three types of marketplaces were available when the ACA was implemented: 1) the federally facilitated exchange for the states that did not want to establish an exchange, 2) a partnership exchange for those states that partnered with the federal government and shared responsibilities, and 3) a state-based marketplace. The supported state-based model is only available to those states who were a state-based marketplace, but experienced technical problems and needed help going forward, such as in Oregon, New Mexico, and Nevada.

Ms. DeRousse reiterated that the carrier’s plan information was certified by the DOI, and was available through healthcare.gov instead of the Exchange. She reported that participating carriers already uploaded their plan information, and the Exchange was performing end-to-end testing to make sure the Exchange, the federal government and the carriers were all communicating electronically. The brokers and staff who enroll qualified individuals, employers and employees in a QHP through the Exchange are required to attend training to obtain an Exchange Enrollment Facilitators (EEF) Certification before they are granted direct access to the federal government's healthcare.gov website.

Ms. DeRousse said peak QHP enrollment in 2014 was approximately 38,000 enrollments, but currently the enrollment equates to about 32,000. The decline is contributed to policy termination for nonpayment, eligibility through an employer, or becoming Medicaid eligible due to a job loss.

In response to a query made by Chairman Wiles, Ms. DeRousse said when the Exchange was making enrollment projections for 2014, they estimated approximately 600,000 people in Nevada were uninsured. Included in that number were people eligible for both Medicaid and the Exchange. The Exchange expected to enroll approximately 115,000 individuals in a QHP, but because many of those people were eligible for Medicaid, the Exchange revised their QHP enrollment projection to approximately 78,000 people. Ms. DeRousse said the Exchange initially forecast the uptake rate for QHPs to fall between 25% and 75% of the available population, not anticipating the high rate of Medicaid eligible recipients. She reported that of the total population that came through the Exchange, approximately 150,000 people were enrolled in Medicaid and approximately 40,000 people were enrolled in a QHP, and noted that the uninsured population in Nevada was cut by one-third since the implementation of the ACA, effective January 1, 2014 (page 62, Exhibit A).

Chairman Wiles asked Ms. DeRousse to clarify if approximately 180,000 of 600,000 uninsured Nevadans now had insurance coverage.

Ms. DeRousse concurred, and said not all people would purchase insurance. She said the Exchange never expected to enroll all of the projected uninsured Nevadans (600,000), especially in the first year, and reiterated that the Exchange targeted approximately 115,000 people in the first go-around; people who they thought would enroll through the Exchange in order to seek eligibility for the advanced premium tax credit. That population targeted Nevadans who fell between 138% and 400% of the federal poverty level (FPL); however, the core population that enrolled through the Exchange were people who fell between 138% and 250% FPL, totaling approximately 76,000 people.

Chairman Wiles remarked that the general information regarding the challenges with the plan did not make the acquisition process easier.

Ms. DeRousse said there were a lot of issues in regard to the enrollment and payment processes in 2014. The Exchange hoped that transitioning into the SSBM and utilizing healthcare.gov would eliminate those issues.

Chairman Wiles said he hoped the same, and noted the federal system also had challenges in 2014.

Continuing with her presentation, Ms. DeRousse conveyed that approximately 31,000 dental plans were sold through the Exchange, and approximately one-third (10,000) of those plans were purchased by QHP enrollees, with the remainder purchased by Medicaid recipients acquiring adult dental (page 62, Exhibit A). She said that statistic was unexpected, and reported that Medicaid participants will not be able to purchase dental through healthcare.gov going forward.

Turning to page 63 (Exhibit A), Ms. DeRousse acknowledged Time Insurance as the newest carrier in plan year 2015. She indicated that 155 plans were uploaded to healthcare.gov, including a new PPO plan offered by Time Insurance that was hoped to spur added interest.

In summary, Ms. DeRousse said the transition to the SSBM was focused on daily in order to ensure a smooth conversion. Xerox is contracted through the end of 2014 to assist existing enrollees with qualifying events and the transition process. She said the Exchange has a very robust caseload resolution process in place to address consumer complaints, and has implemented an aggressive marketing push in an effort to enroll people within the three month enrollment period versus the six month period that was allowed for plan year 2014. She said going forward the open enrollment period will decrease to six weeks.

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

Mr. Plain informed the members that a portion of his presentation included information that was already presented at the Economic Forum's June 3, 2014, meeting; therefore, he skipped pages 2 through 4 (Exhibit F) of his meeting content. He said page 5 (Exhibit F) did not reflect current data regarding the 2014 health insurance marketplace, and directed the members to page 6 (Exhibit F), Individual Market. Before going into detail, Mr. Plain explained that the tables in his presentation addressed three separate marketplaces; individual, small (group plans of fewer than 50 enrollees) and large (group plans with 50 or more enrollees), and compared statistics from insurers dated calendar year 2013, May 1, 2014, and August 31, 2014. He noted that the collection numbers in his presentation were self-reported; therefore, the data was understated due to the lack of participation. He described the individual market as a fully insured marketplace that was covered by commercial health insurers, and did not include self-insured plans, Taft-Hartley Trusts, Tricare, Medicare or anything along those lines. He pointed out that the gross premium collection as of August 31, 2014, was close to collections received in 2013 for the entire year. Final totals for 2014 would include all premium collections through December 31, 2014 (page 6, Exhibit F). He said the number of policies and covered lives from 2013 to 2014 grew by a significant amount because of healthcare reform. The table identified specific data that referred to covered lives, such as ACA-compliant lives; grandfathered lives, meaning coverage existed as of March 10, 2010 (when the ACA was first signed); and non-compliant lives, meaning the policy was renewed sometime in November or December of 2013. He clarified that the non-compliant policies renewed late in 2013 were not subject to the ACA mandates until time of renewal in either late 2014 or January 1, 2015.

Relative to the small group market, Mr. Plain pointed out that the projected premium volume as of August 31, 2014, was lower than it was in 2013 (page 7, Exhibit F). Again, because the data was self-reported, he estimated that the premium volume at the end of 2014 would be similar to the collections in 2013. He said large changes were expected to occur in 2014, specifically a significant drop in the number of policies in effect and a moderate drop in the number of covered lives. Mr. Plain said the variance was likely due to a provision of the federal law that preempts state law. In 2013 and previous, the state law allowed a group of two or more individuals to purchase a small group policy, even if those two individuals were related. He said under the federal preemption relative to the ACA, a mom and pop type business that did not have unrelated employees were now prohibited from buying in the small group market. Many of those policy holders dropped and either moved into the individual market or went another route for their insurance needs. He observed a significant drop in the number of grandfathered lives between May 2014 and August 2014, stating that many of those policies likely had older work forces or older demographics and found it advantageous to drop their coverage for newer ACA compliant plans when their renewal hit. Grandfathered plans were allowed to be rated based on their individual health characteristics, but the new plans are required be rated on a market wide basis. He said if the demographics of your business were disadvantageous or your workforce was less healthy, it was definitely in your best interest to abandon your old policy and favor one of the new policies.

Lastly, Mr. Plain discussed the large group market, and stated the probable margin of error likely produced lower gross premium in 2014 than it did in 2013 (page 8, Exhibit F). He indicated that both the number of policies and covered lives would be lower, possibly due to another ACA regulation. A fully insured large group plan, meaning one that is written by a commercial insurance carrier, has to comply with certain provisions of the ACA that a self-insured large group plan does not. Mr. Plain said this regulation could cause a shift from fully insured large groups to self-insured large groups, because those self-insured ERISA (Employee Retirement Income Security Act of 1974) plans are not subject to many of the provisions of the ACA. He said it could be an opportunity for employers to keep the costs down or do some other strategic objective of theirs.

Mr. Plain directed his focus outside his handout and explained to the committee that he felt it was important to highlight some issues that the Economic Forum might consider when making revenue projections. In recent history, he thought it had been easy for economists and econometrics to project the Insurance Premium Tax (IPT) revenues based on proxy numbers, population, number of jobs in the state, number of homes sales, etc.; and implied that it was a fairly transparent calculation. Mr. Plain indicated that times have changed, and a large amount of uncertainty will influence future premium tax projections. He recalled the 2013 Legislative Session, and stated there was concern about the implementation of the ACA and what it would do in general. He said the DOI has a better handle on how the ACA may affect enrollment and where it may shift people's buying habits; however, Mr. Plain reported that there were three items currently on the radar that haven't been accounted for in any previous discussion.

1. The effect of A.B. 3 from the 2014 Special Session in regard to IPT collections, relative to the sunset and eventual elimination of the insurance Home Office Tax Credit. There is approximately $30 million of home office tax credits that are claimed every year, and under new legislation that amount will be capped at $5 million per year. Mr. Plain estimated that the State of Nevada would receive a net gain of approximately $25 million per year in gross IPT revenue; however, there was uncertainty around that number. He explained that if insurers who currently take advantage of that tax credit decide to change how they operate (e.g. relocate jobs out of state), the premiums and premium tax collections could be affected. Additionally, Mr. Plain pointed out that several of the insurers who are claiming that credit are health insurers, and under the ACA, health insurers are now subject to a minimum loss ratio (MLR). He further explained that depending on the specific insurer, the MLR may be 80% or 85% of premium receipts expensed as claims cost, with the remaining 15% to 20% being held back for administrative overhead. As part of that MLR calculation, the premium tax paid by insurers to state governments was a deduction both from the numerator and the denominator. He said with the Home Office Tax Credit going away, the MRL calculation for those insurers will change, which could affect their premium rates. He described it as an area of uncertainty and wanted to bring it to the Forum's attention.

2. The Cadillac Tax is a tax on high-cost insurance plans that may affect the distribution of premiums in the marketplace, and is scheduled to take effect in calendar year 2018. Mr. Plain explained that the tax is calculated by measuring against a metric using a federal health plan and the rate of premium growth in that health plan. He said the bellwether used typically experienced a lower rate of premium growth than commercial market plans. If commercial market premium growth continues to outpace the index, there could be a large number of plans that are subject to that Cadillac Tax. In that event, there could be unexpected changes in buying habits, offering habits on behalf of employers, and premium rating habits on behalf of the insurers. He said it was another large area of uncertainty.

3. Statewide ballot Question 3, referred to as the Margin Tax or the Education Initiative. Mr. Plain identified the three major tax paying industries in the State of Nevada: gaming; mining; and insurance. He said the insurance industry in Nevada pays one of the highest tax rates in the nation at a premium tax rate of 3.5%. He described the Margin Tax as a gross premium tax that allowed limited deductions of which were typically small in nature. Mr. Plain explained that the passage of Question 3 would implement the Margin Tax on those premiums that are already taxed at 3.5%, which would effectively raise the margin tax rate to approximately 5.5%. In a nonbiased manner, Mr. Plain reported that Nevada has a domestic insurance industry that is subject to retaliatory tax, meaning when a company that is domiciled or housed in Nevada does business in another state, the insurer is subject to the higher rate of premium tax. For example, a company housed in Nevada and doing business in South Carolina would be subject to the higher of Nevada's rate or South Carolina's rate. Mr. Plain said there are not many multi-state traditional companies in Nevada; however, there is a healthy captive insurance industry. He explained that captive insurers are owned by some other entity and are designed specifically to insure that entity's risk, such as a manufacturing company. Captive

insurers would be subject to the tax in Question 3, which could drastically change premium tax collections if Nevada is no longer seen as a welcoming captive industry host.

In closing, Mr. Plain reiterated that his intent was to inform the Economic Forum of the large amount of uncertainty going forward in the fully insured marketplace, and felt the items of concern that he mentioned were not commonly known, and would have some impact on the Forum's projections going forward. He announced that the DOI posted the approved health insurance rates for 2015 on their website (doi.nv.gov), and invited all economists and econometricians to view it, specifically to review premium data in order to make projections for premium collections for 2015. He said because of the large insurance illiteracy rate in Nevada (85%), the DOI launched an educational website (nvinsurance101.com) in an effort to teach consumers the basics about insurance. Additionally, smart phone applications will be available from both the Apple App store and the Google Play store that will provide online services, such as insurance rate lookup, complaint filing and insurance verification.

Russell Guindon, Principal Deputy Fiscal Analyst, Legislative Counsel Bureau, made reference to Medicaid enrollment, and pointed out that it was posted as a matter of discussion under this agenda item. He recalled an involved discussion regarding Medicaid enrollment that took place at the June 3, 2014, Economic Forum meeting, and was not sure if further discussion was needed. Until having discussions with Mr. Plain and Mike Willden (former Director of the Department of Health and Human Services), Mr. Guindon said he was not aware that there are Medicaid programs where the qualified enrollee is receiving a product that involves a premium to be paid to a managed care organization, which is a health insurance company. He said the payments are considered premiums, and are subject to Nevada's IPT. Mr. Guindon explained that these details, along with the forecast concerns that Mr. Plain brought awareness to, need to be considered by the forecasters when working through the IPT forecasts that will be presented to the members at the November 7, 2014, and December 3, 2014, Economic Forum meetings. He said he would work with Mr. Plain to make sure staff had the proper understanding of his concerns, and would have more discussion relating to how those concerns would influence the forecast.

Chairman Wiles recollected previous conversations regarding the complexity and interpretation of the ACA, including the components of the law and implementation. He noted the tremendous amount of uncertainty that existed at the federal and state levels, and the potential impact that could result from Assembly Bill 3, the Cadillac Tax, and Question 3. Chairman Wiles thanked Mr. Plain for his presentation and for the DOI's interpretation of new and modified programs, and with working with the staff to try and give assessments.

Mr. Leavitt referenced the total IPT, and asked what portion related to health insurance versus other forms of insurance.

Mr. Plain replied that he did not have that information available at the meeting, but recalled a projection from the 2013-15 biennium that was based off the total overall number. He said approximately 30% of the total premium volume was related to health insurance in the State of Nevada, and the remainder was related to other forms of insurance.

Mr. Leavitt remarked that health insurance made up a significant portion of revenue from the IPT.

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

Kent Steadman, Management Analyst II, Department of Business and Industry

Mr. Steadman said he would provide history on the Nevada New Markets Tax Credit program (NMTC), report on the status of the program as of the end of July 2014, and provide information about what was expected in the future (Nevada New Markets Tax Credit Program as of October, 2014 (Exhibit G).

Mr. Steadman said that the Nevada NMTC program was created by S.B. 257 (2013 Legislature) as part of the New Markets Job Act. The $200 million program encourages capital investment in low-income areas and creates new jobs in Nevada. The program was patterned after the federal NMTC program. He said, typically, a new market tax credit loan would be for an amount between $3 million and $10 million. Anything below $3 million was not cost effective. He explained that the loan structure was very complex.

Mr. Steadman reported that the program started October 1, 2013. He said the department received applications from seven federally certified Community Development Entities (CDEs). He noted the CDEs were certified on November 14, 2013. Mr. Steadman reported that the tax credits were allocated as follows (page 4, Exhibit G):

Advantage Capital Community Development Fund, LLC	$32,000,000
Enhanced Community Development, LLC	$32,000,000
KHC New Markets Fund C CDE, LLC	$32,000,000
Stonehenge Community Development, LLC	$32,000,000
The Clearinghouse CDFI	$8,000,000
Urban Development Fund, LLC	$32,000,000
USBCDE, LLC	$32,000,000
Total	$200,000,000

Mr. Steadman said the typical tax credit loan was a 7-year loan, with a below market interest rate. He said approximately 90% of these loans were leveraged loans where up to 20% of the loan was forgivable.

Mr. Steadman explained that the forgivable portion of the loan was equity from the money received for the sale of the new markets tax credits. For example, if a qualified small business needed a $5 million loan, the federally certified CDE would work with a financial institution to get the business a loan comprised of two notes. He explained there would be one $4 million, 7-year loan at the current market rate, and another $1 million, 30-year loan, below the current market rate, interest only, which would be effectively forgivable at the end of 7 years.

Mr. Steadman said the Nevada NMTC program focused on operating capital for businesses. The federal NMTC program focused on small business real estate projects. He said an insurance company that purchases Qualified Equity Investment (QEI) authority earned a tax credit equal to 58% of the purchased QEI over seven years based on the following schedule (page 7, Exhibit G):

Credit Allowance Date	**Applicable Percentage**
Date of Initial Qualified Equity Investment	0%
1st Anniversary Date of Equity Investment	0%
2nd Anniversary Date of Equity Investment	12%
3rd Anniversary Date of Equity Investment	12%
4th Anniversary Date of Equity Investment	12%
5th Anniversary Date of Equity Investment	11%
6th Anniversary Date of Equity Investment	11%
Total Credits (Percentage)	**58%**

Mr. Steadman referred to a flow chart in his presentation (page 8, Exhibit G) providing an overview of the tax credit process. The process begins with B&I, which allocates the tax credits to the CDEs that apply for them. The insurance companies would then pay cash, at a discounted rate, for the tax credits. That money would be invested by the CDEs in the form of a loan to the low-income community businesses.

Mr. Steadman said that B&I held a workshop on proposed regulatory changes on January 28, 2014. A public hearing was held on April 21, 2014, and the regulations were adopted by the Legislative Commission on June 23, 2014. Those regulations are now part of the *Nevada Administrative Code*.

Mr. Steadman said B&I asked the CDEs to report on the number of projects they were involved in, and how many of those projects involved minority businesses in Nevada. The CDEs reported that they began with 236 potential projects, totaling $1.2 billion. At the end of July 2014, there were 85 projects in process, totaling $686.7 million. He said that 29% of the projects in process at that time were for minority-owned businesses. He said the number of projects was expected to be reduced by half as the vetting process was completed.

Mr. Steadman said statute required that 85% of the NTMC allocation must be invested by December 14, 2014. There was a six-month grace period. If a CDE did not meet the 85% requirement by the end of the grace period, the NMTC allocation would be recaptured and reallocated to the other CDEs.

Mr. Steadman said B&I received the first completed investment report on Wednesday, October 15, 2014, and were in the process of analyzing that information.

Mr. Steadman referred to a slide in his presentation (page 12, Exhibit G) comparing other states' NMTC benefits. He noted that some of the programs were new, with not many results yet to report. However, the State of Florida created over 8,000 jobs with a $178.8 million allocation. He said that was a positive impact of $3 for every tax credit dollar. The State of Missouri had a similar response to its $300 million program. He noted that the State of Ohio created over 2,000 jobs with a $40 million program.

Mr. Steadman concluded his presentation by adding that he hoped Nevada's NTMC program generated results similar to those of the State of Florida, with a return of $3 for every tax credit dollar.

Chairman Wiles asked if there was an expectation that investors would use the tax credits over the upcoming biennium. Mr. Steadman said there was not enough data to make a projection. Chairman Wiles noted that data would not be available until after the Economic Forum meets to develop its revenue forecast in December 2014. Mr. Steadman agreed that was accurate.

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

Laura Freed, Deputy Administrator, Division of Public and Behavioral Health
Steve Gilbert, Program Manager, Division of Public and Behavioral Health

Ms. Freed introduced Steve Gilbert, Program Manager, Division of Public and Behavioral Health, who presented information on the patient registry program as well as the establishment program, with the focus on factors needed by the Economic Forum to make projections for the excise tax.

Mr. Gilbert said with the passage of S.B. 374, the Medical Marijuana program grew to be comprised of two authorized groups: 1) medical marijuana cardholders; and 2) medical marijuana establishments (MMEs).

Mr. Gilbert said the Individual Patient Registry program issues patient registry identification cards to Nevadans who meet the qualifications defined in NRS 453A.050. He said individuals would apply for the registry, and if found to be eligible, would be granted a medical marijuana card.

Mr. Gilbert said the Medical Marijuana Establishment program issues licenses to establishments within the State of Nevada such as laboratories; cultivation facilities; facilities for the production of edible marijuana products or marijuana infused products; and marijuana dispensaries. He explained that patients would receive medicine and educational materials at the dispensaries. He said the dispensaries would not be open to the public; only valid medical marijuana cardholders would be allowed.

Mr. Gilbert said the Individual Patient Registry program and the MME program have separate fee structures. He said the cardholder program collects $100 total for a patient to become a cardholder. The MME program fees depend on the type of establishment that is registered with the state.

Mr. Gilbert said there were about 6,500 cardholders in the state and 374 caregivers. The caregivers are allowed to purchase product and administer medicine to the patients. He said Clark County represents about 73% of the cardholders; Washoe County, 11%; and the rest of the state, 16%.

Mr. Gilbert said, based on the growth in the number of cardholders month-to-month, it is projected that at the end of FY 2015 there would be approximately 9,510 cardholders; at the end of FY 2016, approximately 14,413; and at the end of FY 2017, approximately 21,102 (page 6, Exhibit H).

Mr. Gilbert said the division was going through the application and evaluation process. He said 199 applications were received for dispensaries; 183 for cultivation; 119 for production; and 18 for laboratories.

Mr. Gilbert introduced a table that showed dispensary totals by county (page 8, Exhibit H). He said the statute specified that 66 dispensaries would be allocated within the state. However, no applications were received for dispensaries in nine of the counties. He said 55 provisional licenses would be issued based on the license applications that were received. Provisional licenses would not be issued in the counties for which no application was received.

Mr. Gilbert said the division would partner with the local governments to implement the establishments throughout the state. He said the local government role would be to clarify local zoning and licensing requirements for establishments. He explained that once the division issued the provisional license, it would be up to the establishment's owner to work with the local governments on the zoning and licensing requirements of the county. He said the local governments would have the authority to supplement the division's regulations. The local governments would provide the first line of response for law enforcement needs to address criminal activity. He said the division would work with the local governments on complaints and investigations, as applicable.

Mr. Gilbert presented some of the unified roles between the division and the local governments. He said, per NRS 453A.326, in a county with a population of 100,000 or more, the division shall ensure that not more than 25% of the total number of dispensaries that may be certified in the county are located in any one local governmental jurisdiction within the county. The board of county commissioners of the county may increase the percentage if it determines that to do so was necessary to ensure that the more populous areas of the county have access to sufficient distribution of marijuana for medical use.

Mr. Gilbert said some of the expected benefits to the local governments included, stimulation of skilled employment opportunities for the industry; reciprocity sales for nonresident medical marijuana patient cardholders; increased Nevada state tax generation and related benefits; and revenue from applications of MMEs. He noted that the number of dispensaries allowed in the state was 66: 40 in Clark County; 10 in Washoe County; 2 in Carson City; and 1 each in the other counties. He reiterated that some counties would not have dispensaries, because there was no application submitted. He said the number of MMEs that are not dispensaries was not limited in statute. He said the division was determining the scores and the ranks, and would be granting provisional licenses at the beginning of November.

Mr. Gilbert said under NRS 453A, medical marijuana patients from other states are eligible to purchase their needed medical marijuana in Nevada. He said in 2013, California residents comprised 33% of the visitors to Las Vegas. California has approximately 77,000 medical marijuana patient cardholders, so reciprocity sales in Las Vegas could be significant.

Mr. Gilbert said, based on projected patient cardholders, and limits on amount of medical marijuana that can be purchased, the MME program has budgeted $1,042,975 for its share of the total excise tax in FY 2016, and $1,580,815 in FY 2017. He said the projection was based on the current patient count and the purchase of 5 ounces per month.

Mr. Gilbert said the cardholder growth rate and the level of reciprocity sales were not known. There was no historical data for this revenue available from other states. He said the out-of-state cardholders who come to Nevada to purchase their medicine were required to abide by Nevada law, which allows the purchase of 2.5 ounces every 14 days.

Mr. Gilbert said the revenue generated by the MME fees would be used to pay back the costs incurred by the division in carrying out the provisions of NRS 453A.320-370. Any excess fee revenue would be paid to the State Treasurer to be deposited to the credit of the State Distributive School Account (DSA) in the Nevada General Fund.

Mr. Gilbert concluded his presentation by showing an organizational chart illustrating how the program was structured (page 16, Exhibit H). He explained that the cardholder program had 4 full-time employees that managed all of the applications, and processed and issued the cards. The MME program had 12 full-time employees: 6 in Las Vegas and 6 in Carson City.

Chairman Wiles asked when the licenses would be issued and when the dispensaries would be open for business. He asked what portion of the revenues was expected to revert to the State General Fund.

Mr. Guindon noted that a 2.0% excise tax was included in the bill for the medical marijuana program. The tax was attached to sales by the cultivators, producers of the edible and infused products and the dispensaries. He said 25% of the excise tax would go to fund the agency, and 75% would go to the DSA. He said the Economic Forum was not responsible for producing a forecast for the excise tax, because it was not an unrestricted General Fund revenue source. He explained that the Economic Forum would produce a forecast for state sales tax, which would apply to the products sold at the dispensary level. The sales tax would not apply to the product sold to the dispensary by the cultivator and producers, because that was a wholesale transaction. He noted that the new industry could begin creating jobs, which would be subject to the Modified Business Tax (MBT). In addition, those jobs would create further economic activity. That was why the Economic Forum and the forecasters would be interested in the progress of the medical marijuana program.

Ms. Freed added that in addition to 75% of the excise tax going to the DSA, any overage of the medical marijuana establishment fees that the division did not use to evaluate applicants and perform inspections of those establishments that received licensure certificates would also go to the DSA. She cautioned that the numbers provided in the presentation were extremely rough. She said the numbers would probably change as the division discussed the factors that went into estimating the excise tax revenue. One of those factors would be timing. She said that the first licenses were expected to be issued to MMEs on November 2, 2014. The labs were expected to begin operations first, and the cultivation facilities and dispensaries would follow.

Ms. Freed noted that previous testimony indicated that the timing of plan review for a permit approval in Clark County was 60 to 90 days. She said that meant establishments may not come online until February 2015. She understood that the Department of Taxation might not disburse excise tax to the division and the Department of Education until April or May 2015. She said that coincided with the end of the legislative session, when the forecasters would estimate the amount of General Funds that would be offset by the new excise tax revenue in the DSA. She said she would have liked the division to have had more definitive information on the revenue estimate for the Economic Forum.

Chairman Wiles said he appreciated the challenges that arose in making the revenue forecast for the medical marijuana program. In addition to the program being new, there were discrepancies between federal and state law regarding the medical marijuana program. He said the forecasters must consider that it was a new industry, with new distribution, new owners, and new sales. He added that there was uncertainty about the level of revenue that would be generated by the ACA, and the November 2015 General Election could change the political environment.

XII. PRESENTATION ON NEVADA'S MINING INDUSTRY BY THE NEVADA MINING ASSOCIATION.

Dylan Shaver, Director of Public Affairs, Nevada Mining Association, said that, for more than 100 years, the Nevada Mining Association has served as a resource for the state, the people of Nevada, and the mining companies. He said his presentation would focus on the following topics: the essential minerals produced by the mining companies in Nevada; the quality jobs and businesses that mining supports; sustaining the highs and lows; and the significant contributions made by mining in Nevada.

Mr. Shaver said that the 116 Nevada mining operations across the state produced about 16% of the minerals used in the United States. While Nevada mines were well known for producing gold, they also produced about 19 other minerals that helped people live their lives on a day-to-day basis (page 3, Exhibit I). He said Nevada produced about 75% of the gold in the United States, and 5.9% of the gold in the world. Most of that gold was used as an investment tool, but it also had high-tech applications, such as for cell phones and car airbags.

Mr. Shaver said that although Nevada was called the "Silver State," there was only one active mine in Nevada that was mining only for silver, although other mines were producing silver incidentally in the process of mining for other minerals. He noted that silver had high-tech applications as well in medical equipment and solar panels.

Mr. Shaver said Nevada mines produce lots of copper. He said the Nevada Mining Association recently completed a display at the airport that indicated about 135 miles of copper wire was needed to build a Boeing 737 airplane, such as the ones used by Southwest Airlines. He said the state produced gypsum for wallboard, cement and plaster of Paris. He said the most important mineral produced in Nevada might be diatomaceous earth, or diatomite. He said Nevada produced over 20% of all the diatomite used in the world. That was significant, because all domestically produced beer and wine that was filtered was filtered through diatomaceous earth. He said barite and perlite were among the other minerals produced in Nevada.

Mr. Shaver said that most mining jobs were high-tech jobs. There were hydrologists, biologist, attorneys, chemists, electricians, and heavy equipment operators. He said that these positions required advanced degrees. Because the jobs were so specialized, mining jobs paid about twice the state average wage (page 13, Exhibit I). The average miner made just over $90,000 per year, which added $1.1 billion to the state's economy every year. In addition, miners received about $400 million worth of benefits per year, of which $200 million was health insurance. He said 93% of the miners in the state were covered by employer paid health insurance, compared to 56% of the state's employees generally.

Mr. Shaver said there were about 12,000 direct mining employees. He said another 5,000 were employed indirectly, such as contractors. Those combined created another 12,000 "induced" jobs for positions that are serving the community in which the mines operated. In total, about 2.3% of Nevada's workforce was attributable to mining.

Mr. Shaver said it was obvious that the gaming industry was the driver of the state's economy. However, for comparison, he noted that the mining industry directly employed 12,000 people, which was the same number employed by Wynn Resorts.

Mr. Shaver said the mining industry has managed to make it through a tough time without incurring many layoffs. He said there were challenges to meet, because of the decrease in the value of gold and ore, policy challenges on the horizon, and increased costs. From the start of the recession in 2006, the value of gold exploded to more than double. He explained that cynicism and speculation about the market caused people to take money out of equities and put them into commodities. Gold was priced internationally in dollars, so when the dollar devalued, the price of gold increased, because it took more dollars to buy it. He said that situation ended abruptly in 2013. Over the course of a year, the value of gold declined 27%, and investment demand declined by 15%. To get through this, the mining companies focused on what would yield the most tonnage of ore to allow a return on investment.

Mr. Shaver said one of the reasons for the sharp decline was that investors stopped investing in gold. He explained that for about 20 years, gold investors relied on something called an "exchange trade fund" (ETF), which allowed an investor to buy gold without having to take possession of the gold. It was much easier to buy and sell that way. When ETF investors started to sell off gold investments, there was a major hit to the price of the commodity. He said that was important to the state, because the value of the commodity coincided with the net proceeds of minerals revenue collections almost exactly (page 22, Exhibit I). He said there had been tremendous increases in the value of the commodity, but when gold prices declined, the net proceeds of minerals tax revenue declined as well (page 23, Exhibit I). Since its peak, the price of gold has fallen about 34%.

Mr. Shaver said ore grades were lower. In 2010, the average ore grade was about 0.149 oz. per ton of earth moved, but that fell 43% to 0.09 oz. per ton. He explained that at 0.09 oz. per ton, to produce enough gold to make a wedding ring, an amount of ore must be excavated that would fill a community pool. In addition, in the older mines, the mining companies must dig deeper and deeper. That meant more than double the ore must be removed than was necessary when the mine was first opened.

Mr. Shaver said that additional effort had an effect on the cost. He said the raw costs for mining were much higher. He said the cost for mining equipment was up 61% since 2004. The cost for underground mining equipment was up 60% since 2004. Equipment maintenance costs were up about 20%. The cost of mining support activities, such as drillers and blasters, was up about 78% since 2004. He said diesel fuel costs were up 41% since 2007. He said the 12-foot diameter tires for the heavy equipment cost about $80,000 each, which was up about 64% since 2004. Mining labor costs have more than doubled in the last decade. In addition to commodity value being down, costs were way up.

Mr. Shaver said he would present several policy challenges that the mining industry was dealing with. He said the sage grouse would probably be listed as a threatened species under the endangered species act. He said the Nevada Mining Association was working with the Governor's Office and the congressional delegation to find a solution to the problem of the birds' habitat. He said if the sage grouse were listed as a threatened species, it would be more difficult for the mining industry, energy producers and ranchers to do business in Nevada.

Mr. Shaver said tax uncertainty was also an issue for the mining industry, as it was for any business.

Mr. Shaver said the Environmental Protection Agency's Waters of the United States ruling would consider a ditch along the side of a roadway intended to catch rainwater to be a "navigable waterway," which would be subject to regulation. He said that would have a serious impact on the way the mining industry did business.

Mr. Shaver said although there were challenges, the industry was optimistic. He noted that Nevada Copper in Yerington was doing well. American Vanadium mined vanadium, a product used for long-term battery storage. He explained that massive amounts of energy could be stored using a vanadium battery. He said a couple of public buildings in New York purchased energy for use in the evening, but used energy from the vanadium batteries during the day. He said there was obviously a demand for lithium in the state right now, which was positive news for Western Lithium. He said General Moly was a new mine in northern Eureka County. All of the mine's permits were ready, and it was almost ready to move forward. He added that there were numerous new gold ventures opening and changing hands in the state.

Mr. Shaver said that it was remarkable that, despite gold losing 34% of its value, the mines have managed to stay open without the massive layoffs that have been seen in other industries. He said the mining industry had a "boom or bust" reputation, but the average mine in Nevada had been in operation since 1984.

Mr. Shaver said the work of the mining industry generated significant contributions to the state. While the mining industry employed just 1.0% of the state's workers, those employees earned 2.1% of the wages paid out in the states. He said the mining industry was responsible for about 6.1% of the economic output of the state, and paid 7.4% of the state's General Fund dollars in taxes and the induced taxes paid by businesses that existed because of the mining industry.

Mr. Shaver said the mining industry supported about 2,200 Nevada based businesses. One example was Cashman Equipment. He said some of the other businesses were equipment vendors, assay labs, engineering firms, construction companies, grocery stores, restaurants, hotel, hospitals and banks.

Mr. Shaver said that in Nevada the mines paid a special tax called the "net proceeds of minerals tax," which nearly doubled its tax burden to $347.9 million in 2013. That made up about 7.0% of the state's General Fund, but the mining industry made up 6.0% of Nevada's economic activity. He referred to a chart showing the mining industry gross domestic product compared to other sectors (page 42, Exhibit _I).

Mr. Shaver said, in addition to paying taxes, the mining industry employees were active in the community through educational programs, workforce investment programs, and charities all over the state, whether or not there are mines in that area. Just through employer programs, in 2013, Nevada mining employees contributed about 7,400 hours of volunteer time to local causes.

Mr. Shaver concluded his presentation by saying that the Nevada Mining Association was always available as a resource to the members and staff of the Economic Forum.

Mr. Leavitt asked, of the total volume of the minerals produced in Nevada, what percent of the income was related to gold?

Mr. Shaver said about 94% of the net proceeds of minerals revenue was from gold mining.

Mr. Leavitt asked how low the price of gold would have to dip in order for the mining companies to reach the point where it was not profitable to mine.

Mr. Shaver said the average “all in” cost for an ounce of gold in the State of Nevada was about $1,150 per ounce. However, depending on the location of the mine, and what the ore body being mined was comprised of, that number could vary widely.

Mr. Leavitt asked how the net proceeds of minerals revenue for 2014 would differ from 2013 collections.

Mr. Shaver said it was difficult for him to predict what would happen to the price of the commodity between now and the end of the fiscal year. He said it appeared as if the price would remain steady for a while, but he by no means was an expert in the prediction of such numbers.

Mr. Leavitt said, because the Economic Forum must produce a forecast of the net proceeds of minerals revenue, the members were interested in the opinion of Nevada Mining Association staff. He said it would be very helpful if the Nevada Mining Association could provide the Economic Forum with projections.

Mr. Shaver said Nevada Mining Association executives have met twice with Economic Forum staff to provide such information. He noted that Nevada Mining Association members did not engage in such forward-looking statements in public forums. He said, in fact, the Nevada Mining Association did not engage in forecasting at all, but rather relied on other public forecasts, such as Bloomberg, for that information.

Mr. Guindon said that the Nevada Mining Association and representatives from Barrick Gold Corporation have met with staff from the Executive Budget Office, the Fiscal Analysis Division, and the Department of Taxation, the three entities primarily involved in producing the net proceeds of minerals revenue forecast that would be presented to the Technical Advisory Committee of the Economic Forum. He said market reports were presented on international gold prices, and information was presented about specific companies. That information would be utilized by the forecasters to build their forecasts. However, he explained that information about specific companies would not be discussed in a public meeting, because it involved publicly traded entities.

Chairman Wiles said he appreciated the efforts of the forecasters to provide the Technical Advisory Committee and the Economic Forum with accurate information on the net proceeds of minerals revenue forecast. He noted that the net proceeds of minerals forecast was helpful to the rural communities in their budgeting process as well. He said he appreciated the effort of the Nevada Mining Association and Barrick Gold Corporation in working with staff to provide that information.

XVIII. INSTRUCTIONS TO TECHNICAL ADVISORY COMMITTEE CONCERNING THE NEXT MEETING OF THE ECONOMIC FORUM.

Agenda item XVIII was taken out of order.

Mr. Guindon acknowledge the Technical Advisory Committee (TAC) to the Economic Forum, and described it as a statutory body that supports the Economic Forum. He said the TAC consists of seven members, specified by statute, who serve in the Legislative or Executive Branch agencies, and have a good working knowledge of the revenue sources.

Mr. Guindon explained that, traditionally, the Economic Forum had forecasters present their projections for the following major General Fund revenue sources that make up 80% to 85% of the General Fund: Sales and Use Tax; Gaming Percentage Fees Tax; Insurance Premium Tax; Modified Business Tax, both financial and nonfinancial; and the Real Property Transfer Tax and Live Entertainment Tax, non-gaming portion. At the command of the Economic Forum, the remaining revenue sources are directed to the TAC to prepare a consensus forecast. He said the forecast is brought forward for consideration at a formal meeting held by the Economic Forum, where the staff performs a high-level presentation of the forecast to the Forum. Ultimately, the Forum decides which forecasts they want to approve, or reconsider and produce their own consensus forecast for the minor revenue sources.

Mr. Guindon questioned if the Economic Forum wanted to keep the forecasts specific to the major or minor categories that they were currently recognized under, or if any of the revenue sources should be reassigned; noting that a change could affect the forecast assignment required from the TAC. He recalled discussions that occurred at the Economic Forum's June 3, 2014, meeting, relative to the forecasting of net proceeds. He said Budget and Fiscal staff have been talking to the Taxation staff, realizing that they have to present more detail on how the Net Proceeds of Minerals Tax forecasts were derived by the TAC. He said this additional detail could also be brought forward to the Economic Forum for their consideration during their meetings.

Mr. Guindon pointed out that this agenda item was posted for possible action, and advised the members that either a formal motion could be made, or Chairman Wiles could make the directive to staff on how the Forum wanted to proceed with forecasts, meaning keep the major General Fund revenue sources categorized as they currently are or revise them. He reiterated that the committee was not locked into taking action today, but could make an adjustment at their next meeting. Mr. Guindon said his intent under this agenda item, as staff to the Economic Forum, was to give clarity to the TAC's responsibilities. The next TAC meeting is scheduled for Wednesday, October 29, 2014, at 1:30 pm.

Mr. Leavitt replied that he served on the TAC in the past, and personally thought the current mix was a good one.

Jennifer Lewis commented that she was a new member, and could not disagree with Mr. Leavitt.

Linda Rosenthal agreed with Mr. Leavitt, and thought the variance in the mining tax was a "one-off," and did not recommend categorizing it as a major revenue source for review.

> MS. ROSENTHAL MADE A MOTION TO RECOMMEND THAT THE ECONOMIC FORUM INSTRUCT THE TAC TO CONTINUE FORECASTING THE REVENUES AS THEY WERE MADE IN THE PAST. JENNIFER LEWIS SECOND THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

XIX. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

Agenda item XIX was taken out of order.

Russ Guindon informed the members that the next Economic Forum meetings were scheduled for November 7, 2014, and December 3, 2014. He reminded the committee that December 3, 2014, was the deadline, by law, to prepare a written report of its projections of economic indicators and estimate of future state revenue, and present it to the Governor and the Legislature.

Mr. Guindon said the intent is to have a preliminary set of forecasts at the November 7, 2014, meeting. He stated the TAC will produce preliminary forecasts for everything but the major revenue sources at their October 29, 2014. There will be additional forecast presentations to address other revenue sources for the Economic Forum's consideration. Mr. Guindon said the November 7, 2014, agenda will require the Economic Forum to decide whether it will consider the forecasts as informational or if it will adopt a preliminary forecast. Historically, the Forum did not adopt a preliminary forecast; instead the committee used the forecasts as informational, and used the meeting venue to ask questions or make suggestions so their concerns would be taken into account when the final forecasts are presented at the Forum's December 3, 2014, meeting.

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

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

Mr. Guindon stated the importance of this agenda item was related to the adjustment to the Economic Forum's forecast that was approved after the May 1, 2013, forecast (page 77, Exhibit A). He said a few of the revenue sources that had sunsets attached, per legislative action approved during the 2013 Session and approved by the Governor, were set to expire June 30, 2015. Mr. Guindon explained that the Economic Forum is required to produce their forecast under current law, and the current law states that certain measures no longer have effect beginning July 1, 2015.

- Net Proceeds of Minerals; this tax has a sunset relative to prepayment. There will not be any proceeds forecast for FY 2016, but there will be revenue in FY 2017
- The Business License Fee; the fee is currently $200 and will reset under the sunset to $100, effective for FY 2016 and FY 2017.
- Modified Business Tax on Non-Financials; this tax has a two-tiered structure that will revert to .63% on all taxable wages, effective for FY 2016 and FY 2017; therefore, the forecast for FY 2015 will reflect a much higher number than the forecast for FY 2016 and FY 2017.
- Sales and Use Tax – General Fund Commissions; this tax is tied to another sunset. It does not amount to a lot of money, but it has to be accounted for.
- Governmental Services Tax; under the sunset, the revenue generated from this tax will go to the Highway Fund in FY 2016 and FY 2017, so forecasts will not be applicable; however, there will be a forecast for FY 2015.
- GST Commissions and Penalties; under the sunsets, there will be a forecast for FY 2015, but no revenue applicable to FY 2016 and FY 2017.
- Court Administrative Assessments; there are no actions related to sunsets.
- Cost Recovery Plan; there are no actions related to sunsets.

  Note: Mr. Guindon said any issues involving the forecasts for the last two bullet items would be discussed at the Technical Advisory Committee, and brought forward to the Forum as necessary.

Mr. Guindon informed the members that revenue sources on page 78 (Exhibit A) had permanent action taken; therefore, no sunsets applied.

In closing, Mr. Guindon emphasized that the sunset measures are statutory provisions that must be taken into consideration when producing the forecasts.

XIV. REPORT AND DISCUSSION OF FY 2014 ACTUAL REVENUE COLLECTIONS COMPARED TO THE ECONOMIC FORUM NOVEMBER 30, 2012, AND MAY 1, 2013, FORECASTS, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2013 SESSION.

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

Mr. Nakamoto began his presentation on page 81 (Exhibit A), TABLE 1. He said the table compared the actual collections for FY 2013 and FY 2014 with the Economic Forum's forecasts from November 30, 2012, and May 1, 2013, with respect to the actual collections for both the major revenues and some of the selected non-major revenues, as well as the total General Fund. In addition to that information, the table shows forecasts projected by the agency that collects the fee or tax; the Fiscal Analysis Division; the Budget Division; and Moody's Analytics, the firm that forecast the Gaming Percentage Fee Tax and Sales and Use Tax. Mr. Nakamoto pointed out an oversight on page 81 that referenced Global Insight/Moody's. He clarified that Moody's Analytics' forecasts are exclusive to Moody's Analytics for both FY 2013 and FY 2014, and Global Insight should be disregarded.

Mr. Nakamoto said he highlighted the May 1, 2013, forecast in orange to differentiate from the forecast approved on or before December 3, 2012 (November 30, 2012), and was used by the Governor to prepare the Executive Budget. He clarified that the May 1, 2013, forecast included the revisions made during the 2013 Legislative Session, and were used by the Legislature to generate the biennial budget for the 2013-15 biennium, as well as the current year forecast for FY 2013. Mr. Nakamoto said that TABLE 1 included statistics for major General Fund revenue sources, select non-major General Fund revenue sources, and the total General Fund revenue. He noted that the actual collections for FY 2013 were approximately $45.9 million above the Economic Forum's forecast, whereas their FY 2014 forecast was approximately $58.8 million below the actual collections for the forecast for the fiscal year (page 84, Exhibit A).

Mr. Nakamoto recalled Mr. Guindon's reference to the array of revenues that are forecast by both the Forum and the Technical Advisory Committee, and guided the members to TABLE 2 on page 87 (Exhibit A). He said TABLE 2 identified those unrestricted General Fund revenue sources, and tracked how actual collections in FY 2014 compared to the Forum's forecasts made at meetings held November 30, 2012, and May 1, 2013, for FY 2014. He clarified that TABLE 2 did not include projections made by other forecasters.

Mr. Guindon stated that he did not know if the Forums forecast ever came as close to actual collections as it did in the May 2013 forecast for FY 2014. He pointed out that three of the seven major revenue sources had a forecast error of plus/minus .50%. He referred the members to page 82 (Exhibit A), and highlighted the Economic Forum's forecast error of .33% for the total major revenue sources. He said, except for net proceeds of minerals and unclaimed property, the Forum's forecast compared to actuals was almost scary close. Relative to the uncertainty that exists with some of the revenue sources, Mr. Guindon specifically pointed out the close results pertaining to the Insurance Premium Tax revenue in FY 2014 (page 81, Exhibit A).

XV. REPORT AND DISCUSSION OF FY 2015 YEAR-TO-DATE ACTUAL REVENUE COLLECTIONS COMPARED TO THE ECONOMIC FORUM MAY 1, 2013, FORECAST, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2013 SESSION.

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

Mr. Reel directed the committee to page 95 of the meeting packet (Exhibit A). He described TABLE 1 as a revenue tracking sheet that is updated and provided to the Forum on a monthly basis. The table summarized the FY 2014 actual collections and the growth rates that resulted from those collections versus the Economic Forum's May 2013 forecast. Relative to the FY 2015 forecast, the columns show the fiscal year forecast, the FY 2015 forecast that was projected by the Forum in May 2013, and the difference in the growth rates based on FY 2014 actual collections. The green columns show the percentage of the General Fund revenue that each revenue source made up.

Mr. Reel moved on to discuss TABLE 2, year-to-date actual collections for FY 2015 (page 96, Exhibit A). He said the report included one to three months of actual collections of monthly revenue and zero collections for the quarterly revenue sources. The quarterly data will be reported by the Department of Taxation at the end of November 2014, and that material will be presented at the Forum's final forecast meeting on December 3, 2014. He said, because of where we are in the fiscal year with collections, there was not a clear picture of how the forecasts were tracking. He noted that the data in TABLE 2 tracked against the FY 2015 forecast that the Forum made at its May 2013 meeting. He clarified that the Forum will be reforecasting FY 2015 at the November 7, 2014, meeting and will submit a final recommendation at the December 3, 2014, meeting. Using Sales Tax as an example, Mr. Reel explained that the yellow portion of the FY 2014 actual year-to-date collections was represented in the first column; the actual growth rate (6.0%) for FY 2014 year-to-date was represented in the second column; and the fiscal year-to-date as a percentage of the fiscal year total (8.3%) was displayed in the third column, which illustrated the total amount of revenue that was expected to be collected in FY 2014.

Moving across the chart on page 96 (Exhibit A) to FY 2015, Mr. Reel highlighted the actual collections, the 7.0% growth rate over FY 2014, and the amount that should have been collected for the fiscal year (8.1%). He identified the following columns highlighted in green: the fiscal year-to-date forecast for FY 2015; forecast percent change; and the dollar difference between the forecast and the actual collections. For example, Sales and Use Tax revenue was up slightly by $853,000. He said the Percentage Fees Tax revenue was running quite a bit behind forecasts at this point, but was based off only three months of collections. He said gaming percentage fees are fairly volatile and can swing quite a bit from month-to-month. He implied that the forecast may need to come down a bit because the FY 2015 year-to-date collections are $19 million below the forecast, and collections were also below in FY 2014. Mr. Reel said that it was probable that Live Entertainment Tax (LET) was offsetting some of the losses in Percentage Fees Tax revenue, because LET was running ahead of forecast by approximately $1.2 million. Overall, the total major General Fund revenues were down approximately $17.5 million; the select minor revenues were running above forecasts by approximately $2 million; and the all-other revenue forecasts were slightly ahead by approximately $2.7 million. Mr. Reel reported that total General Fund revenues were down $12.8 million; but reminded the members that collections consisted of one to three months of monthly collections and no quarterly results. He noted that it was early in the fiscal year, and that the numbers would change quite a bit throughout the fiscal year.

In closing, Mr. Reel brought attention to TABLE 3 (page 97, Exhibit A) that showed estimates of the amount of revenue that was expected to be collected for the remainder of FY 2015, as well as the actual remainder for FY 2014.

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

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

Beginning on page 105 (Exhibit A), Mr. Nakamoto presented the Report of the Forecast Accuracy of the Economic Forum for Selected Revenues. The report is prepared annually by the Fiscal Analysis Division, and is updated to include the latest fiscal year. He said the report's data was current through the end of FY 2014, and that it was an extension to the materials presented under Agenda Item XIV. The forecast error report compares the Economic Forum's forecast performance to actual revenue collections, and includes forecasts made by the Fiscal Analysis Division, the Budget Office, the Agency, and Moody's Analytics (outside forecaster). The selected major revenues covered in this report comprise the State 2.0% Sales Tax; Gaming Percentage Fees; Insurance Premium Tax; Live Entertainment Tax, also known as the Casino Entertainment Tax; Cigarette Tax, which previously was a major revenue source and is now considered a minor revenue source; Modified Business Tax, both non-financial and financial; and the Real Property Transfer Tax, as well as the total General Fund. Mr. Nakamoto explained that the information contained within this report showed the total amount of revenue that was generated, and the positive or negative percent error by which each of the forecasters missed the forecast. A positive figure meant the actual amount collected was higher than the forecast, and a negative amount meant the forecast was higher than what was actually collected.

Mr. Nakamoto recalled Mr. Guindon's observation of how close the Forum's May 2013 forecast came to the actual collections in FY 2014. To elaborate, he referred the committee to page 129 (Exhibit A), which displayed statistics for the total General Fund by Forecaster. He said the closest the Economic Forum ever came to zero, in terms of its percent forecast error, was in FY 1998 when the 1-year ahead forecast done in May 1997 resulted in -1.7%. By comparison, he pointed out that in FY 2014, the 1-year ahead forecast done in May 2013 resulted in a percent forecast error of -1.9% (page 130, Exhibit A).

In terms of the average percent error rate, Mr. Nakamoto guided the members to the bottom of page 130 (Exhibit A). The table showed that the Economic Forum's 1-year ahead forecast for May 2013, on average, was within .40% of actual collections. Below that statistic was the absolute average percent error, which does not use negative percentages in its calculation to determine how close from zero the forecast came, regardless of direction. Mr. Nakamoto said the Economic Forum's 1-year ahead forecast, on average, was 4.5% away from the zero target, either in the positive or negative in direction.

Mr. Guindon commented on the considerable amount of information that was contained in the report, and whether anyone cared about it. He said there was an organization that reviewed state forecasting processes, and some of the information they looked for included tracking forecast errors and posting the results as public record. He said Nevada scored high under each of the criteria, and accredited the following processes: forecasts are presented in a public sector; forecasts are revised as necessary; and results on how the forecasts compare to actual collections are tracked and publicly reported.

Chairman Wiles noted there was an analysis done across all 50 states in terms of the quality of each state's budgeting processes, and Nevada was ranked along with four or five other states as having the best forecasting processes in the country. He said those results were something we should all be proud of as members of the Forum.

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

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

Mr. Guindon reported that taxable sales charts and gaming market statistics, considered under this agenda item, were posted on the Forum's website. He said they would not be discussed at this meeting; however, some of the charts would be presented at the November 7, 2014, and December 3, 2014, meetings. He suggested that the Forum members review the charts and familiarize themselves with the data, because it was data used by forecasters to make projections.

Mr. Guindon observed the many questions that revolved around taxable sales at this meeting, and recommended that the members compare the sales charts that were broken down by NAICS codes. He recalled Ms. Rosenthal's question in regard to the decline in quarterly taxable sales in rural counties, and if it was due to mining. He said not only did the mining companies show volatility, but in his opinion, some of decline was due to the renewable energy projects at the time. He communicated that solar and wind farm projects generated a lot of materials, which generated taxable sales. Additionally, Mr. Guindon called out the sales tax abatement incentive, and implied that the abatements are a source for generating taxable sales, but they may not be generating sales tax.

Mr. Guindon promoted the gaming charts that compared the slot market versus the gaming market, specifically the charts that broke out baccarat statistics. He accredited Mr. Maddox, Vice Chairman of the Economic Forum, for the implementation of those charts. He said it was interesting to see the role that baccarat was playing. He said baccarat was such an important part of gaming revenue, but it was a high variance game with a lot of credit activity behind it.

XX. PUBLIC COMMENT

There was no public comment at either location.

XXI. ADJOURNMENT

The meeting was adjourned at 1:54 p.m.

Respectfully submitted,

____
Judy Lyons, Committee Secretary

____
Becky Lowe, Transcribing Secretary

APPROVED:

____
Ken Wiles, Chairman

Date:____________________________

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

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

November 7, 2014

The meeting of the Economic Forum (created by Senate Bill 23, 1993) was held at 9:00 a.m. on Friday, November 7, 2014, in room 4100 of the of the Legislative Building, 401 South Carson Street, Carson City, Nevada, with videoconference to room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada.

ECONOMIC FORUM MEMBERS PRESENT IN LAS VEGAS:
None

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

ECONOMIC FORUM MEMBERS ABSENT:
None

STAFF:
Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division
Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division
Susanna Powers, Economist, Budget and Planning Division, Department of Administration
Judy Lyons, Committee Secretary, Fiscal Analysis Division

EXHIBITS:

Exhibit A	Meeting Packet and Agenda
Exhibit B	Gaming Revenue Forecast for FY 2015-17, Gaming Control Board
Exhibit C	Economic Forecast, Executive Budget Office
Exhibit D	Table 4 (blue sheet), Forecast by Forecaster for the Major General Fund Revenues
Exhibit E	Fiscal Analysis Division Forecast Information Packet
Exhibit F	Economic Forum Projections, Department of Taxation

I. ROLL CALL

Chairman Ken Wiles called the meeting of the Economic Forum to order at 9:14 a.m., and the secretary called roll. The members were present at the meeting in Carson City.

II. OPENING REMARKS AND OVERVIEW OF THE ECONOMIC FORUM.

Chairman Wiles said members of the Economic Forum will listen the forecasts presented today by individual forecasters and economists, for informational purposes, but will not make their forecasts until the December 3, 2014, meeting. He said the agenda for the December 3, 2014, meeting will be posted on the Economic Forum's website.

Before moving on to the next agenda item, Russell Guindon, Principal Deputy Fiscal Analyst, Legislative Counsel Bureau, identified the following meeting materials: the Economic Forum meeting packet (Exhibit A), including presentations done by Daniel White and Gregory Bird, Moody's Analytics; Bill Anderson, Department of Employment, Training and Rehabilitation; Jeff Hardcastle, State Demographer; and the tables under the agenda items for the major and minor revenue sources. Additionally, there are presentation materials outside the packet from the Fiscal Analysis Division, the Department of Taxation, the Gaming Control Board, and the Budget Office. He said TABLE 4, which is included in the meeting packet, was also distributed outside the packet to make it easier to follow the forecasts made by the different forecasters.

III. PUBLIC COMMENT

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

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

Daniel White, Economist, Moody's Analytics

Mr. White brought attention to a printing error in the meeting packet (Exhibit A), and said he would redirect the members when applicable. He said he covers state and local government fiscal issues for Moody's Analytics, and will be presenting along with Gregory Bird, Economist, Moody's Analytics, as they discuss their outlooks for the U.S. and Nevada economies. Thereafter, they intended to present their gaming and sales forecasts.

Mr. White said good things were going on with the U.S. macroeconomic outlook, including a reduction in fiscal drag and sharply increased job openings in 2014, per the Bureau of Labor Statistics' (BLS) Job Openings and Labor Turnover Survey (JOLTS) data. He reported the banks are well capitalized and are lending, and business sentiment is as high as it has been in a decade. Currently, national job growth is at approximately 3.5%, which was healthy by historical standards. BLS reports show that an average of 220,000 jobs per month were added over the last nine or ten months, which had not been reached since 2003/2004. Mr. White said job growth is expected to increase 3.5% over the course of 2015 in terms of real gross domestic product (GDP), and grow 4% by 2016, which was slightly below his previous forecasts.

Mr. White said Moody's Analytics' housing forecast was optimistic in the past and remains optimistic. Referring to the chart on page 14 (Exhibit A), he said a "normal" year in the U.S. demanded approximately 1.7 million housing units on an annualized basis.

Chairman Wiles asked if "demanded" meant new homes or purchased homes.

Mr. White said he was referring to purchased homes. He said up until 2009 there was an excess supply of homes on the market, but it has since drawn down and caused home values to grow quickly, especially in the faster growing areas around the country. He said Nevada was one of few states that had an excess supply of housing stock on the market.

Mr. White explained that there were three main sources of household demand, two of which are very stable and do not change much.

1. First and second homes, vacation second homes, and folks at the higher end of the wage tier did very well during the recession. Mr. White said if a second vacation home was affordable before the recession, it was probably affordable now. The demand for those homes did not change much, even at the very depth of the recession.

2. Obsolescence homes. These are aging homes, no longer habitable, or are being rebuilt because of natural disasters. Mr. White said these homes show a great amount of volatility from year-to-year; however, strong numbers were seen over the last two years, especially given the hurricanes that occurred on the east coast. He said there was a supply of approximately 375,000 of these homes, but understandably, because in the depths of the recession (2009 and 2010) there was still approximately 550,000 new units being built per year. This is where most of that demand came from.

3. New household formations drove the entire housing market, and all but vanished over the great recession. Mr. White said the millennials (age 25 to 35) coming out of college with high debt loans and/or not able to find a job are moving back in with their parents (page 15, Exhibit A). Additionally, there was evidence relating to the 45 to 65 age group, people who were hit very hard in terms of layoffs during the great recession and moved back in with their children. Mr. White said these people are now finding employment and are beginning to spill out into the household market and start new households. However, the rate of which this is happening was nowhere near where it needed to be.

Mr. White said approximately 1.1 million units were built per year, which is significantly higher compared to two years ago, building 700,000 units per year. Current demand has surpassed that level, as evidenced by the continued uptick in home prices that have grown very quickly (page 16, Exhibit A). He said housing permits are a good indicator of demand because the permit has to be pulled before construction starts on the home. Nationally, housing permits as a share of starts was at their highest level seen in decades. He said builders are having a tough time keeping up with supply because of the lack of qualified workers to perform skilled trades, especially in the faster growing regions in the country, such as Colorado and San Francisco. He said many people left the construction labor force or went to another industry at the height of the recession, and it was going to take a few years to ramp up production to meet demand.

Mr. White explained some lingering hurdles, unseen by both Moody's Analytics and other analysts, caused by fundamental behavioral change in new household formations coming out of the recession.

1. Banks were expected to lower their lending standards to increase revenue and maintain profit margins; however, the banks were able to maintain profit margins by being more cost efficient. They were well capitalized, but reports over the last six to twelve months indicated that the return on assets and revenues were not growing to their expectations. Mr. White said in order to grow revenues, the banks had to expand their loan portfolios. Lending standards were not expected to drop to prerecession levels, but they would come down.

2. Many people are self-selecting themselves out of the housing market. Mr. White said the last ten years of economic history in the United States has raised a risk-diverse generation, referring to the millennials. He stated there are people who qualify for a loan, but are not getting a mortgage because they do not feel they can afford it. These people are afraid of what happened during the recession and want to see how things turn out. Mr. White used a co-worker as an example of someone with this behavior, stating the co-worker was not willing to purchase a home because he did not have the 20% down payment and did not want to take out a 3% FHA loan. He said this behavioral change was not a bad thing, but it was changing the relationship between economic growth and new household formations.

Continuing, Mr. White said he changed his housing forecast from his previous meeting with the Economic Forum; however, the peak in building stayed the same at just under 2 million units per year. He said that number was slightly higher than the average due to pent-up demand, referring to the people who moved in with their parents or family member(s). He said he moved the projected housing peak out two or three quarters, and projected a less robust out-year economic forecast because he changed the composition of building to consist more of multi-family rather than single-family to accommodate the people who are not taking out a mortgage. He said the downstream affect to the forecast is that every single-family unit built in the U.S. supports 4.5 jobs over the course of one year; therefore, 1.1 million new housing units support 4.5 million jobs a year. The multiplier for multi-family units is 2.5 jobs over the course of one year, which equates to a 2 million job difference over the course of one year; therefore, his forecast is at or below 4% in FY 2015 and FY 2016 instead of the 5% he previously anticipated.

Moving on to page 18 (Exhibit A), Mr. White said the private sector was looking very good, and that consumers have proven how quickly they could de-lever and bring their debt limits down. He said some people voluntarily deleveraged by filing for bankruptcy, but that has become less of an issue and households had more money to spend. Although people were paying down debt and saving a little, they were spending more.

Mr. White said that it took five years to add back all the jobs that were lost during the recession. The makeup of those added jobs come from the retail, hospitality, and other personal services sectors; however, an overwhelming majority of those jobs are in the low-wage tier. He said high-wage jobs are significantly above their prerecession peak, but not to the extent that low-wage jobs are. He said the hole in the middle remains to be the mid-tier jobs relative to construction, state, local, and federal government. Those jobs have not come back to the extent seen with other recessions. He said the added jobs was evidence that U.S. households were spending more money, which brightened the outlook in terms of Moody's forecast for U.S. recreational and tourism spending, which is a significant driver of both his sales and gaming tax forecasts.

Mr. White switched his focus to the business side, and reiterated that the U.S. banking system was well capitalized due to increased regulations, and that returns on assets have not come back to where they once were (page 19, Exhibit A). He said banks are expected to increase their lending to grow their revenues in order to keep profit margins steady, because they are running out of areas to cut in trying to maintain those margins. Mr. White thought this to be beneficial to both the housing and entrepreneur outlooks, and added that, historically, new businesses are started by people in their 30's. He said new business startups are around their lowest level ever due to our risk-diverse generation. New business startups have leveled off and stopped falling from the depths of the great recession, but no major uptick has been reported. Mr. White thought more business lending would help, especially as regional banks come back because they make the majority of the small business loans.

Mr. White discussed the low interest rates. He said business investment is doing well in most parts of the country, especially in the western region. He acknowledged Tesla's Gigafactory in Nevada, Intel's $6 billion expansion in Portland, and Boeing's expansions in both St. Louis and Washington. He expects the banks to increase lending in order to increase revenue and to offset some of the drag that will be seen from higher interest rates over the next few years.

Mr. White said, although the unemployment rate fell to 5.8% and jobs are being added at 220,000 jobs per month, there is still an incredible amount of slack in the labor force. Due to so many low-wage tier jobs being added, many mid-wage tier individuals who lost jobs during the recession are now underemployed at low-wage industries. However; payroll data from ADP payroll services showed there may be less slack than anticipated. Mr. White said the data is "muddled" in terms of the unemployment rate, and it will complicate the federal government's exit to some of its easy money policies over the next two to three years (page 21, Exhibit A). He said the fact that the unemployment rate is much less reliable in terms of determining how much slack is in the labor force, it has the potential to complicate what the federal government is going to do over the next few years with interest rates. He explained that raising the interest rates too early would snuff out the recovery too quickly, yet if the federal government waited, and inflation got out of control, forcing interest rates to rise significantly over a very short period of time could also affect the recovery process. Mr. White reiterated that the federal government's exit being too late, and having to raise rates significantly in a 1-1/2 to 2-year timeframe, is the number one risk that is identifiable to the forecast.

Mr. White said without knowing what is going on in some of the geopolitical hotspots, oil forecasts were hard to forecast (page 22, Exhibit A). He said, historically, if situations were going on like with Russian and Ukraine or between Iraq and Syria in 2007, oil would cost $140/barrel and tremendous shocks would ripple through the energy market; however, the U.S. has not been effected. Mr. White relayed the amount of U.S. supply that has been coming out of the market is mitigating this risk significantly, and the only real risk that these situations would have on the Moody's Analytics forecast relates to energy, and to a lesser extent, the growth in Europe as well as globally. He said he is not seeing the impact of this on the oil market, and does not see it as a significant risk to the forecast like he did three or four years ago.

Chairman Wiles requested that Moody's Analytics finish their entire presentation before asking questions.

Gregory Bird, Economist, Moody's Analytics

Mr. Bird said he analyzes the Nevada economy as well as parts of the U.S. housing market. He said although Nevada's economy is far from normal, it is advancing at an exceptional clip (page 24, Exhibit A). As of the third quarter of 2014, statewide payrolls have grown by approximately 3.5% over the previous twelve months and represented the third best amongst all U.S. states, and were considerably higher than the U.S. average. He said expanded payrolls were led by restaurants and bars, nonresidential builders, retailers and healthcare providers. Tourist volume in Nevada, especially in Las Vegas, has increased, and the state's population is expanding at an above average pace. Furthermore, after being a drag on the economy for years, the public sector is finally beginning to lend some support. He said the notable progress in jobs and the influx of tourists and new residents are sustaining a solid pace of taxable sales. Additionally, house prices are not back to their pre-recession levels, but have risen steadily and robustly through the past 2.5 years. Mr. Bird said this is helping local property taxes to recover, and is allowing municipalities to bring staff back onto their payrolls. However, Nevada payrolls are still roughly 5% below levels in the first quarter of 2008, whereas the nation and the western region have all exceeded their 2008 marks. Additionally, a large share of the jobs created during the recovery have been in lower paying sectors and in sectors that often offer part-time work, such as retail trade, leisure and hospitality, and administrative and support services. This development combined with little recovery of the nearly 100,000 good paying construction jobs lost during the recession reveals that many Nevada households are still struggling financially. Mr. Bird reported that the latest Census Bureau estimates reflect that

Nevada's median household income fell to $45,369 in 2013, its lowest level in nearly a decade. Moreover, when adjusted for inflation, median household income is at its lowest point since 1984. He said this trend in median household income appears to signal that the state is struggling to produce a large number of promising career opportunities, which was confirmed in the latest population estimates. At mid-year 2013, the state's population grew by 1.3%, which is identical to the pace in 2012, but far below the 3% to 4% annual pace that the state was accustomed to.

Mr. Bird said most of the drag appeared to be coming from younger households who are not migrating to the state as well as existing households that are not starting or expanding their families. Mr. Bird referred the Forum to the chart on page 28 (Exhibit A), a comparison of growth in the 25 to 44 year age range between Nevada, the U.S., and the western region (excluding Nevada) using 2007 and 2013 as milestones.

Mr. Bird said since the great recession, Nevada's birth rate has suffered the second largest percentage point decline in the nation. He said the lack of promising career opportunities in Nevada might be keeping people from migrating to the state; noting that Nevada's unemployment rate was one of the highest throughout the great recession. Mr. Bird expects above average population growth to occur in the state, with wages pushing upward. In addition, the general shift of the population in the United States to the western region is expected to resume.

Mr. Bird discussed the lack of household formation among younger households, stating it has kept homebuilding at a relatively low level. The current pace of Nevada permitting is about one-third of what it was in 2000 compared to the current U.S. average, which is about two-thirds of its 2000 mark (page 29, Exhibit A). Mr. Bird said headwinds include a scarce supply of desirable land, mediocre price gains that have hurt homebuyer affordability, and little to no equity in many mortgages. He explained that the Census Bureau data revealed that Nevada has yet to work off all of its vacant supply in regard to both rental and homeowner vacancy rates. In context, the graph on page 30 (Exhibit A) illustrates Nevada's average vacancy rates and shows that a good chunk of stock still exists. The stock needs to be worked off before homebuilders start to feel more confident in building new homes. Mr. Bird said the jumpstart in home building will likely not occur for another year, and the construction industry will need to rely upon more nonresidential projects for business.

Mr. Bird summarized that Nevada will sustain an above average pace of hiring over the next year as well as maintain steady gains in visitors and residents. As the Nevada economy heals, many younger residents (millennials) who are living with their parents or friends are expected to form their own households. He said the combination of these events will improve household formation and jumpstart home building and construction hiring. Mr. Bird said if an adverse economic shock derails the current tourism outlook, the state would have little to sustain its recovery, which is a downside risk. Locals would struggle to sustain the current pace of spending, as most have below average credit scores, and because median household income is at its lowest since records began, when adjusted for inflation (page 31, Exhibit A).

Moving on to the Sales and Use Tax, Mr. Bird reported it was increasing at a healthy pace; however, growth in these collections have slowly decelerated over the past few fiscal years. He believes revenues will increase in FY 2015 due to a significant improvement in the Las Vegas visitor volume in calendar year 2014, and that household formations will grow stronger. Growth in FY 2015 is forecast to finish around 5.4%, with collections projected to advance at a faster clip in subsequent fiscal years due to the housing recovery. Key underlying drivers of sales and use tax collections include statewide residential construction and U.S. recreation and tourism spending. Mr. Bird believes there will be a significant uptick in homebuilding and robust immigration into the state that will generate a sustained recovery in household formation, which will help revive housing demand and translate into more durable goods purchases and taxable sales. Nevada is an attractive retirement destination, given its lack of state income tax, cheap cost of living, favorable climate and easy access to world class entertainment.

Mr. Bird said although legalized gaming continues to grow around the world, few global locations can rival Las Vegas for overall entertainment perspective. He reported that Las Vegas visitor volume suffered significant deceleration in calendar year 2013, but the city welcomed nearly 31 million people through the first nine months of calendar year 2014 and is on pace to exceed its annual record set in 2012. He said given the trajectory of future recovery in the U.S., households should have much more disposable income to spend on recreation and tourism, which will help support visitor volume in Nevada, especially Las Vegas.

Moving on to the gaming percentage fee outlook, Mr. Bird said growth in gaming percentage fee collections has been marginal, and given the incredibly weak first quarter in FY 2015, he projects that gaming percentage fee revenue will be essentially unchanged between FY 2014 and FY 2015 (page 35, Exhibit A). From there, collections are anticipated to rise at a slow, but improved pace in 2016 and 2017 because of more visitor volume to the state and better household finances. He implied that percentage fee collections will not return to their pre-recession peak until after FY 2017.

Mr. Bird reported the healthy rebound in visitors and economic activity was not captured within the casino walls. Increased competition from other states, international destinations and online gaming has changed the relationship between visitors and gaming. He said although visitor volume is at a record high, the composition of visitors appears to have tilted more toward those under the age of 40 who statistically prefer to shop and experience the nightlife more than gamble. The structural break in the historical relationship between recreational spending and gaming drives a large part of the disparity in forecasted growth rates compared with sales and use tax. As a result, live entertainment and sales and use taxes will increase at the expense of gaming percentage fees.

Ms. Rosenthal referenced page 31 (Exhibit A), Tourists and Retirees Will Sustain Robust Hiring, and asked what caused the sharp decline at the end of 2015.

Mr. Bird replied the graph represented historical data from the Bureau of Labor Statistics (BLS), and was not a forecast. He said the data was “noisy”, and that the spike in 2014 was a mirage to a certain degree. He stated the BLS generates a report called the *Quarterly Census of Employment and Wages* that is much more accurate, but it lags and does not show that Nevada payrolls grew by that high of a percentage in the first quarter of 2014; therefore, the drop in the second and third quarters were more of a comparison issue. He said steady growth was reported at approximately 3% to 3.5% in Nevada. He reiterated that the first quarter data in 2014 was not as strong as it looked, and the third quarter data was probably not as weak as it looked.

Ms. Rosenthal said she was referring to the sharp decline toward the end of 2015 and into 2016.

Mr. Bird said the decline in 2016 is relative to the elimination of slack in the labor market, which will be seen nationwide. He explained there will be less need for hiring as the state and country reach full employment; therefore, growth rates will decelerate after the next year or so.

Ms. Rosenthal observed the dip that occurred between the second and third quarter in both the Sales and Use Tax forecast and the Gaming Percentage Fee forecast. She asked if the forecast was based on historical seasonality or if there was something else driving the dip.

Mr. White said that it was a seasonal pattern in the data based on history.

Mr. Leavitt mentioned the situation regarding Nevada's oversupply of housing stock and low-wage jobs. He was concerned whether that combination would allow Nevada to increase housing construction based on income and the ability to afford a home. He asked if people would qualify for loans if home prices increased.

Mr. Bird said replied "yes," but that it was definitely a risk. He said anecdotal news reports out of Las Vegas implied that builders of new single-family homes are running into some issues, because the median sales price for a new home in Las Vegas is around $300,000. He explained Moody's Analytics has shifted their view from the single-family market to the multi-family market, but he thinks the structural demand still exists in terms of increased household formations.

Mr. Leavitt said the increase in school population was fairly substantial in Southern Nevada, which indicated that young families were moving to the area. However, that data ran counter to the idea that the Las Vegas area was picking up a lot of retirees, but not picking up the 18-34 age groups. He asked Mr. Bird to explain that situation.

Mr. White said retirees have been a huge influence over the last few years, but an increase in younger families was reported. He said a lot of the demand is for multi-family product coming from young families in Southern Nevada. He noted that might be an upside risk to the forecast, because those families may be looking to branch out into a single-family home in three or four years, especially if they are growing their family enough to increase the school populations.

Mr. Maddox said it was announced that approximately $7 billion worth of new resorts were scheduled to break ground on the Las Vegas Strip in the next couple of months, including well capitalized companies, such as Genting, James Packer, and Crown Limited. He asked if that was factored into the forecast.

Mr. White said those projects were included in his forecast. He said projects that are not included in the historical data are factored in when forecasting, and noted the Genting piece in particular. He said a lot of attention is paid to the sales tax forecast and the Las Vegas employment forecast.

Mr. Maddox asked if the Crown project was also included in the forecast. Mr. White said it was not.

Mr. Maddox thought the Crown project was in the neighborhood of $2 billion to $3 billion. Mr. White said the Crown project was not explicitly included in the forecast.

Chairman Wiles asked what the top two or three key risks were in Moody's Analytics' forecast, from a national perspective, including global risks. He was seeking an out-of-state perspective on risks that could impact the state economic forecast.

Mr. White replied the Federal Reserve Exit, because it would affect everyone equally. He referenced the chart on page 20 (Exhibit A), and stated the data was nominal; therefore, a portion of the large increase was due to higher prices and higher interest rates at the time. He highlighted the following risks:

1. The federal government situation, especially the over-arching impacts on the rest of country and the amount of tourist dollars that would come into Nevada as a result.

2. Global events that are taking place in China, with the emerging markets, Europe, Ukraine, and Russia. He said the global events will affect people in the northeast who do more trade with Europe more so than it will Nevada, but it will have a lot of spillover effects from northeast tourism.

3. Moody's energy forecast calls for oil to cost about $100 per barrel within the next 1 to 1-1/2-years. Mr. White said it was difficult to gauge oil prices, with the geopolitical issues overseas, because so much of the new supply in the U.S. is something that has not been experienced before. He said Nevada was benefiting by tourists driving over from Arizona, California, and Utah. He said this could be a round-about tax increase on some of those tourists due to higher gasoline prices, and could ruin things if U.S. supply is not able to hold that price at $85 to $95 per barrel.

4. The federal government outlook changed significantly after the 2014 general elections. Mr. White said there are a number of key fiscal deadlines that are coming up over the next six to twelve months and Moody's Analytics' forecast assumes there will be a reasonable solution to those deadlines. He said widespread impact of any disruption could generate potential problems, such as extending the debt ceiling,

U.S. budget revisions in 2015, and the fact that the U.S. has two very ideologically opposed branches of government.

In regard to the gaming percentage fee forecast, Mr. Maddox pointed out that approximately $200 million out of the $700 million in taxes collected came from China and Latin America. He said gaming is heavily reliant on the ultra-rich coming out of those countries, and that baccarat makes up at least 25% of the gaming business. He reiterated that economies in China and Latin America were the areas to watch.

Chairman Wiles said the federal government's track record relative to moderation was not good, with the interest rates neither going up or down over the past decade. He said it will be interesting to see what happens.

V. PRESENTATION ON THE STATE EMPLOYMENT OUTLOOK.

Bill Anderson, Chief Economist, Research and Analysis Bureau, Department of Employment, Training, and Rehabilitation (DETR)

Mr. Anderson said his role was to provide information to the members as it pertained to the state's labor markets, with the intent to provide assistance as the Forum goes through deliberation.

Mr. Anderson said Nevada's unemployment rate was 7.3% as of September 2014, down 0.3% since August 2014, and down 2.3% from a year ago (page 40, Exhibit A). He noted the unemployment rate peaked at 13.9% during the recession. Over the last three years, Nevada's unemployment rate measured on a month-to-month basis has either declined or held steady. Compared to a 5.9% jobless rate in the nation as a whole, Nevada's 1.4% differential is the lowest since mid-2008. He said at the height of the recession, Nevada's jobless rate exceeded the national rate by 4.5% points.

Mr. Anderson said Nevada's unemployment picture coincides with a nearly five-year downward trend in initial claims for unemployment insurance. The state was in excess of 35,000 claims per month in the height of the recession, and now claims are down in the 13,000 to 15,000 range per month (page 42, Exhibit A). Nevada has the fifth highest rate of unemployment in the country, whereas from February 2010 to October 2013 it had the highest rate. The decline in the state's unemployment rate in September, relative to a year ago, was the second strongest in the nation as a whole.

Mr. Anderson presented some underlying dynamics on the unemployment front. Long-term unemployment has been cut in half from about 90,000 at its peak (page 44, Exhibit A). Approximately 51,000 Nevadans, on average, over the past year have been unemployed because they lost their jobs, which is less than half of its recessionary peak. Mr. Anderson noted that a person can become unemployed because they quit their job, which indicates that people are confident in the labor market situation and believe other job opportunities are available. Data suggests that the bulk of new employment growth over the last few years has been in the full-time variety.

Mr. Anderson noted that full-time employment took a big hit during the recession and part-time employment increased over that period.

At the request of the Forum, Mr. Anderson discussed some alternative measures of unemployment. He said that around November 21, 2014, the October 2014 unemployment rate information will be released by DETR. He explained that the U-3 rate is similar to DETR's official rate, whereas the U-4 rate adds discouraged workers into the calculation. Discouraged workers are individuals who dropped out of the labor force because they did not feel there were job opportunities available. Mr. Anderson said the U-4 rating adds about a point or so to the unemployment rate, and explained that the unemployment rate can be more broadly defined if part-time workers are included in the count, raising the rate to 15.9%. Mr. Anderson felt the key was to capture discouraged workers, the step from U-3 to U-4.

Chairman Wiles asked if the step from U-3 to U-4 narrowed percentage-wise. Mr. Anderson said it stays steady at about a percentage point, and currently that rate is up about 0.8% of a point, with evidence showing that it was starting to narrow.

Chairman Wiles asked if the labor participation rate was improving. Mr. Anderson replied two long-term trends will affect the labor participation rate: 1) baby boomers will reduce labor force participation as they move into the nonworking age group, and 2) cyclical declines are constant in the labor force participation. Currently, the labor force participation without the long-term structural trends is holding relatively steady.

Chairman Wiles asked to clarify if that was national or at the state level, and Mr. Anderson confirmed it was at the state level.

Chairman Wiles asked the presenters from Moody's Analytics if they had seen changes in the participation rate as well, and that he would allow them to research before answering at this time.

Mr. Leavitt stated that Nevada lost a huge number of construction jobs during the recession, and construction at this time has not returned to its previous levels. He asked what happened to those workers who did not return to the construction field. Did they move out of the area? Did they take a job in another field that pays less? Are they unemployed?

Mr. Anderson said all of those scenarios took place. Nevada lost 100,000 jobs in the construction field during the recession, dropping from 150,000 to 50,000. Since 2012, roughly 10,000 construction jobs have been added and between 7,000 and 10,000 jobs are expected to be added on an annual basis, because of major developments taking place within the state. He said anecdotal evidence suggests there are labor shortages in the skilled trade areas, but there was no way to track what happened to those people who lost their construction job during the recession.

Mr. Leavitt alluded to the major projects that are coming to Southern Nevada and the Tesla project in Northern Nevada. He asked if Nevada could fill those construction jobs using its existing labor force or if those projects would require out-of-state workers to fill those positions.

Mr. Anderson replied that DETR's number one priority is to help cultivate and identify the available work force for these new projects. He said as the word gets out that Nevada is growing again, new residents will migrate and people who left the state will return.

Continuing, Mr. Anderson switched his focus back to the job and employment picture. He said jobs are up about 38,000 compared to where they were a year ago; reflecting almost double the nation's rate of growth in percentage terms. He reported 45 straight months of year-over-year job gains in the state, and said unemployment appeared to be improving. Mr. Anderson said employment growth is roughly in the 3.0% to 4.0% range; however, DETR observed a slight indication of a moderation in that increase. He explained that DETR was showing growth rates of about 4.0% early in 2014, but that estimate was probably a little too strong at the time.

Mr. Anderson directed the members to page 52 (Exhibit A), and stated the chart was developed in order to help the Governor and his staff track his 50,000 job goal that he announced a few years ago. Compared to 2010, 60,000 jobs were added by the time the books closed in 2013. He said approximately 40,000 jobs would be added in 2014, adding a total of approximately 100,000 private jobs since the lowest point in 2010. He noted that these estimates are reported as net number and it would not be surprising to see positive growth, even with the slight decline of about 1,800 jobs in September 2014.

Mr. Anderson indicated there was well in excess of 100,000 labor market transactions over the course of one quarter in Nevada. He said the DETR developed a tool to refine those transactions, known as labor market churn, referring to the blue line represented in the chart on page 53 (Exhibit A). Over the last 13 quarters, the number of job gains in growing and opening establishments has exceeded the number of job losses in declining and closing establishments, represented as the red line. Furthermore, for nine straight quarters, job gains from opening establishments have exceeded job losses in those establishments that closed. He observed that the underlying labor market churn appears to be trending positive.

Mr. Anderson said that recent job growth has been broad-based in regard to the different job sectors. Every sector, except for mining, has been holding steady through the first three quarters of 2014. He said professional and business services leads the way, and construction added 6,100 jobs to-date in 2014 compared to one year ago. Reports showed that 13,500 seasonal jobs in various retail and transportation industries were added between September and December of 2013, recording the strongest increase identified on record by DETR.

Moving ahead to page 58 (Exhibit A), Mr. Anderson discussed the differential between Nevada's growth rate in various sectors and the national growth rate. For example, in the construction industry, Nevada's 11% to 12% growth in jobs relative to a year ago is about 8.0% higher than the 3% to 4% increase seen nationwide. He said all sectors in

Nevada have a positive differential except mining, which includes energy, and outperforms the nation as a whole.

Mr. Anderson described the chart on page 59 (Exhibit A) as the most important chart of his presentation, outside of the projections chart. The chart captures job growth rankings compared to other states in the U.S. since 2004, and references the number of states that Nevada outperforms in terms of job growth. He explained that Nevada grew faster than every other state prior to the recession, and during the recession, Nevada's job losses were more pronounced than any other state. In the first part of 2014, Nevada was growing faster than 48 other states.

Chairman Wiles asked which two states were still ahead of Nevada in job growth. Mr. Anderson thought the top two performing states were North Dakota and South Dakota.

Mr. Anderson reported information that was compiled for Nevada's recent Governor's Conference on Small Businesses. Approximately 98% of Nevada's establishments have less than 100 employees, and small businesses dominated the economy in terms of the number of establishments in the state. He reported broad-based job growth, quoting job gains in leisure and hospitality and accommodations and food services, both in the 1,000 plus category. Additionally, there were significant contributions in job growth from small and medium-size businesses. Small businesses (less than 100 employees) have grown since 2010, adding approximately 47,000.

Mr. Anderson said wages were up in excess of 1.5% on average in 2014. Wages are measured on an average weekly basis and are found to be the most worrisome part of Nevada's economic situation. Although a sizeable dent was made in unemployment, wage growth appears to be hovering in the 1% to 2% range on an annualized basis. Mr. Anderson noted that 10,000 jobs are estimated to be added near the end of the projection cycle, including high-paying construction jobs, which should improve the wage picture. Currently, wages are struggling to keep pace with inflation (page 63, Exhibit A).

Mr. Maddox asked what percentage of the businesses with 100 employees or less made up the state's employment.

Mr. Anderson replied that Nevada's total employment base consisted of approximately 1.2 million people, and approximately 550,000 to 600,000, or roughly half of the overall employment base came from small businesses.

Mr. Anderson said average wage was the best barometer used to measure wage growth, but new hire wages should be looked at as well. He explained that new hires have to be on the job for a while and progress up the ladder in order to achieve the average wage level. New hire wages are roughly two-thirds of the overall average.

Directing attention to DETR's projections, Mr. Anderson reiterated that all of the various projects he previously mentioned in his presentation were factored into his projections. He said roughly 40,000 jobs per year will be added to the economy over 2014 and

2015, and ramp up to about 44,000 jobs in 2016 and close to 50,000 jobs in 2017. He said that affects all gaming and non-gaming projects coming online.

Mr. Maddox asked if the incremental 200,000 jobs would consist of a 50/50 split between businesses under 100 employees and businesses over 100 employees.

Mr. Anderson clarified that his projections were not broken out per the size of the employer. He implied that the more noticeable developments would utilize companies with employee counts on the higher end, but that would result in growth in smaller businesses that represent the supply chain. He guessed those jobs would be distributed across the board.

Mr. Anderson summarized the following sectors:

- Construction: Approximately 40,000 of the 100,000 construction jobs lost during the recession are expected to be added by 2017. At that time, DETR expects to start adding about 10,000 new jobs on an annualized basis as a result of new developments.

- Manufacturing: The impacts of Tesla will show by the end of the projection period. Job growth will expand considerably on the factory side of things and should be approaching pre-recessionary levels of employment. Pre-recession levels of employment are expected to be surpassed through the second half of 2016 and into 2017 (page 67, Exhibit A).

- Retail Trade: The seasonal pattern, which is mainly holiday hiring, should continue to expand at about 4,000 jobs per year.

- Health Care: This sector will add approximately 3,000 jobs per year.

- Accommodation/Food Services: This sector has essentially recovered all of the jobs that were lost during the recession. An additional 40,000 jobs are expected to be added.

In closing, Mr. Anderson implied that the unemployment rate will continue to see downward pressure. He reported the rate is a little more than 2% lower than in 2013 and has been cut in half from its recessionary peak. He projected that Nevada will continue to see a 1% to 1.5% decline in the jobless rate, putting Nevada in the mid 5% range by 2016.

Mr. Leavitt made reference to net proceeds of minerals and the substantial drop in gold prices. He asked if the mining sector was expected to lose jobs, especially in the areas that would have substantial effects on the rural counties of the state.

Mr. Anderson replied mining held up well during most of the recession; however, gold prices were booming at that time. He said DETR has already seen the impacts of declining gold prices on payrolls, but projected relative stability in terms of mining payrolls. He said DETR keeps an eye on this sector because it could have a tremendous impact on the state's rural counties.

In regard to the Economic Forum projecting future state revenues for the 2015-17 biennium, Mr. Leavitt said he was concerned about the downside risk if the Forum's projections were too high; noting that the effect on everyone was greater if the projections are too high versus too low.

Mr. Anderson described the anticipated growth as moderate and diversified. He said the peak was adding about 60,000 jobs per year, or a 6% growth rate. Currently, about two-thirds of that growth, or about 40,000 new jobs, is projected per year with growth approaching 4%. In terms of the potential bubble aspects, he thought the state was in a better position, partly because of the state's diversification efforts. He said baring anything unforeseen at the national or international level, he was confident that his projections would be met. All indications have been positive except with the exception of wage growth.

Mr. Leavitt asked Mr. Anderson if he thought the risk would be less than it was two years ago, looking into the future. Mr. Anderson believed the risk would be less.

Mr. Anderson offered a concluding comment, stating his forecast would not change in the next month. He said he would not receive any new data; however, the timing of new developments could change, specifically targeting the Tesla project. He said he would be happy to give an update to the Economic Forum at the December 3, 2014, meeting; however, he reiterated that the timelines built into his projections are relative to the information available at the time, and can be a moving target.

Ms. Rosenthal asked if there was an average wage relative to the construction industry in Nevada, and if those wages compare to historical numbers. Her question was relative to new jobs coming online.

Mr. Anderson said in terms of average weekly wages, the total for the state as a whole was about $867 and construction wages were about $961. He noted that the highest average weekly wage in the mining industry was about $1,750. He said construction and manufacturing jobs pay slightly above average; therefore, given where DETR thinks these jobs are coming from on an industry perspective, it was hopeful that the state could put a dent in the wage growth issue.

Ms. Rosenthal commented that the Tesla announcement referenced jobs would be paid at a rate of $25 per hour, which looked to be above the state's average rate.

Mr. Anderson said Nevada's average hourly rate is in the high $19 per hour range so $25 per hour would be a premium of about 25%.

Chairman Wiles asked what the top two greatest risks were in DETR's forecast, whether from a state or national economical perspective.

Mr. Anderson's response was that we are not immune to what takes place beyond our borders. Nationally, from a policy perspective, there was a lot of uncertainty, which affects how people spend their disposable income. He mentioned global health issues could affect Nevada's tourism industry. A terrorist event was another example of what could affect his projections. However, in the absence of those types of events, he thought DETR had a pretty good handle on things.

Chairman Wiles recessed the meeting at 10:48 a.m.
Chairman Wiles reconvened the meeting at 11:04 a.m.

Before continuing with the next agenda item, Chairman Wiles called Greg Bird, Moody's Analytics, to the table to answer his earlier question regarding labor participation rates at the state level.

Mr. Bird said that his data shows the labor force participation rate for Nevada is continuing to decline. For context, before the recession, Nevada's labor force participation rate hovered between 67% and 68%, which was about 1.5% above the U.S. rate. He said, structurally, Nevada has always had a higher labor force participation rate than the U.S., but with the great recession, that differential has narrowed and fallen slightly below the U.S., and continues to decline. Mr. Bird said he could not disentangle the reason, whether it be the aging of the population or if it was relative to many young people becoming discouraged workers. He said this statistic was something new in Nevada's labor market.

VI. PRESENTATION ON THE STATE POPULATION OUTLOOK.

Jeff Hardcastle, State Demographer, Nevada Small Business Development Center, University of Nevada, Reno

Mr. Hardcastle said his duties charged him with producing population projections for Nevada's counties, going out 20 years. He referred the members to his website at www.nvdemography.org to view his projections, and offered to mail them at the Forum's request.

Mr. Hardcastle said in 2014 he made initial population projections going out to 2032, and in comparison to 2013, it reflected 11,000 less people in the state. He reported that Nevada's population growth over the long-term looks to continuously decline.

Mr. Hardcastle said his presentation would involve discussion about migration, and include data from both the Census Bureau (Bureau) census estimates and the American Community Survey (ACS), which is also done by the Bureau. The ACS data is surveyed-based and gives a better breakdown of the migration patterns since 2007. He said he would discuss income and the projection process, total population projections, and the age structure of the population.

Mr. Hardcastle conveyed that almost half of the jobs that Nevada regained were acquired in the past year. He said he uses the Regional Economic Models, Inc. (REMI) model when making projections, which allows him to compare the national economy to the 17 regions in Nevada, and modify those regions both economically and demographically. Observations are made relative to job structure, investment structure, consumption patterns, age structure, and birth rates.

Mr. Hardcastle said the Bureau's population estimates between 2007 and 2013 showed Nevada's natural increase had fallen. The most recent estimates revealed a decline in Hispanic birth rates, and Hispanic birth rates were the driver to keeping America's birth rate higher than the world's birth rate for the developed countries. This decline was causing a drop in the natural increase in population (page 76, Exhibit A). The Bureau's data showed a decline in international migration. Mr. Hardcastle noted the data presented in the chart was in absolute levels, not percentage change from year-to-year. He said as the Bureau improved their methods and generated revised data, the numbers reflected downward changes from previous versions; therefore, downward or upward revisions may have occurred from years 2012 and 2013.

Mr. Hardcastle said that domestic migration in 2009, 2011, and 2012 showed an out-migration, and in 2012 and 2013 in-migration was exceeding 10,000 to 12,000 people. After discussions with colleagues, he felt the Bureau was being overly optimistic with their migration numbers. He explained that the data comes from administrative data used for IRS migration, which is known to have discrepancies. In regard to total migration, the ACS data reflected a total increase in 2009, 2010 and 2011, which was not statistically significant. He said in the last two years, especially with the international migration added in, significant migration has been coming into the ACS, which was possibly due to sampling or control totals. Net out-migration was reported in the 18 to 24 year old range, particularly on domestic migration for 2009 and 2010; however, significant in-migration was observed in 2011 and 2012, but not for 2013, which showed a mixed picture. Mr. Hardcastle said there was no long-term trend established to project any kind of upswing or downswing. He said in 2012 and 2013, the data reflects a significant increase in older millennials, especially when international migration is factored in (page 81, Exhibit A). He said with international migration, an estimation of the out-migrates does not exist, because those people cannot be located for survey purposes; however, it did show significant in-migration over the past two years in the 25 to 35 year old range group. Mr. Hardcastle thought that may be due to regained employment in the hotel/gaming sector, and especially with the service oriented sector.

Mr. Hardcastle discussed migration from an educational perspective. He said an article written by CityLab, *Atlantic Monthly*, talked about the difference between college migration and non-college migrants. The article stated that non-college migrants (high school education or less) tend to go where the cost of living is less, as well as where there is a service industry. College-educated migrants tend to go to where there is diversity in culture, cultural creativity, tolerance, and a concentration technology in capital where venture capital already exists. He said Nevada is not gaining a large share of people who do not have a high school education, but it has seen significant gains in people who are college-educated and higher, especially in 2012 and 2013. After seeing almost flat migration in 2009, 2010, and 2011, Mr. Hardcastle thought the increase in college educated and higher migrants might be due to a backfill of retirees (over age 65 group) and people who are aging that are college-educated and need to be replaced in the workforce. Statistics showed that the growth in the number of people with a Bachelor's degree or higher between ages 45 and 64 was basically keeping pace with that age group's growth (page 84, Exhibit A). However, the growth in people age 65 and over who hold a Bachelor's degree has increased over time and has exceeded the growth of that overall age group, subsequently creating job openings to replace the college-educated in the over 65 age group (page 85, Exhibit A). Mr. Hardcastle noted that the provision in Tesla's agreement with the State of Nevada required that at least half of the employees had to come from Nevada. He said as those employees get hired and leave their current job, those positions will open up to migrants.

Mr. Hardcastle said that average real wages (inflation controlled dollars) in Nevada from 2007 to 2013 have dropped approximately 7%, or $2,882 annually. He reported that the federal definition of poverty is a family of four with an annual income of $23,850. The number of households with household income of $25,000 or less was 18.6% in 2007, which has since grown to 22.6% (page 86, Exhibit A). He said the greater share of Nevada's population is now classified as poor.

Mr. Hardcastle reiterated that he used the REMI model when making projections, and explained that it allowed him to look at the national baseline population and national employment. He then compares the Moody's forecast to the REMI forecast, as well as Moody's GDP forecast. He informed the committee that he focused on the underlying distribution of employment that drove the differences between the Moody's Analytics forecast and the REMI forecast and found that the REMI model had more aggressive growth in health care employment compared to population as a ratio. He said the Moody's Analytics forecast also had significant growth in the health care sector, which appeared conservative, whereas the REMI forecast was overly optimistic. Mr. Hardcastle referred to the graph on page 89 (Exhibit A) that compared the REMI model to the updated national projections used in the Nevada model. He explained that the red line represented the results of REMI's baseline forecasting model and the green line showed the changes in the Moody's information.

Mr. Hardcastle discussed his mining and gaming projections, and said although nominal gold prices were falling, they exceeded the inflation adjusted price from 1990. He said the model he used included historical data going back to the 1990's, which gave him a base year to look at for employment (page 91, Exhibit A). He said when he projected employment and compared it to the REMI model (red line), the REMI model tended to be fairly conservative and not well at picking up natural resource economies; therefore, he made adjustments and updated employment to reflect local employment conditions (yellow line). The green line represented the mining employment change from the previous change (dashed black line), which also reflected the most current forecast. Mr. Hardcastle assumed that mining employment would not drop below the historic average from 1990 to 2013, because of the peaks and valleys that occurred in mining during that time frame. Mining employment is expected to flatten over the long-term. He reminded the committee that the mining sector includes the oil and gas sector as well, so an increase in fracking activity could affect mining employment.

Mr. Hardcastle said the hotel gaming sector was becoming more competitive. He referred the members to the table on page 93 (Exhibit A), Location Quotients for Accommodations and Gambling Sorted By 2001 and Difference. The chart is generated from the Bureau of Economic Analysis employment data and represents the top ten states when compared nationally. As an example, manufacturing employment could be 10% nationally, but a state's local economy could be 15%, which calculates to a 1.5% location quotient. He said he saw a shift across the 50 states, specifically in the traditional tourists sectors, such as Hawaii, Wyoming, New Mexico, Arizona, Colorado, and Nevada, where this sector is no longer the prominent sector for their economy. He said other states are showing growth in the hotel accommodation sector, and theorized that people were vacationing and spending their disposable income closer to home. He brought attention to the gaming and amusement sector, and pointed out that Pennsylvania had increased employment in this sector quite dramatically. He noted that as gaming is becoming more dispersed across the country, nontraditional gaming areas were picking up some of that revenue (page 93, Exhibit A).

Mr. Hardcastle said when he updated the projections for Nevada's 17 counties, he looked at employment in mining, finance and real estate, international migration census estimates, and accommodations and entertainment, including what was on the books for construction in Las Vegas through June of 2014. He said the model already had some additional growth built in the casino and gaming sector over time. He factored in the powdered milk facility being built in Churchill County, and although it is not a big plant, it did impact some of the smaller counties. He said he looked at the birth rates in Storey County, especially with Tesla coming in. Storey County has the agreement that the plant goes there; therefore, their population is expected to explode. He noted there is no residential development around the plant at this time.

Mr. Hardcastle said his long-term employment projection was illustrated on page 95 (Exhibit A). He explained the REMI model represented the red line, the yellow line represents national employment, and the dash line represented Nevada's local employment with updates. He explained that whenever he updates the local employment, the lines always shift downward from where the national economy would be driving Nevada. He said Nevada's wages and educational make-up of its population could be driving that trend. Real data shows that employment projections are below where they should be, given the national historic performance. The green line shows where the long-term forecast is going after making adjustments.

Mr. Hardcastle directed the committee to page 96 (Exhibit A) to illustrate Nevada's total population before and after Tesla's impact. With the biggest impact being in Washoe County, Tesla is expected to hire about 35,000 new people over the long-term. He said population growth driven by natural increase over the next 20 years is approximately 13,500 people per year, and about 12,300 is expected from migration. Natural increase is expected to exceed migration until 2025 by about 4,300 people.

In closing, Mr. Hardcastle noted that his projection in 2008 for 2013 was only off by $391,000, or 14%. He said at that time he was running the risk of being too optimistic and now he may be running the risk of being too pessimistic.

Chairman Wiles told Mr. Hardcastle that if he looked at his 2014 projections made in 2010, he would probably be closer than 14%. He reiterated that the results depended on the trend graph's starting point.

Mr. Hardcastle replied that his best projections were made in 1995 and 1996, and it came in closest for 2010. He noted the REMI model had 25 years of history in it.

Ms. Lewis asked what was driving international migration and where the people were coming from. She asked what the risks were relative to increasing the state's population. She asked if the population was increasing, decreasing, and specifically, what the driving factors were.

Mr. Hardcastle replied that he would need to research the migration pattern more, but a large share of immigrants were Filipino and a small share were from Latin America. On a national level, immigration was driven by Central American countries. He said the pull to Nevada came from the hospitality sector, and the push was the political turmoil in the Philippines seen in the 1900's and 1990's. He said once a population base is established, it develops a migration chain to the area. Long-term threats to the forecast are population changes and how the younger cohort's taste and desire for new location develops. He said it is relative to what was driving some of the shifts between the college and high school students. Nevada's economy, specifically job creation, will either increase or temper migration to the area. Mr. Hardcastle said that housing costs and demand are a contributing factor, and the fact that wages have not kept up with affordability, internationally or within Nevada.

Chairman Wiles said we cannot fuel the growth if we don't have the people, including people that fit into the right demographics to support this issue.

VIII. REVIEW AND DISCUSSION OF PRELIMINARY FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FY 2015, FY 2016, AND FY 2017.

This item was taken out of order.

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, informed the committee that forecast estimates will be presented in the order listed under this Agenda Item VIII. He acknowledged the Gaming Control Board, Department of Taxation, Fiscal Analysis Division and Budget Office as key presenters.

Before proceeding, Mr. Maddox clarified his earlier comment regarding baccarat revenue. He said baccarat on the Las Vegas Strip made up approximately 15% to 16% of gaming revenue versus the 25% he quoted earlier, and that it was being generated by only a few hundred people.

A. GAMING PERCENTAGE FEE TAX

Mike Lawton, Senior Research Analyst, Nevada Gaming Control Board (GCB)

Mr. Lawton said when forecasting percentage fee collections, he first forecasts gaming win for the applicable fiscal years and then converts that number to percentage fee collections. He said the models used to project growth rates for each of the state's 16 individual markets, including the Las Vegas Strip, downtown Las Vegas, the combined Las Vegas locals, Reno, Elko, etc., and any new property openings or expansions and known closings, are incorporated into their model. The historical trends are examined and interviews are conducted with individuals working at properties in those various markets. He said several Wall Street analysts provide input, and discussions are had with the Las Vegas Visitors and Convention Authority. The sum of these individual market forecasts produces the GCB's estimate of total statewide win. He noted that within those markets, he individually forecasts slot win and games win separately.

Mr. Lawton directed the committee to page 2 (Exhibit B), Las Vegas Strip Gaming vs. Non-Gaming Revenue Mix FY 1989 TO FY 2013. He said the compound annual growth for gaming has been about 3.2% for the past 20 years and 7.3% for non-gaming, and the non-gaming revenues were increasing faster than gaming revenue. The chart identified that in FY 2013, gaming accounted for 37% of total revenue on the Las Vegas Strip compared to non-gaming, which equaled 63%. In FY 1989, gaming accounted for 59% of the total revenue compared to 41% from non-gaming spend. Mr. Lawton emphasized that customers have changed how they spend money in Las Vegas.

Mr. Lawton stated that baccarat has become the story for Las Vegas and for the state when it comes to gaming revenue. He said the synergy between Macau and Las Vegas started the baccarat trend in FY 2005, and 10.1% of the total Las Vegas Strip revenue was generated from baccarat. Currently, that revenue amounts to 25%, and is growing. Mr. Lawton indicated that gaming revenue generated by the Strip in FY 2014 is 3% below the peak in 2007; however, baccarat revenue is almost 80% higher than it was in FY 2007 (page 4, Exhibit B). He said the compound annual growth rate for baccarat on the Las Vegas Strip is 13%, and without baccarat it is basically flat at -0.1%.

Mr. Lawton said in a nine-year period, FY 2001 through FY 2009, baccarat pit credit issued represented about 25.2% of total pit credit issues for the state. In FY 2010 through FY 2014, the average was about 52.2% of total pit credit issues, whereas in FY 2014, the total pit credit issues for the state was 59%.

Chairman Wiles asked what percentage of total baccarat revenues came from international versus domestic clients.

Mr. Lawton replied that the GCB does not track those statistics; however, the majority of baccarat money is from international play. Mr. Maddox stated that 98% of baccarat revenue comes from international play.

Mr. Lawton drew attention to the chart on page 6 (Exhibit B), and said the data showed the effects of the surge in baccarat win on the Las Vegas Strip and its corresponding growth in credit play. He explained that the yellow line represented the ratio of taxable gaming revenue to win, which is a key indicator and determines what is going on with the percentage fees. He said the ten-year average was around 94.3%; however, this ratio has been in steady decline since FY 2004 and FY 2005, with the lowest ratio recorded in FY 2014 of 91.8%. Currently, in FY 2015, with four months in, the ratio is approximately 92.4%. Mr. Lawton said these two trends are related to each other, and baccarat's recent surge in gaming win has come at a cost when it relates to taxable gaming revenue due to the large amount of credit play that is associated with baccarat. Mr. Lawton said baccarat's strength and higher percentage of credit play is having a larger impact than ever on taxable gaming revenue and subsequent percentage fee collections.

Chairman Wiles implied that forecasting Gaming Percentage Fee Tax collections was complex, because baccarat play is not driven by domestic economy. He emphasized that baccarat revenue did not rely on the overall economic condition, but rather it came down to the results of how well 200 people, or so, have done. Mr. Lawton replied that baccarat is something the GCB focuses on constantly.

Mr. Maddox reported that "share-shifting" has been observed in the global baccarat market, specifically from June through September. He said Las Vegas and Australia have increased their share, particularly in July, August and September, due to the chagrin of Macau and Singapore. He said crackdowns in China have caused some customers to spend more time in Las Vegas; however, it was unknown if that increase was sustainable.

Mr. Lawton moved on to the GCB's gaming win forecast for both statewide and Clark County. His base forecast for statewide gaming win is expected to increase approximately 1.1% in FY 2015, and takes into consideration the opening of the SLS Las Vegas in August and the Hard Rock Hotel and Casino in South Lake Tahoe in January of 2016. In FY 2015, Clark County gaming win is forecast to be up 1.3%, driven by the Las Vegas Strip, which is forecast to increase by 1.8%. Mr. Lawton said another major market in Southern Nevada is the combined Las Vegas locals market, which is North Las Vegas, the balance of Clark County, and the Boulder Strip. Those markets are forecast to be up about 1.0%. He said that market experienced a slight decrease in FY 2014 of approximately 0.1%. Mr. Lawton said, based on key indicators, it had been theorized that a "spillover" would occur between the Las Vegas Strip and the Las Vegas locals market. However, that spillover has not happened, which has created some frustration. The Las Vegas locals are booming and the gaming markets are doing well, but wage growth has been stagnant and operators are reporting that spending patterns in the local casinos are shifting, causing these markets to focus their assets into non-gaming areas. Mr. Lawton reported that fiscal year-to-date, the Las Vegas locals are up 2.4%, with more growth expected in FY 2015. He said the balance of the state in FY 2015 projected to come in flat. With the combination of a disappointing summer and the loss of the men's bowling tournament, Washoe County forecasts are down. He thought other markets in Lake Tahoe and Elko would help make up some of that loss.

Mr. Lawton reported that fiscal year-to-date, with four months reported, the state is up 0.8% in gaming win and the Las Vegas Strip is up 0.9%. The state is facing a growth rate of 1.7% and the Las Vegas Strip is expected to grow 3.6% to finish out FY 2015. Mr. Lawton forecast statewide gaming win to increase about 2.6% in FY 2016, and reported no property openings; however, a large non-gaming venue (MGM-AEG Arena), a 17,000 seat arena, will be opening between the Monte Carlo and the New York New York Hotel Casino at the end of FY 2016. In regard to Clark County, the GCB forecast a growth of approximately 2.6%, with the Las Vegas Strip accelerating to approximately 3.2% and the Las Vegas locals growing at approximately 1.5% in FY 2016. Mr. Lawton felt gaming win would come back strong for the balance of the state, with 2.8% growth, noting the men's bowling tournament would return to Washoe County. Lake Tahoe is expected to experience growth from the increased capacity at the Hard Rock Hotel and Casino, and construction will come online with Tesla. He expected spillover into tourism and the economy for the balance of the state in FY 2016, specifically Washoe County. Mr. Lawton forecast FY 2017 gaming win to increase statewide at a rate of 3.5%; increase 3.6% in Clark County; increase 4% on the Las Vegas Strip; and the Las Vegas locals are expected to grow approximately 3.2%.

Mr. Lawton switched his focus to slot win (page 9, Exhibit B). He said he expects slot win to be up 0.5% in FY 2015; 1.7% in FY 2016; and 2.6% in FY 2017. The average growth rate for slots over the past ten years has been flat at 0.2%, but with the anticipated increased visitation and improved spending patterns, the GCB shows slots growing at a higher rate in FY 2016 and FY 2017 than the ten-year prior average.

Mr. Lawton reported some changes in spending patterns. He said since FY 2007, slot volume only increased one time; however, the Las Vegas Strip has recorded eight increases in slot volume over the last nine months, and current slot volume on the Las Vegas Strip, fiscal year-to-date, is up 3.4%. As a result of this, Mr. Lawton forecast slot volume coming in slightly higher in FY 2015 at 0.3%; 1.4% in FY 2016; and 2.4% in FY 2017. Mr. Lawton said a factor in his forecast was relative to the increases in slot win percentage, which has been increased significantly over prior years. He reported fiscal year-to-date, slot win has been up 0.9% and volume is up 0.1%. His forecast shows deceleration in the growth rates on slot win percentage, with -1.6% growth rate for the remainder of FY 2015 and -0.8% growth for slot volume for the remainder of FY 2015.

Mr. Lawton said game and tables were up 5.4% in 2014, and another increase of 2.0% was projected in FY 2015; 3.9% in FY 2016; and 4.9% in FY 2017. Fiscal year-to-date, game and table win is up slightly at 0.5%, and a strong growth rate of 7.1% is expected for the remainder of FY 2015. He said baccarat was the leader in game and table win, and was up 8.4% fiscal year-to-date. A robust rate of 14.9% is projected for the remainder of FY 2015 in baccarat.

Mr. Lawton referred the members to page 12 (Exhibit B), and said he was looking at game volume growing 3.4% in FY 2015; 3.5% in FY 2016; and 6.2% in FY 2017. The average growth rate for game and table volume for the past ten years was approximately 4.0%, and currently it was up 4.5% with a growth rate forecast of approximately 3.2% for the remainder of FY 2015. Mr. Lawton said baccarat volume for the state in FY 2015 is up 15.3%, and a 10% growth rate is expected for the remainder of FY 2015. He explained that baccarat was the reason why the growth rate for game and table win was higher than slot win over the past five years, and it continues to expand. Mr. Lawton reported that the MGM, Wynn Resorts, and the Venetian all have properties in Macau, and there was great synergy between their Las Vegas properties and their subsidiaries in China.

Mr. Maddox drew attention to an earlier comment that he made. He clarified that the 200 people he made reference to in regard to baccarat play were not the same 200 people. He said some people drop out as others join in.

Mr. Lawton moved on to his Percentage Fees forecast (page 13, Exhibit B), stating he forecast collections of $687.1 million in Percentage Fees Tax (PFT) revenue in FY 2015, an increase of 0.7%. Although collections are down 1.9%, based on four months of collections, the PFT is facing a growth rate of about 2.2% for the remainder of the fiscal year. He forecast an increase of 2.7% with $705.5 million in collections in FY 2016 and an increase of 3.4% with collections estimated at $729.3 million in FY 2017.

In closing, Mr. Lawton said his forecasts were built on the assumption that there is going to be sustained growth throughout the forecast period. He supported projected growth each fiscal year through the end of the forecast period, with games and tables growing faster than slots. Some of the underlying factors behind these forecasts are as follows:

- Increased visitation
- Increase in international visitors who stay longer and spend more
- Increased convention attendance with a stronger mix
- Improved customer balance sheets, both domestically and locally
- Growth in construction and employment

Mr. Lawton felt these factors would help domestic play blend with the baccarat business. He noted Nevada's tourist economy was built on mid-level play.

Mr. Leavitt questioned why actual percentage fee collections for FY 2015 are down, yet the forecast shows the PFT collections growing at 2.2% for the remainder of the fiscal year. He asked what the reasoning was.

Mr. Lawton said, based on the win that he is forecasting, if the win comes in at 1.1%, his model on percentage fee collections, using the win to taxable ratio he is forecasting, show that percentage fees will increase slightly from last fiscal year and grow for the remainder of the fiscal year compared to what has been seen so far.

To further clarify, Mr. Lawton explained that percentage fee collections were down and gaming win was up slightly; however, he expected percentage fees to come in higher for the remaining fiscal year than what was collected in the first quarter.

Chairman Wiles said most of the gaming growth was in baccarat and flat in other areas, yet non-baccarat capacity is being added to the Las Vegas Strip. His concern was relative to an oversupply of services as new properties come online, creating a challenge over the next four to five years.

Mr. Lawton said the Las Vegas Convention and Visitors Authority (LVCVA) welcome more inventory so they can push up their occupancy rates. He did not think oversupply was an issue at this point, and said the LVCVA was strongly pushing international travel to help balance the domestic side of the market. He noted that the international traveler stays longer and spends more.

Mr. Maddox asserted that if the new projects coming onboard were relying on baccarat to make their numbers, then all of the new supply could present a challenge, especially if the businesses were relying on 25% to 30% of their business coming from the same group. He said the goal is for non-gaming to continue to accelerate. Mr. Maddox was interested in what the mid-tier properties were expressing, and how their slot and table wins were doing, considering the numbers have not been that impressive.

Mr. Lawton said the mid-market was not as robust as some of the top-tier that is concentrated in baccarat. He said there was no expressed negativity or references to decreases.

Mr. Leavitt asked if the non-gaming trend was expected to continue. Mr. Lawton said he expected the trend to continue.

Mr. Maddox said if non-gaming collapsed, then Las Vegas would become Atlantic City. He said the domestic customers visiting Las Vegas come for the non-gaming activity, as well as international visitors who also come to gamble. He said the casinos were more of an amenity.

Mr. Leavitt commented on the number of casinos that existy throughout the country. Mr. Maddox concurred.

Mr. Lawton concurred as well, but said Las Vegas has done a fantastic job of creating non-gaming amenities that are not anywhere else, and it is driving people to come to the area and spend their money. He said people still spend in gaming, but the non-gaming spend is what is driving the long-term trend. He did not see that trend changing.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers said her background is in estimating and forecasting employment, and worked the last five years at the Department of Employment, Training and Rehabilitation in the Research Analysis Division. She explained that her revenue forecast is based on what drives Nevada's General Fund tax base. The forecast is econometrically driven by the models, with adjustments made accordingly. The model is based on a tax base that remains heavily dependent on tourism and hospitality for its near-term growth. She said the Sales and Use Tax and Gaming Percentage Fee collections are the biggest tax revenue sources and account for approximately half of the total General Fund revenue. With the inclusion of Live Entertainment Tax, which heavily feeds off of tourism, the tax revenues stemming from tourism hospitality related activity are close to 60%. Ms. Powers said the main driver for growth in her economic model is visitor volume, which is dependent on the health of the U.S. and world economy. She believes the average visitor comes to Nevada with a fixed budget; therefore, her model incorporates how much visitors are likely to spend on their visit to Nevada and the amount of activity that trickles down into the businesses and overall economy (page 2, Exhibit C).

Ms. Powers explained the sequence for the model equations. She said she reviews Moody's Analytics' forecast for national and world economic indicators and then derives the Las Vegas visitor volume, which affects the gaming drop and related retail activity on the Las Vegas Strip. The model accounts for the gaming and retail sector's impact on employment, and the amount those employees spend locally.

Ms. Powers said visitor volume in Las Vegas is the strongest driver for her forecast, because Las Vegas is linked strongly to gaming drop, retail activity and Nevada employment. She explained that visitor volume is estimated based on U.S. employment; world GDP; dollars spent on recreation, measured by personal consumption expenditures on recreation; the number of rooms in Las Vegas; and the number of states with casinos. She noted that approximately 40 million people visited Las Vegas in FY 2014, and reported steady growth in visitor volume in the next three fiscal years. Ms. Powers stated that more revenue is generated by non-gaming options, such as food and beverage, room sales, and conventions. Currently, the Las Vegas Strip revenue mix is approximately 60% non-gaming and 40% gaming, and with domestic and international competition, the Las Vegas Strip has been very quick to reinvent itself to changes in demand. She said Nevada employment is an important factor in the econometric model, and she forecast moderate acceleration in payroll employment.

Ms. Powers addressed Gaming Percentage Fee revenue collections, stating they are a function of visitors, the number of other states with casinos, and growth in the number of rooms on the Las Vegas Strip. She referred the members to the chart on page 9 (Exhibit C), and explained that revenue from gaming percentage fees was holding steady since the economic recovery in FY 2011. She said collections are forecast to increase 0.3% in FY 2015, increase 0.5% in FY 2016, and increase by 0.7% in FY 2017. Ms. Powers said the reasons for the flat outlook in gaming volume is because visitors spend more on non-gaming activities, such as shows, party pools and retail, and because gaming is available in most states, including internet gaming. She said gaming is becoming somewhat dependent on the state of the world economy rather than the U.S. economy in terms of attracting international visitors and high rollers. Ms. Powers noted that global economic recovery continues to be uneven, which contributed to weaker forecasted growth.

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

Mr. Guindon brought attention to the blue sheet of paper outside the meeting packet (Exhibit D) that showed the forecasts by forecaster for the major General Fund revenues, which allowed for a more convenient way to view the forecasts prepared by each forecaster for each revenue source.

Before continuing his forecast relative to Gaming Percentage Fee tax, Mr. Guindon asked the members to move to Agenda item VII, Presentation on Historical Taxable Sales and Gaming Market Statistics.

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

This item was taken out of order.

Mr. Guindon said this agenda item is in reference to the charts that are prepared and posted on the Economic Forum's website. He said they are available for reference if the need arises in this meeting; however, he did not plan on discussing them. He noted that many of the gaming charts will mirror what Mr. Lawton presented.

VIII. REVIEW AND DISCUSSION OF PRELIMINARY FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FY 2015, FY 2016, AND FY 2017.

This item was taken out of order.

Gaming Percentage Fee

Moving back to Agenda Item VIII, Mr. Guindon referred the members to the packet produced by the Fiscal Analysis Division (Exhibit E). He said the packet included information that could aid in answering any questions that might arise from the members.

Mr. Guindon began his presentation with the Fiscal Division's view of the world, relative to the state economic outlook, and elaborated on various segments within the Fiscal Division's information packet that applied to gaming and other forecasts (Exhibit E).

- CHART 1A – LEVELS (page 2, Exhibit E): This chart is driven by DETR's employment forecast and it identifies forecasts prepared by Moody's Analytics and the Fiscal Division to show how Nevada's total employment tracked over time. From using DETR's employment growth rates, Mr. Guindon said he assumed there would be 3% growth in total employment in FY 2015; 3.7% in FY 2016; and 3.6% growth in FY 2017.

- CHART 2A – LEVELS (page 4, Exhibit E): This chart compares actual historical data and forecasts for Nevada's average wage per employee. Mr. Guindon said the chart was created to track wage and salary disbursements in order to forecast the Modified Business Tax (MBT) revenue, and to build up to a total personal income series in order to drive that through some of the forecasts for other revenues. He explained that the average wage per employee is broken down by financial, nonfinancial, and government sectors, and the purpose of CHART 2A was to identify the total average wage per employee. The Fiscal Division forecast the average wage per employee to grow 2% in FY 2015; 2.4% in FY 2016; and 2.7% in FY 2017. As a reference point, Moody's Analytics' Consumer Price Index (CPI) forecast average wages to increase approximately 1.9% in FY 2015, which indicates Nevada's average wage per employee will keep pace with inflation; 2.2% in FY 2016; and approximately 2.6% growth in CPI over that fiscal year in FY 2017. Mr. Guindon thought wages per employee could slightly outpace inflation in the nonfinancial sector because the employees could possibly receive a cost-of-living adjustment (COLA). Additionally, the nonfinancial sectors, such as construction, manufacturing, and professional services, are some of the higher wage sectors that might hire someone and pay an average higher wage. He said those situations should pull the average wage up and help generate slightly higher growth than inflation. Mr. Guindon made the point that it was not about COLA's, it was about changing the mix of the employment amongst the industries in the nonfinancial business sector.

- CHART 3A – LEVELS, (page 6, Exhibit E): This chart reflected Nevada's total wages. Mr. Guindon quoted 5% growth in FY 2015; 6.2% growth in FY 2016; and 6.4% growth in FY 2017. He said those forecasts seem high, but historically, those growth rates were not exorbitant. He said those wage and salary disbursements are the result of the employment growth forecast and the average wage per employee growth assumptions.

- CHART 6A – LEVELS, (page 12 Exhibit E): Mr. Guindon explained that he skipped the nonwage component, including dividends, interest, and rent transfer payments. He said he forecast those to grow over the forecast horizon, with inclusions, such as dividends, interest and rent, and social security with regards to transfer payments. He expected increases in the nonwage component due to growth in employment and population. He forecast total personal income growth at 4.2% in FY 2015; 5.0% in FY 2016; and 5.3% in FY 2017.

- CHART 12A – LEVELS (page 24, Exhibit E): Mr. Guindon discussed the total Las Vegas visitor volume forecast, and forecast 2.0% growth in FY 2015 (after growing only 2.1 in FY 2014) and 1.5% growth in visitors in both FY 2016 and FY 2017.

- CHART 13A – LEVELS (page 26, Exhibit E): This chart shows the average room occupancy rate in Las Vegas. Mr. Guindon said without a lot of inventory in terms of new rooms being added, the growth has to come from increases in occupancy rate. Mr. Guindon said his forecast has the average room occupancy rate increasing slightly over the forecast horizon, but he was not convinced there was enough growth to pull the occupancy up to achieve growth rates in the 2% to 3% range. He said that assumption was not included in the Fiscal Division's forecast relative to the visitors forecast.

Moving on to the Fiscal Analysis Division's Gaming Percentage Fee forecast, Mr. Guindon referred the members to TABLE 1A on page 34 (Exhibit E), which showed the Fiscal Division's forecast on a fiscal year basis. He explained the forecast was broken down by slot win and games win, and that Clark County, Washoe County and the balance of the state would be addressed as separate markets. Beginning with his statewide forecast, Mr. Guindon said slot win is growing 0.7%, which is the first year of growth recorded after two years of decline. He forecast a growth rate of approximately 1.0% over the next two years, and said it was hard to get a lot of growth when comparing coin in, coin in per slot, and the hold percentages. He thought that forecast was reasonable, given the assumptions. Mr. Guindon said the Fiscal Division forecast games win to grow 2.9% in FY 2015; 4.4% in FY 2016; and settle back to 3.7% in FY 2017. He said baccarat takes a huge share of the market, and it is not the same group of people who come to play. He agreed with Chairman Wiles, stating that baccarat was complex, because it is a high variance game driven by a lot of credit. He said uncertainty in China is benefiting Las Vegas, but it is hard to determine if the state can continue to grow off of that because if conditions improve in China, then those international visitors may decide to play there. Mr. Guindon said the forecast horizon shows that games win may settle down in the second year. He said he has the Taxable Gaming Revenue (TGR) ratio declining and settling out in the 91.6% range. He said baccarat will continue to get its share, but felt there had to be some kind of floor that it bounced around. He felt if baccarat continued to capture share, then the win ratio will continue to fall. The Fiscal Division's forecast assumed that the shares are going to settle down a little more, thus the TGR ratio will settle down as well. Mr. Guindon said the average tax rate is going to be lower in FY 2015, but will come back slightly and settle down in FY 2016 and FY 2017. He said the four months of actual data collected allows him to assess where the state sits now and where it would have to be over the remaining eight months. He said TABLE 1A also showed percentage fee collections from the TGR and the Estimated Fee Adjustment (EFA). He further explained there was a mechanism that estimated each month's payment, which was an estimated payment for three months in advance that needs to be "trued-up," and additionally, credit issued and collected can affect what's happening. Mr. Guindon forecast percentage fees to increase slightly by 0.1% in FY 2015; increase 3% in FY 2016 (because of strengthening in both slots and table games, and with the EFA's net positive impact versus its net negative impact in the current fiscal year); and then settle back to 2.1% in FY 2017 (because of gaming settling back, and the EFA is not projected to be such a net positive contributor in FY 2017 than in FY 2016).

Mr. Guindon referenced TABLE 1B on page 35 (Exhibit E), and said it showed where the Fiscal Division's forecast; year-to-date collections for the first four months of each of the categories; and the amount of growth needed to meet the FY 2015 forecast.

Mr. Maddox asked what the year-to-date collections were and what growth percentages needed to be achieved.

Mr. Guindon said through the first four months in FY 2015, gaming percentage fees are up 0.9% (statewide), games win is up 0.5%, and total win is up 0.8%. He explained that TABLE 1B on page 35 (Exhibit E) identifies averages in growth that are needed in order to meet the forecast. He said we would need to average 0.6% growth in total statewide slot win to hit the Fiscal Division's forecast compared to being down 1.6% a year ago, and gaming would have to increase 4.0% compared to being up 7.1% to hit the Fiscal Division's forecast for games win. He said the taxable gaming revenue (TGR) column shows that TGR would have to increase 1.6% compared to being up 0.5% a year ago. Mr. Guindon pointed out that TGR collections is only up 0.3% in FY 15 compared to being up 1.1% through the first four months of FY 2014.

Mr. Guindon said he calculates the coefficient of variation every time he receives another month of data. He said the variance around the mean increases every time another observation is added. He said not only has baccarat increased its share of the win, but it also increases the variance, which effects the role and impact that it can have on the month-to-month numbers.

Mr. Maddox suggested that the Fiscal team track the gaming win in major markets, such as Macau, Singapore, Australia, Las Vegas and South Korea to see where it is moving. He stated it would help determine how the baccarat market is doing globally, as opposed to just Las Vegas. He thought it would add a little stability to the growth rates.

Mr. Guindon said he appreciated the suggestion and would try to get his hands on the numbers. Mr. Maddox said the data was public information.

Mr. Guindon said the percentage fee collections from TGR are down 0.6% compared to being up 1.4% in FY 2014. He explained that Percentage Fee collections were down 2.9% compared to being down 3.4% in FY 2014 (page 35, Exhibit E). He noted the percentage fee total would have to average 1.6% against 2.5% a year ago to hit the Fiscal Division's forecast.

Mr. Guindon said the tables that follow in the Fiscal Division's packet (Exhibit E) show slot win and game win are broken out by quarter. He said he makes assumptions about the coin in per slot, the number of slots, and the average hold per slot. He said there is an inflection point in the average hold per slot, which is forecast to increase 0.01%, 0.02%, and 0.01% over the forecast horizon. He said the ability to push on the price by increasing the hold percentage has been holding up slot win over the last few years, or at least reducing the amount of decline.

In regard to table games, Mr. Guindon said the average hold over table games is much more volatile because it's a different device; noting the mix of games, including craps, 21, baccarat, and roulette. He said baccarat captures more market share and has more variance than the other games.

Mr. Guindon referred to the charts on pages 40 through 43 (Exhibit E), which illustrate total win, slot win, and game win per Las Vegas visitor and per statewide employee, and broken out by statewide and Clark County. He explained that to calculate this data, the numerator represented statewide win and the denominator represented the Las Vegas visitors; however, much of the statewide win comes from Clark County. The charts reflect game win to continue to increase against visitors and employees, but the slot win is continue to decline per employee. Mr. Guindon said he was initially surprised at that statistic, but it was due to stronger employment growth relative to growth in slot win over the forecast period. He said what this reflected was that people would not commit as much of their budget to gambling, especially on the slot side.

B. LIVE ENTERTAINMENT TAX – GAMING

Mike Lawton, Senior Research Analyst, Gaming Control Board

Mr. Lawton said the casino Live Entertainment Tax (LET) forecast is based on a forecast of taxable casino entertainment activity. The forecast of taxable activity is based on an examination of historical growth patterns and through interviews with various properties. He said the forecast incorporates increases in taxable activity due to the opening of new properties and the changes in entertainment venues at existing properties. Mr. Lawton said the LET is difficult to forecast because the price of admissions, beverage, and food are not consistent year-to-year, nor is the entertainment itself. He said venues with 7,500 or more seats primarily focus on concerts, and concert tours and ticket pricing are difficult to predict for upcoming years.

Mr. Lawton said the GCB forecast LET collections to drop to 4.0% at $133.6 million in FY 2015. He said after four consecutive years of growth, the decline is due to some tough comparisons. He said many new shows came online in FY 2014, which are now being annualized, and no new shows have been announced. After making that statement, Mr. Lawton corrected himself and said a new show was just announced on the Las Vegas Strip beginning in December 2014. Additionally, the GCB was informed that some of the later shows that drive the LET are starting to get impacted negatively by other late night offerings. Furthermore, Mr. Lawton said most of the new programming on the Las Vegas Strip or in Southern Nevada has moved toward nontaxable music festivals and offsite concert venues, naming Route 91 Music Festival, Life is Beautiful Festival, Rock In Rio, Electric Daisy Carnival, and the downtown Las Vegas Event Center. He said these shows are considered entertainment, but are not necessarily taxable live entertainment.

Mr. Lawton reported that fiscal year-to-date, casino LET collections are down 5.1%; however, is facing a growth rate of 10% for the remainder of FY 2015. The GCB forecast a 1.0% increase in FY 2016 ($134.9 million in collections) and a 2.5% increase in FY 2017 ($138.3 million in collections). He noted there was a large venue coming online at the end of 2016 that will make an impact in FY 2017.

Mr. Maddox asked what portion of the LET came from nightclubs that have live performers.

Mr. Lawton said that information is not provided to the GCB; however, the GCB did a study in the past that was relative to live entertainment that comes from taxable nightclubs, and offered to look up the results. He said the majority of the LET revenue comes from shows. Mr. Maddox told Mr. Lawton that he did not have to look up that information.

Mr. Lawton noted the average growth rate for casino LET collections over the last five years was 4.5%, which was above his forecast.

Ms. Lewis said she heard discussion about adjustments to the LET were to take place at the next legislative session, and asked if that was taken into consideration when forecasting.

Mr. Guindon said he would answer that question as legislative staff and staff to the Economic Forum. He said the Economic Forum is required to prepare their forecasts under current law; therefore, that could not be taken into account when the forecasters prepared their forecast. For clarification, Mr. Guindon stated that some of the events that Mr. Lawton referred to are exempt under the LET because they are an outdoor concert that is not on the premises of a licensed gaming establishment. He said if those events were outdoor, but on the premises of a licensed gaming establishment, they would be taxable. Mr. Guindon said those events are taken into account when producing forecasts.

Chairman Wiles implied that outdoor events on a gaming establishment's premises probably would not occur in an effort to minimize the establishment's tax obligation.

Mr. Guindon brought attention to the tax differential, and stated it was used as a profit maximizing entity. He noted there was a rate differential in the LET between 5% and 10% with a seat threshold.

In closing, Mr. Lawton noted there were no new shows included in his forecast; however, there were new concert venues to support the LET.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers said the LET forecast is driven by visitors and is largely based on the national economy. She said the model used by the Executive Budget Office includes Nevada employment, and accounted for the impact from the Las Vegas locals market. She said her LET forecast for FY 2015 was flat, based on her communications with

Mr. Lawton in regard to the shows on the Strip; however, she believed the casinos would figure out how to get new shows online and how to attract more visitors in order to generate more revenue. Ms. Powers forecast 5.2% in growth in FY 2016 and 6.5% growth in FY 2017.

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

Mr. Guindon directed the members to the Fiscal Analysis Division's LET forecast on page 51 (Exhibit E). He said he gets his numbers from the Gaming Control Board, but they are not reflected correctly in the forecast; therefore, he will need to make adjustments.

Mr. Guindon reported that actual LET collections in the first quarter of FY 2014 were up 12.4% due to shows, but has since fallen (page 51, Exhibit E). He said he makes quarterly forecasts and bases them on visitors and inflation adjusted collections per visitor, because the LET is not only applied to the quantity of shows and ticket sales, but there is a price premium imposed year-to-year in terms of the average price per show (page 52, Exhibit E). Mr. Guindon pointed out that collections in FY 2015 is forecast to decline 6.7% in inflation adjusted terms per visitor. LET collections is forecast to decline 3% in FY 2015 and then bounce back to a positive 3% in FY 2016 and 3.7% in FY 2017. He contributed the growth to returning shows and the announcement made by Wynn Las Vegas regarding a new Showstopper show. With anticipated visitor growth, this revenue source is expected to recover in the forecast horizon.

Mr. Guindon turned his focus to employment and the downside risks. He said the Fiscal Division uses DETR's employment forecast when making assumptions, such as Tesla, Genting, and the James Packer projects, and those project's timelines are incorporated as well. He said various events could make those projects slide on the timeline or disappear entirely. He said potential risks to gaming forecasts would more likely be related to baccarat and what could happen with the hold percentage, rather than related to the visitor forecast. He said health scares could curtail national and international travel. Mr. Guindon noted, once you start missing the economic outlook, then any revenue forecast based on that becomes at risk.

Chairman Wiles called for a recess at 12:45 p.m.
Chairman Wiles reconvened the meeting at 1:39 p.m.

C. STATE 2% SALES TAX

Sumiko Maser, Deputy Director, Department of Taxation

Ms. Maser referred the members to page 2 (Exhibit F), Sales and Use Tax. She reported that taxable sales are continuing to increase, with recent sales totaling approximately $4.0 billion per month. The chart identified the different sectors and their contributions, including food services and drinking places, motor vehicles and parts dealers, general merchandise stores, clothing and clothing accessory stores, merchant wholesale durable goods, and other. Ms. Maser said five sectors make up

55% to 60% of total taxable sales, totaling approximately $2.5 billion in monthly sales. Additionally, 75% of Nevada's taxable sales come from Clark County. Ms. Maser said that taxable sales in August 2014 showed a 7.5% increase when compared to August of 2014.

Ms. Maser conveyed that the Department of Taxation worked with the University of Nevada, Reno, to create their model. The model took into account all the revenues since July 2009, which was the lowest point during the recession. She said the model used revenues rather than taxable sales, because revenues and taxable sales are not always a one-to-one relationship. Ms. Maser forecast sales tax revenues to grow 4.8% in FY 2015; drop to 4% in FY 2016; and drop again to 3.4% in FY 2017.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers explained that her econometric model was based on employment, gaming drop and retail activity, which were all tightly linked. She said her model assumed that the typical visitor would have a fixed budget and spend more on non-gaming activities, causing sales and use tax to grow faster than gaming. She said employment and visitor volume are the strongest drivers for the State 2.0% Sales Tax forecast. Ms. Powers forecast 5.8% growth in FY 2015; an increase of 5.7% in FY 2016; and 6.4% growth in FY 2017, based on the strengthening of the national and world economies.

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

Mr. Guindon said the Fiscal Division's sales tax forecast begins on page 61 (Exhibit E); however, he directed the members to TABLE 1 on page 63 (Exhibit E) to show the forecast by fiscal year. He said the Fiscal Division forecast taxable sales using an econometric equation that includes inflation adjusted taxable sales per employee. The model is a function of inflation adjusted personal income per employee, Las Vegas visitors per employee, construction employment per total employee, and new vehicle car registration per employee. He said by using the per employee calculation, they are trying to get a transformation of the variable to get rid of some of the nonstationarity issues that can come up. Mr. Guindon conveyed that the equation is using the Fiscal Division's employment forecasts, and personal income and construction employment is based off DETR's employment forecasts, which has double digit growth and employment growth over the forecast horizon. Mr. Guindon stated that his forecast comes clean out of the equation, except for making adjustments for the first quarter. No explicit adjustment was made to the forecast relative to Tesla's abatements, because although the construction materials will generate taxable sales, they will not generate 2.0% sales tax collections. Mr. Guindon reported that the Genting and James Packer projects will be generating taxable sales from construction materials and will pay sales tax. Mr. Guindon said he specifically wanted his comments relative to the Tesla project on record because the Governor's Office on Economic Development (GOED) discussed the Tesla project and their abatements at the Economic Forum meeting held on October 17, 2014. Mr. Guindon acknowledged that medical marijuana was also discussed at the October 2014 meeting, and indicated that no explicit adjustments to the forecast were made. He said there will be a separate excise tax associated with medical marijuana, but those revenues will not go into the

General Fund. However, there will be sales tax on the product sold by the dispensaries because it is tangible personal property. Mr. Guindon stated that even if he could easily estimate the amount of sales tax attributable to medical marijuana, he questioned whether he should add the full amount of the estimate to his sales tax forecast. He reasoned that individuals could be allocating a portion of their current budget to medical marijuana purchases, which means they may not be making other purchases of tangible personal property subject to the sales tax. Thus, it is difficult to determine the net impact on sales tax collections if individuals are simply relocating a portion of their budget to medical marijuana and reducing consumption of other goods subject to the sales tax.

Mr. Guindon said the Fiscal Division's forecast shows about a 1.0% difference between taxable sales growth (5.8%) and growth in collections (6.8%). He pointed out that through the first two months of FY 2015, taxable sales were up 6.9%, but collections were up 8%. He said the reason for the difference was relative to renewable energy projects. The projects generated taxable sales; however, they did not generate collections because of the abatements, which caused taxable sales to grow faster than collections a year ago. He recalled that taxable sales grew 9.0% in September of 2014, and collections grew 4.7%. Mr. Guindon expected strong taxable sales in September 2014, with even stronger sales tax collections due to the absence of those renewable projects. He said the gap between the taxable sales and the actual collections in FY 2014 equated to approximately $15 million, because of abatements and Sales Tax Anticipated Revenue (STAR) bond distributions to Tourism Improvement Districts (TIDs). He said the growth rates for taxable sales are coming out of the equation. Mr. Guindon stated that he initially had some concerns with the 5.4% projected growth in FY 2017 compared to the 5.8% growth in FY 2016. The concerns stem from the fact that it gives the appearance that things are slowing down in the out-year of the forecast. This may seem in contrast to the number of projects going on in the state, such as Tesla and the Genting gaming project, along with the number of direct and indirect jobs associated with these and other projects. He stated that one had to consider the timing of these projects and the relationship between the construction jobs needed to build the projects and the timeline for completing the projects, along with hiring the workers. Based on his assessment of these factors, he was more comfortable with the stronger growth rate in FY 2016 and a slightly lower growth rate in FY 2017.

Mr. Guindon referred the members to pages 70 and 71 (Exhibit E), taxable sales per employee (CHART 4) and taxable sales per $1,000 of personal income (CHART 5). He pointed out that taxable sales per $1,000 of personal income was declining during the strong economic growth period, which was not unexpected because tangible personal property does not include food or services. He said people can allocate their budget to items which sales tax does not apply in a growing economy; therefore, it may not be unreasonable to see taxable sales in relation to personal income flattening out over the forecast horizon.

Mr. Maddox referred to the GDP of Nevada, business activity, and stated it was worth about $140 billion. He estimated that approximately $50 billion is subject to tax. He observed that Bill Anderson's presentation acknowledged professional and business services as the fastest growing industry sector, which means more people are consuming services that are not subject to tax. He stated that he was not alarmed by the flattening trend because of the increase in consumption and employment in the professional sector. He asked Mr. Guindon if he agreed with that statement.

Mr. Guindon concurred, and said the up and down pattern reflects the transition out of the recession and the economic recovery. He said eventually the sales tax will flatten out because people are allocating a lesser percentage of their income and budget to tangible personal property.

Mr. Leavitt said flattening of the gross sales tax was obvious, and combined with additional spendable income going to things that are not taxable in the service area will cause the state's major revenue to not keep up with economic growth for the state. He felt this would become a big problem for the future of the state and its finances.

Ms. Rosenthal observed that the Fiscal Division did not make specific adjustments for Tesla, Genting or any of the big projects new to the forecast; however, they based their forecast on the forecasted changes in wages and employment, which take those projects into account.

Mr. Guindon said that was correct. He said DETR's employment forecast included impact from those projects, and wages and personal income were built off that and drove the forecast. He said he was not taking any sales tax collections out for the Tesla's current abatements because he could not figure out how to calculate the adjustment based on the information available.

D. INSURANCE PREMIUM TAX

Sumiko Maser, Deputy Director, Department of Taxation

Ms. Maser said the method that the Department of Taxation approached the forecast with included a linear aggression analysis that used the first quarter of FY 2010 as the starting point, which was the lowest quarter that provided revenues to the State of Nevada. She said the linear aggression was applied only through the third quarter of FY 2014, because they noted some large increases in Medicaid enrollment in the fourth quarter. Ms. Maser said her approach was to do the linear analysis based on activity prior to the increase in enrollees, and then add on the increase in enrollees going out into the future. Additionally, with the implementation of Assembly Bill 3 going into effect January 1, 2016, Ms. Maser said she added back into the forecast the amount of home office credits that taxpayers have been taking above and beyond the $5 million cap that was passed in the 28th (2014) Special Session. Ms. Maser made the members aware that her projected revenues, illustrated on page 4 (Exhibit F), included an error. She redirected them to Table 4 (Exhibit D) for an accurate forecast. Ms. Maser forecast growth of 5.5% in FY 2015; 6.8% in FY 2016; and 6.3% in FY 2016.

Chairman Wiles asked Ms. Maser to clarify her approach from the point where she noticed a shift in the relationship.

Ms. Maser explained that increased Medicaid enrollment in the 4th quarter of FY 2014 caused a shift; therefore, she created a forecast as if the shift never occurred and then incorporated the increase back in. She said she proceeded this way with the assumption that the increased number of policies would continue to be held and paid for. Ms. Maser explained that the home office credit also played a part, essentially adding $25 million that would have previously been taken as credits. She said because the new home office credit tax law (A.B. 3) takes effect halfway through FY 2016, she added $12.5 million back to the state in FY 2017.

Chairman Wiles asked what the shift was related to. Ms. Maser replied it was relative to an increase in Medicaid enrollees. Chairman Wiles said it sounded like there was no inflection point in the formula from when the shift occurred, and that the revenue that was being generated (premium tax) from the first three quarters was also applied to the entire time series, which is indicated by the red line shown in the chart on page 16 (Exhibit C).

Ms. Maser said her graph was misleading because the red line represented her linear forecast based on what had been occurring historically, prior to the shift in Medicaid enrollees.

Chairman Wiles thanked Ms. Maser for clarifying his confusion.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers said the IPT collections per person with insurance has been relatively flat for the past few years, and analysis indicated that increases in IPT collections are primarily growing by the amount of the newly insured due to the population growth and the Affordable Care Act (ACA). She said population growth is projected to be less than 1.0% in each of the next three fiscal years. She reported that FY 2015 enrollment estimates from the Silver State Health Insurance Exchange (Exchange) were used to identify the effects of the ACA. The information indicated that the core target group were those whose family income ranged between 138% to 400% of the federal poverty level (FPL), and who generally received a subsidy. Ms. Powers said this segment of the income group should not grow as long as Nevada's economy continued to thrive. Collections would depend heavily on a good estimate for insured population in FY 2016 and FY 2017, and although flat projections for qualified health plan enrollment were received from the Exchange, Ms. Powers believed the percent of the population with insurance will grow. She said she considered Medicaid enrollment numbers when estimating the insured population, because she found out that Medicaid Managed Care companies were required to pay IPT. Ms. Powers said her forecast included 6.0% growth in FY 2015, 0.5% growth in FY 2016; and 1.4% growth in FY 2017.

Ms. Powers said there was one caveat regarding the final actual number in FY 2014, stating she expected a bigger impact from ACA. She researched with the Department of Taxation and found that FY 2014 had a late payment of $3.3 million associated with the quarter ending June 30, 2014, and that the late payment was reported in the quarter ending September 30, 2014. Therefore, actual growth in

FY 2014 should have been 7.4% instead of 6.0%. Ms. Powers said she added the missing payment to her FY 2015 estimate, which reflected weak growth in her forecast for FY 2016. She noted that if the amount would have been correctly reported, her FY 2015 growth would be 3.4% instead of 6.0% and FY 2016 growth would have been 1.8% instead of 0.5%.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Nakamoto explained that the IPT is imposed in Nevada at a rate of 3.5% on the net premiums written on all insurance except for certain premiums written by risk retention groups, which are taxed at a rate of 2.0%. He explained that the home office credit is available to any insurer with a home or regional home office in the state, where they may take a credit of 50% of the insurance premium tax payments that they would have otherwise made, plus an additional credit equal to the amount of the property taxes that they pay. He said pursuant to A.B. 3 of the 28th (2014) Special Session, that amount was approaching $30 million per year, but will be capped at a maximum of $5 million per year effective January 1, 2016. He said the $5 million credit will be prorated amongst all of the companies who are eligible to receive it.

Mr. Nakamoto said the Fiscal Analysis Division's forecast for the IPT started on page 75 (Exhibit E); however, the members were directed to page 79 (Exhibit E) to view the baseline forecast that did not include adjustments for the ACA. He said the forecast is a regression equation that models IPT quarterly collections per statewide employee as a function of personal income per employee and single-family existing home sales per employee, as well as a seasonal component. Mr. Nakamoto said the regression equation is based on the quarterly IPT collections and does not include the other categories shown on page 79 (Exhibit E). He said separate forecasts are generated to get to this particular forecast, and then several adjustments are made to achieve the final forecast. Mr. Nakamoto directed the members to the FY 2015 forecast (highlighted in yellow) and pointed out the prior fiscal year's tax of $3,311,350, which was a late payment that should have been credited back to the fourth quarter of FY 2014, but instead showed up in the first quarter of FY 2015. He said the regression equation moved that $3.3 million back to where it was supposed to be, then he ran the model, took the $3.3 million back out and put it in the category displayed in the table on page 79 (Exhibit E). He said the large growth rate in the last quarter of FY 2015 was the result of this particular adjustment. He explained that the second adjustment made was in respect to the home office credit, and based on the information provided by the Department of Taxation, an estimate of $12.5 million was applied to FY 2016 because two quarters of FY 2016 followed that effective date, and the full $25 million was applied in FY 2017. Those increases in revenue are a result of lowering that home office credit. He said this is something that will be closely monitored, with respect to his forecast, between now and December to see if adjustments need to be made. He said currently, the $12.5 million and $25 million are fairly preliminary.

Mr. Nakamoto recalled a comment made by Chairman Wiles at the Economic Forum meeting held May 1, 2013, with respect to the uncertainty revolving around the IPT revenue source and the pending effective dates of the ACA. He said forecasts made at that time included assumptions that both the individual mandate and the employer mandate would become effective January 1, 2014. He conveyed that the individual mandate became effective; however, the employer mandate did not and the Obama Administration decided to push certain portions off until calendar years 2015 and 2016.

Mr. Nakamoto said in an effort to take into account the effective dates for the employer mandate and to determine how those dates will effect premium tax collections, the Fiscal Division generated the five tables illustrated on page 80 (Exhibit E). He explained that current law states, effective January 1, 2015, any business that has at least 100 full-time equivalent (FTEs) employees are required to offer health insurance to at least 70% of their full-time employees. He clarified that the requirement would not apply to any business that had between 50 and 99 FTEs until January 1, 2016, and at that time, 95% of those employees, including their dependents, had to be offered health insurance or penalties would be enforced.

Mr. Nakamoto recalled a presentation made by the Silver State Health Exchange and the Division of Insurance (DOI) at the Economic Forum's October 17, 2014, meeting, and said effects were reported relative to the individual mandate. He said the effects of the individual mandate had been primarily to reduce the amount of people who were actually carrying health insurance and to increase the people who now qualify for Medicaid. He said there are some Medicaid payments to the Managed Care Organizations (MCO) that are subject to the IPT, which may be reflected in the actual collections seen in the first couple of quarters of calendar year 2014. Mr. Nakamoto referred back to the tables on page 80 (Exhibit E), and said upon generating the tables, an assumption was made that a certain segment of the population was uninsured, and that those uninsured would get picked up as a result of the employer mandate beginning in calendar year 2015. The assumptions were that 40% of those uninsured would become insured in calendar year 2015, and then increase to 45% insured in calendar year 2016 and 50% insured in calendar year 2017. He further explained that an average premium cost of approximately $3,500 per year was applied, which came from DOI's estimates for calendar year 2014, and was multiplied by the number of additional insured, and then multiplied by the 3.5% tax rate to get estimates for the portion of the premium tax forecast that would be generated as a result of the employer mandate. Mr. Nakamoto also assumed that there would be growth in premiums. He noted that in the Forum's October 17, 2014, meeting, Adam Plain, DOI, said premiums were looking flat, but the number of insured were going down; however, the end result showed that premiums were going up. Mr. Nakamoto alluded to TABLE 5 on page 81 (Exhibit E), and stated the net increase in IPT collections is forecast at approximately $9.7 million in FY 2015 (for the first two quarters of calendar year 2015); $20.7 million in FY 2016; and $23.1 million in FY 2017. He said the addition of those net increases to the baseline forecast produces the final forecast, which reflects growth of 8.6% in FY 2015; 11.8% in FY 2016; and 9.5% in FY 2017 (page 82, Exhibit E).

Mr. Nakamoto noted that the Fiscal Division's FY 2015 forecast is approximately $1.8 million higher than their forecast presented to the Economic Forum on May 1, 2013, and $1.8 million higher than the Economic Forum's FY 2015 forecast for this revenue source. He said the growth rates for IPT collections in FY 2016 and

FY 2017 are higher due to the home office credit adjustment. He added, if the $12.5 million was eliminated in FY 2016, then the growth rate would be 7.4% instead of 11.8%, and if the $25 million was eliminated in FY 2017, then the growth rate would have only been 5.8%.

Mr. Leavitt made reference to the people who will be receiving insurance as a result of the employer mandate. He asked what percentage of those people already hold a personal policy and will be dropping it once the mandate takes effect.

Mr. Nakamoto said that component of movement was not taken into account, and he was not sure if individuals being added as a result of the employer mandate were already insured. He said the Fiscal Division focused on the aggregate movement from uninsured to insured, and believe there is going to be a net increase in the population of the currently insured. For example, the data in TABLE 1 (page 80, Exhibit E), shows that in calendar year 2014, it is estimated that approximately 60.8% of Nevadans under age 65 have coverage that is not Medicaid or some other public program. Mr. Nakamoto said that number is expected to increase to approximately 65.9%, which takes into account all of the movement.

Mr. Leavitt said there were fairly substantial differences between the forecasts from the Budget Division, Fiscal Division and Agency in FY 2017. He asked what was causing that difference.

Mr. Nakamoto could not speak for the other presenters, but said the IPT applied to more than healthcare, such as premiums relative to automobile, homeowners, life, etc. He said the key driver of the forecast is economic outlook relative to both employment and wages, and as the economy improves, people will make more purchases that require insurance.

Mr. Maddox referenced TABLE 5 (page 81, Exhibit E), Estimated Additional Revenue Increases By Quarter. He asked if the combined total of all three fiscal years (approximately $50 million) was based on assumptions of uninsured people becoming insured. Mr. Nakamoto concurred.

Mr. Maddox said if the $50 million was not included in the Agency's analysis, then the Agency's forecast would be the same. Mr. Nakamoto said he believed that would be the primary difference between the two forecasts.

Mr. Maddox asked about the Home Office Tax Credit, and if it was looked at by all the forecasters. Ms. Maser said the Department of Taxation did take the home office credit into account. Ms. Powers said the Budget Office did not consider the home office credit in their current computations, but will include it in their forecast at the Economic Forum's December 3, 2014, meeting.

Ms. Rosenthal observed that the Budget Division's forecast had a difference of $100 million, of which the home office credit is worth $30 million, which put the Fiscal Division's forecast up by $70 million.

Mr. Maddox asked if the difference was made up of $50 million from the uninsured coming in over the biennium and $37 million from the home office credit. Mr. Nakamoto said he thought that was correct.

Mr. Leavitt said it would be helpful if the three agencies could meet and outline their forecast differences prior to the December 3, 2014, Economic Forum meeting.

Mr. Nakamoto replied that the forecasts are produced separately, and that the forecasters do not collaborate. Mr. Nakamoto said the largest downside risks relative to his forecast was the economic forecast, with a significant portion relative to wages and employees, along with whether the Obama Administration decides to extend the implementation of the employer mandate. He said he hoped to have a clear idea regarding the employer mandate by the December 3, 2014, meeting, so that adjustments could be made accordingly.

Chairman Wiles implied that the timing of the employer mandate has been an issue since the ACA passed. He said with the many moving parts and components to the guidelines, and because so much is left up to various departments and others to implement and determine, that this particular area of forecasting has been complex. Chairman Wiles implied that additional clarity pertaining to the employer mandate was probably not in the close future, and that a tremendous amount is left to interpretation for the next Congress in Washington to address. He said he was not asking for collaboration amongst the forecasters, but it would be helpful if the individual forecasters laid out the reason for their differences while going through the review process in an effort to help expedite the process of approving a forecast at the Forum’s December 3, 2014, meeting.

Chairman Wiles asked if insurance premiums increased nationally.

Mr. Nakamoto said he could not speak about national premiums; however, based on discussions with Adam Plain from the Insurance Division, recent data shows there has been an increase in health insurance premiums in Nevada.

Chairman Wiles asked if there was an increase in deductibles. Mr. Nakamoto said he could not answer that question with any certainty.

Chairman Wiles asked if a deductible paid to a health care provider was taxed. Mr. Nakamoto did not believe the deductible effected the amount of tax that would be paid relative to the premium itself. Chairman Wiles observed that Mr. Guindon was shaking his head “no”, and said he assumed that meant tax revenue would not be generated from payment of a deductible. Mr. Nakamoto replied, as far as he knew, the tax is only applied to the premium itself.

Chairman Wiles implied that the higher the deductible, the less revenue is generated because that component is not taxable. He said it would be interesting to know if the deductible has risen, and indicated that a substantial increase would have an impact.

Mr. Nakamoto replied that, to his knowledge, the movement of the deductible would have no impact whatsoever, and that the tax would change based on if the premium changed.

Mr. Maddox said the point of the issue is that as the employees pay more of the burden of health care, the premiums paid by the employer go down, and as cost-shifting occurs the insurance premiums decrease. He said that is why Nevada is up 3% in premiums, because there was major cost shifting.

Mr. Nakamoto agreed.

E. Modified Business Tax

Mr. Guindon explained that the Modified Business Tax is broken down by nonfinancial and financial institutions. He instructed the forecasters to present them individually, prior to moving on to the next forecaster.

Sumiko Maser, Deputy Director, Department of Taxation

Ms. Maser said with nonfinancial institutions, the MBT is reported by Nevada taxpayers. The institutions take a deduction on health care from their gross wages to obtain taxable wages and apply a two-tiered rate to the taxable wages. She said tier 1 imposes a 0.0% tax rate up to $85,000 in taxable wages, and tier 2 imposes a 1.17% tax rate on the remaining taxable wages. She reported that the two-tiered rate system is set to sunset, effective July 1, 2015, and the tax rate will go back to a flat 0.63% on all taxable wages, which eliminates the tiered system. Ms. Maser directed the members to page 5 (Exhibit F), and explained that she did a regression analysis on the gross wages, going back to FY 2007, and then took the health care deductions and applied the same analysis, which generated the implied taxable wages (page 6, Exhibit F). Ms. Maser said based on the past year's tiered structure, an effective rate of 0.89% was applied to the FY 2015 forecast, whereas in FY 2016 and FY 2017 the tax rate of 0.63% was applied to those taxable wages. Ms. Maser forecast a growth rate of 6.2% in FY 2015 ($383 million); a reduced rate of -32.4% in FY 2016, because of the change in the tiered structure; and 3.2% growth between FY 2016 and FY 2017.

Mr. Maddox asked if the $85,000 in taxable wages was per individual unit or per business. Ms. Maser said it was per business.

In regard to the MBT forecast for the financial institutions, Ms. Maser said the historical revenues have remained flat; therefore, her aggression analysis was applied to the historical revenues and forecasted into the future, which resulted in 4.1% growth rate in FY 2015 and 0.7% growth in both FY 2016 and FY 2017.

Chairman Wiles asked what time series was used by the Department of Taxation when producing their forecast.

Ms. Maser said she used a 10-year timespan to forecast the financial portion of the MBT, and noted that no major impacts in revenue were detected during the recession. She explained that she did not want to take into account large growths or dips, prior to the recession, when forecasting other revenues.

Chairman Wiles asked what the MBT rate was for financial institutions, and Ms. Maser replied that it was 2%.

Relative to the MBT – Financial, Chairman Wiles observed a substantial drop from the second quarter to the fourth quarter in FY 2014, a decline of $8 million to $5 million. He asked if she was concerned with that trend and expected it to bounce back or if she thought it was seasonal. He said that a linear regression can be done assuming the historic relations are going to remain the same, but the last two data points showed a significant drop. He asked if a shift occurred, and advised Ms. Maser to pay close attention to that dip. He said a longer time series can be used to mask the impact of a structural shift.

Ms. Maser said she would review the data prior to the next forecast meeting in December.

Chairman Wiles referred to the General Fund revenues chart on page 8 (Exhibit F), and asked if the blue line represented the actual revenues that are coming into the state. Ms. Maser replied that the blue line represented the General Fund revenues.

Ms. Rosenthal asked to clarify if the blue line represented tax revenues from the MBT, and Ms. Maser confirmed it was revenue from the MBT, financial institutions.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers said her computations for nonfinancial institutions MBT are based on the nonfinancial sector wages forecast, which is largely driven by employment, and includes a computed employment population ratio for Nevada to account for the slack in the labor market. She indicated that growth in the MBT for nonfinancial institutions is primarily driven by wage growth. She said the assumption for allowable deductions for health insurance is 8.0%, based on five years of historical data. Ms. Powers estimated that approximately 80% of wages are subject to the $85,000 wage threshold in FY 2015, based on FY 2014 quarterly taxes and data. She said after deducting the allowable health care deductions and applying the 1.17% tax rate to taxable wages above the $85,000 threshold in FY 2015, the estimate is 4.8% growth over FY 2014. In FY 2016 and FY 2017, the tax rate sunsets to a 0.63% rate applicable to all nonfinancial taxable wages; therefore, in FY 2016, tax collections are projected to decline by 29.2% over FY 2015. Ms. Powers said, because of the sunset in law, FY 2017 projections represent a 5.1% increase in collections over FY 2016.

Ms. Powers said the computations applied to the MBT financial sector are based on a wages forecast. The wage forecast model is largely driven by employment, but also includes the computed employment population ratio to account for the slack in the labor market. She said growth in MBT for financial institutions is primarily driven by growth in employment and wages. Almost 7% is deducted from the wages for health care expenses based on a 5-year average, and after deducting the health care expenses, the remainder is taxed at 2%. Collections are projected to increase by 2.2% in FY 2015; increase 3.1% in FY 2016; and increase 3.9% in FY 2017.

Mr. Leavitt asked what the estimated difference in MBT revenue would be between now and when the employer mandate goes into effect.

Ms. Powers responded that FY 2014 did not show much change in the historical relationship; therefore, she did not change her model.

Mr. Leavitt assumed that with the employer mandate, the employer will get a heath care deduction for the MBT, which will cost the state revenue.

Ms. Powers said she will reconsider how much impact the employer mandate might have on health care expenses when preparing her forecast for the Forums' December 3, 2014, meeting.

Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Reel said the Fiscal Division's forecast for the MBT for nonfinancial institutions starts on page 87 (Exhibit E), but referred the members to page 92, TABLE 2B. He said the first column represents the actual wage and salary disbursements reported by the Bureau of Economic Analysis. The last actual reported wage growth in FY 2014 was 5.4% in total wage growth on top of 3.1% in FY 2013. Based on assumptions for employment and wages, the Fiscal Division forecasts total wage growth to increase 5.7% in FY 2015, and grow 7.0% in both FY 2016 and FY 2017. Mr. Reel said the Fiscal Division's employment forecast is based on DETR's employment and reflects continuous growth in the nonfinancial sector by 3.3% in FY 2015; 4.1% in FY 2016; and 4.0% in FY 2017. Included in that forecast are assumptions for the average wage per employee. He pointed out that the actual wage growth in FY 2014 was 2.0%, and although Bill Anderson said wage growth was lagging, the Fiscal Division's forecast shows the average wage per employee increasing from roughly $45,000 per year to $49,000 per year by the end of the forecast, based on wage per employee assumptions. The annual growth rates are projected to be 2.3% in FY 2015; 2.7% in FY 2016; and 2.9% in FY 2017. He said those rates slightly outpace the rate of inflation, and forecast inflation adjusted annual wage growth at 0.3% in FY 2015; 0.5% in FY 2016; and 0.3% in FY 2017 for nonfinancial wages.

Mr. Reel directed the members to the Fiscal Division's forecast on page 93 (Exhibit E), with focus on the column labeled Nonfinancial Taxable Wages Actual and Forecast. He drew attention to the 2.6% taxable wage growth in FY 2013 and 3.9% growth in FY 2014. The Fiscal Division forecasts growth rates for nonfinancial wages at 5.7% in FY 2015 and 7.0% in the out-years.

Turning to MBT collections for nonfinancial institutions, Mr. Reel pointed out a decline of 0.6% in FY 2014 ($361 million). He said although wages grew by 3.9%, collections dropped by 0.6%. This decline in collections was due to the tax change that went into effect in FY 2014 relative to the revised tax structure in the wage exemption threshold ($85,000). In FY 2013, the wage exemption was at $62,500; therefore, an additional portion of the tax base was exempt in FY 2014, roughly causing a 2% decline in the total taxable wages. He pointed out the average effective tax rate in FY 2013 was 0.987%, and dropped to 0.945% in FY 2014. Mr. Reel said the same effective tax rate was carried through in his forecast for FY 2015, growing by 5.7% ($381.7 million), and was revised for the remaining forecast due to the tax structure changing back to .63%, to show a negative 28.7% ($272.1 million) in FY 2016 and growth of 7% ($291.3 million) in FY 2017.

Referring again to TABLE 2C on page 93 (Exhibit E), Mr. Reel explained the columns shaded in grey show adjustments for amnesty collections and other one-time factors in the nonfinancial sector. He said those adjustments are backed out before growth rates are applied; however, there has not been a one-time event occur since FY 2012, so that table was irrelevant at this time. The columns on the far right of TABLE 2C are used to show historical changes in the tax structure over time.

Mr. Reel switched his focus to actual and forecasted wages and employment relative to the MBT and the financial sector (page 102, Exhibit E). He said the financial drivers behind the Fiscal Division's financial forecast was wage disbursements. In FY 2014, actual wage growth was 4.6% on top of a 7.9% growth in FY 2013. The financial sector supports a stronger wage growth; therefore, the Fiscal Division forecast total wages to grow by 3.5% in FY 2015; 4.6% in FY 2016; and 4.5% in FY 2017. He said his employment assumptions based off of DETR's forecast included 1.8% growth each year. Mr. Reel said the strongest sectors relative to employment in this area include finance and insurance and real estate; however, the DETR forecast considered the real estate portion, but not the finance and insurance sector.

Mr. Reel quoted the Fiscal Division's average wage assumptions at 1.6% growth in FY 2015; 2.7% growth in FY 2016; and 2.6% growth in FY 2017. He said the forecast shows wages running below inflation in the FY 2015, slightly above inflation in FY 2016, and keeping up with inflation in FY 2017.

Moving to the MBT forecast for financial institutions on page 103 (Exhibit E), relative to financial taxable wages and the collections, Mr. Reel pointed out that the last actual data reported for FY 2014 showed a decline of 0.6% in taxable wages with collections up 1.8%. He directed the members to the shaded columns on the right hand side of TABLE 3C (page 103, Exhibit E), and explained there were amnesty issues (reporting issues) in terms of what information was provided to the Department of Taxation from FY 2009 to FY 2014 (bolded data). Mr. Reel summarized that an additional $380,000 was deposited in FY 2013 that made FY 2014 look weaker. The financial taxable wages listed in the grey shaded area showed growth of 8.7% in FY 2013; 1.1% in FY 2014; 3.5% in FY 2015; 4.6% in FY 2016; and 4.5% in FY 2017. In regard to collections, Mr. Reel quoted the Fiscal Division's forecast in FY 2015 reflected 0.2% growth at $23.8 million. He said although the MBT is a 2% tax, the average affected tax rate has been running over 2.1%, which he did not think was normal; therefore, his forecast is based off a 2.085% effective tax rate. The Fiscal Division's forecast shows growth of 0.2% ($23.8 million) in FY 2015, 4.6% ($24.9 million) in FY 2016, and 4.5% ($26 million) in FY 2017.

Chairman Wiles asked how a 2% tax can be charged at more than 2%.

Mr. Reel explained that audits and late payment penalties can make an impact. He directed Chairman Wiles' question to Sumiko Maser, Department of Taxation, for further clarification. Ms. Maser confirmed that late filers pay a penalty and interest, which increase revenue.

F. Real Property Transfer Tax

Sumiko Maser, Deputy Director, Department of Taxation

Ms. Maser explained that Real Property Transfer Tax (RPTT) is a tax on the transfer of real property, and is collected by the County Recorder and reported to the Department of Taxation. The only real data received by the Department of Taxation is related to the number of total transfers, both taxable transfers and transfers that are exempt from taxation. She said the total taxable transfers between FY 2013 and FY 2014 remained flat; however, revenues increased by 9.1%, which implies that the price of property had increased (pages 9 and 10, Exhibit F). Ms. Maser said the method used for forecasting the RPTT revenues was a linear regression analysis, using data from the third quarter of FY 2009. She forecast growth of 5.8% in FY 2015; 4.3% in FY 2016; and 4.1% in FY 2017.

Chairman Wiles described Ms. Maser's forecast as "bullish," because it indicated a 30% increase in RPTT between FY 2010 and FY 2016. He asked if she was comfortable with that forecast. He observed the bump that occurred in the last couple of years, and hoped that it was not a case where a couple of outlier points drove a significant increase in the slope. He said the challenge with linear regression is that a couple of outliers, especially on a shorter time series, have a big impact on the forecast.

Mr. Leavitt relayed the RPTT can be significantly impacted by an individual sale of a huge piece of commercial real estate or a mass sale of bank owned properties.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers said her forecast is estimated with a simple econometric model. She said home prices have been decelerating, investment properties are snatched up, and houses are becoming less affordable. She said her outlook for wage growth is not strong enough to support robust growth in the housing sector in the near-term, and home permits are trailing at levels seen in the 1980's. The recent trend in permits is not expected to increase because the population outlook has flattened and loan qualification for a mortgage is difficult. Additionally, relative to loan approval, she said banks like to see a steady job history, which is a challenge for many new-hires.

Ms. Powers said her model forecasts home sales based on the Case-Schiller price index for Las Vegas, single-family permits for Nevada, and existing single-family home sales in Nevada. Additionally, home sales data is used to forecast real property transfer tax. Ms. Powers forecast RPTT collections to increase by 4.3% in FY 2015; 6.3% in FY 2016; and 9.3% in FY 2017, due to growing employment. Currently, lending standards are tight. To put lending standards into context, Ms. Powers noted that Ben Bernanke (former Chairman of the Federal Reserve) could not get his home refinanced. She expect to see some easing in the lending standards by 2017.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Nakamoto referred the members to the Fiscal Division's forecast for the RPTT on page 111 (Exhibit E). He said the only information he can get regarding the RPTT is related to where it is collected and for how much, as well as the transfers that occur. Without having the entire picture, the Fiscal forecast primarily looks at the residential side of the real estate market. Mr. Nakamoto referenced the actual historical data and forecasts for single-family home sales in Nevada to show history going back to the first quarter of calendar year 2000 (page 18, Exhibit E), CHART 9A - LEVELS. The chart shows upward and downward shifts, primarily driven by the recession and investors purchasing REO's, foreclosures, and bank owned properties. Information provided by Dennis Smith, Homebuilder's Research, Inc. (Southern Nevada) and Brian Bonnenfant, University of Nevada, Reno, was used in Fiscal's forecast to project the housing market. Mr. Nakamoto said the Fiscal Division projects the market to level off or possibly come back slightly.

Mr. Nakamoto touched on new single-family home completions, and said they mimicked the same pattern as single-family home sales (page 20, Exhibit E). He said building activity was occurring in Nevada; however, it was nothing like what was seen in the beginning of the last decade.

Mr. Nakamoto acknowledged his forecast for the Case-Shiller House Price Index for Nevada, used as his price variable. Prices are expected to flatten out in the near-term, backed by anecdotal evidence out of Clark County. He said the Las Vegas Sun printed an article reporting that median home prices were expected to drop below $200,000 in Las Vegas. The Las Vegas Review Journal reported that Signature Homes was offering homes in the Solano Terrace Development at below $150,000. Mr. Nakamoto said it was unknown if other homebuilders are going to follow suit, but it made him wonder just how much downward pressure there will be on pricing, at least in the near-term.

Continuing, Mr. Nakamoto presented his forecast for RPTT (page 112, Exhibit E). He explained that he used a regression equation that models seasonally adjusted RPPT collections on a quarterly basis as a function of the variables that he previously addressed. He explained forecasted collections in the third quarter of calendar year 2014 ($15,924,000) was based on information obtained from the State Controller's Office, and at the time his forecast was presented, 15 of the 17 counties had reported their first quarter RPPT collections. Lincoln and Mineral counties were assumed to account for approximately $10,000 worth of additional collections, but their actual collections amounted to $13,000; therefore, the Fiscal Division's forecast on December 3, 2014, will increase by $3,000. Mr. Nakamoto said a reassessment of the housing market could also result in adjustments to the forecast. The Fiscal Division RPTT forecast is stronger than the other forecasts, reflecting growth of 8.9% in FY 2015; 7.6% in FY 2016; and 8.0% in FY 2017.

Mr. Nakamoto called attention to page 113 (Exhibit E), CHART 1 – RPTT, a chart of historical collections. He said the RPTT revenue sources date back to the fourth quarter of calendar year 2003, represented by the blue line. Prior to that a RPTT rate of $0.65 was collected by the local governments for the benefit of local governments, and was distributed to the local governments for the consolidated tax distribution.

Mr. Nakamoto said the housing bubble manifested in FY 2004, and the General Fund received $88 million from the RPTT. In later years, the General Fund received $148.7 million in FY 2005; $164.8 million in FY 2006; and $120.4 million in FY 2007. He mentioned that a dissimilar pattern in growth rates was observed from the third quarter of 1998, when the rates started to rise, and a pattern similar to that timespan was included in his forecast. He said "price" was the primary driver in his forecast for the near-term. He explained that home prices have been increasing at levels that are significantly higher than they were one or two years ago, and with prices leveling off, homes will be more in demand.

Chairman Wiles asked if there were estimates of shadow inventory held by banks, specifically statistics regarding the number of foreclosures.

Mr. Nakamoto responded that he did not have information pertaining to shadow inventory, nor Its movement; however, there was information available with respect to the notices of default that are filed by the banks, because there is a fee that is imposed and deposited into the State General Fund. It was unknown as to how many of those defaults actually turn into foreclosures and go through the foreclosure process.

Ms. Lewis added that shadow inventory is tracked by the number of houses that do not have connection to water or power, which was thought to be around 30,000. She said she did not know if anyone could speculate what the banks were going to do with those houses.

Mr. Nakamoto mentioned that risks in the Fiscal Division's forecast pertaining to housing activity and housing prices depended on their general economic outlook. He said if his assumptions did not come to fruition, such as higher paying jobs and lower lending standards, then his forecast becomes a risk. Mr. Nakamoto pointed out there is also a resource risk, and that Northern and Southern Nevada are constrained by water, with severe drought conditions. He said if drought conditions worsen, there could be a dampening effect on new construction or cause an impact on migration to the area.

IX REVIEW AND DISCUSSION OF FORECASTS OF MINOR GENERAL FUND REVENUES FOR FY 2015, FY 2016, AND FY 2017 APPROVED BY THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) AT ITS OCTOBER 29, 2014, MEETING.

Mr. Guindon reported that the Technical Advisory Committee on Future State Revenues (TAC) met Wednesday, October 29, 2014, and that Bill Anderson, Chairman of the TAC, was in attendance at today's meeting to answer any questions. He clarified that staff for the Economic Forum are also staff to the TAC.

Continuing, Mr. Guindon directed the members to TABLE 5 on page 115 (Exhibit A). He said the table listed some of the larger minor General Fund revenue sources and the different forecasts by the Agency, which could be the Department of Taxation or the Secretary of State or another Executive Branch agency that collects that revenue source, such as the Treasurer's Office that manages unclaimed property. He noted that the Technical Advisory Committee line is the consensus that the Forum adopted.

Mr. Guindon referenced page 117 (Exhibit A), TABLE 6, the actual consensus forecast that was approved by the TAC at their meeting on October 29, 2014. He discussed the Net Proceeds of Minerals Tax (NPMT) revenue forecast, specifically the sunsets regarding prepayment and health care deductions. Effective FY 2016, the NPMT will be based on the preceding calendar year versus the current prepayment method. Mr. Guindon explained that calendar year 2015 is being taxed in FY 2015 under the estimated basis, but in FY 2016, the law will require to tax calendar year 2015 as actual proceeds, which could require a true-up. He said in FY 2017, the tax payment will be based on actual proceeds for calendar year 2016. Due to the forecast error that occurred in FY 2014, and the issue related to over payments and credits, the forecast is now $26.4 million.

Mr. Guindon explained that the Department of Taxation, the Budget Office and the Fiscal Analysis Division generated independent forecasts that were put into a table to allow the members of the TAC to see the common elements of each forecaster's forecast. Those elements included the price of gold, the production level and the net to gross ratio. He said the TAC received presentations by staff from the various forecasters who prepared and deliberated those forecasts, and today the members of the Forum are seeing an average of the forecast, prepared by the Fiscal Analysis Division and the Department of Taxation. Mr. Guindon pointed out that Barrick Gold representatives met with staff from the Department of Taxation, the Fiscal Analysis Division and the Budget Office twice since the June 2014 meeting, and prior to the forecast prepared for the TAC's October 29, 2014, meeting. Those representatives presented their outlook for some of Barrick Gold's mining operations in Nevada. He said the meeting content was confidential and could not be discussed at meetings relating to the TAC or the Economic Forum. He said the outlook included reports relative to the world gold market and Barrick Gold's projections on gold prices, and that the information was taken into account by the forecasters when producing their forecasts. He noted that Barrick Gold makes up approximately 45% to 50% of the gold production in Nevada.

Mr. Maddox acknowledged that he was absent from the Economic Forum's October 17, 2014, meeting; therefore, he missed the mining presentation. He asked if public record showed what itemized deductions could be taken relative to the NPMT.

Mr. Guindon replied he was not aware of any public record. The NPMT is the one tax that is reported by gross and net income, by mine; therefore, it would allow insight to the gross amount of deductions, but not itemized deductions. He said the deductions are specified by statute and are clarified as necessary in regulations. Mr. Guindon noted that it was difficult to estimate the health care deduction, and that it had not been allowed until 2009.

Mr. Maddox asked if an income statement existed that identified gross revenues.

Mr. Guindon said there probably was, and he called Terry Rubald, Department of Taxation, to the table. He redirected the question to Ms. Rubald.

Mr. Maddox asked if it was possible to see some type of income statement that shows gross, less expenses, net, etc.

Terry Rubald, Deputy Director, Division of Local Government Services, conveyed that her department is charged with the administration of the NPMT. She confirmed that the taxpayers report by line item for each type of deduction, and she could provide the Forum with a summary by deduction type; however, she was concerned about releasing individual taxpayer reports.

Mr. Maddox responded that he would never want individual taxpayer reports. He thought the summary Ms. Rubald offered would be helpful in an effort to see what the leverage is on the price of gold, fixed expenses compared to the revenue line.

Ms. Rubald said that was referred to as the gross ratio. She said around 2012, the net to gross ratio was about 43% and Taxation's forecasts were projecting about 24% at that time. The net gross ratio depended on the quality and grade of the gold being mined.

Mr. Maddox offered an example, and asked if $100 gross today equaled $24 net. Ms. Rubald concurred. Mr. Maddox thanked Ms. Rubald for offering the summary.

Mr. Guindon said those assumptions were built into the forecasts prepared by the different forecasters, and that the net to gross ratio was in the 23% to 25% range over the forecast horizon.

Mr. Guindon referred the members to page 117 (Exhibit A), TABLE 6, ECONOMIC FORUM – GENERAL FUND REVENUE FORECAST. He said the Governmental Services Tax (GST) will only be forecast for FY 2015, but not for FY 2016 and FY 2017 because of a sunset. He explained that the Business License Fee looks similar to the MBT, where it declines in FY 2016 and comes back in FY 2017, because it is currently a $200 fee that will drop to $100, effective FY 2016.

Mr. Guindon explained the forecast review process prior to submittal to the TAC. He said the Executive Branch agencies responsible for collecting Minor General Fund revenue sources remit a forecast to the Budget Office and Fiscal Analysis Division, where they are reviewed by Budget and Fiscal divisions for reasonableness, accuracy, and conformance to changes in law. Those forecasts are then brought forward to the TAC meeting where they are reviewed.

Ms. Rosenthal made reference to TABLE 6 (page 119, Exhibit A), GL 4794, GST Commissions and Penalties/DMV. She observed that a forecast is referenced in FY 2015, but not forecasted previously or post. She asked if that was due to a legislative tax that only applies for one year.

Mr. Guindon confirmed that the tax applied to FY 2015 only. He said there was no money for FY 2014 so, under the law, it will not be utilized in FY 2016 and FY 2017 as a General Fund revenue source.

In closing, Mr. Guindon said a lot of the Minor General Fund revenue sources probably will not change much, but explained that staff will verify data from the Controller's Office, relative to the forecast, to determine if a true-up is required due to additional postings. He said the next TAC meeting is scheduled for November 26, 2014, and forecasts from that meeting will be brought forward to the Economic Forum for consideration at the December 3, 2014, meeting. The Economic Forum body can either approve or adjust those forecast as they feel necessary.

X. INSTRUCTIONS TO TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) CONCERNING THE NEXT MEETING.

Mr. Guindon said forecasting instructions to the Technical Advisory Committee on Future State Revenues will not change relative to forecasting Minor General Fund revenue sources.

Mr. Guindon said he will work with Chairman Anderson to finalize the agenda for the next TAC meeting.

XI. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

Mr. Guindon confirmed that the next Economic Forum meeting is scheduled for December 3, 2014, at 9:00 a.m. He said he will work with Chairman Wiles to finalize the agenda, and have it approved by the Legal Division and posted under the open meeting law. He reminded the members of the narrow window between now and the December 3, 2014, meeting, taking into consideration the processes leading up to and after the November 25, 2014, TAC meeting and preparation for the December 3, 2014, Economic Forum meeting. He said the electronic meeting packet may arrive just prior to the meeting.

XII. PUBLIC COMMENT.

There was no public comment at either location.

XIII. ADJOURNMENT.

The meeting was adjourned at 3:30 p.m.

Respectfully submitted,

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Judy Lyons, Committee Secretary

APPROVED:

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Ken Wiles, Chairman

Date:______________________________

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

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

December 3, 2014

The meeting of the Economic Forum (created by Senate Bill 23, 1993) was held at 9:00 a.m. on Friday, December 3, 2014, in room 4100 of the of the Legislative Building, 401 South Carson Street, Carson City, Nevada, with videoconference to room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada.

ECONOMIC FORUM MEMBERS PRESENT IN LAS VEGAS:
None

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

ECONOMIC FORUM MEMBERS ABSENT:
None

STAFF:
Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division
Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division
Susanna Powers, Economist, Budget and Planning Division, Department of Administration
Judy Lyons, Committee Secretary, Fiscal Analysis Division

EXHIBITS:

Exhibit A	Meeting Packet and Agenda
Exhibit B	Gaming Revenue Forecast for FY 2015-17, Gaming Control Board
Exhibit C	Economic Forecast, Executive Budget Office
Exhibit D	Fiscal Analysis Division Forecast Information Packet
Exhibit E	Economic Forum Projections, Department of Taxation
Exhibit F	Net Proceeds of Minerals Deductions – cy 2013, Department of Taxation **(DISTRIBUTED BUT NOT DISCUSSED)**
Exhibit G	Report to the Governor and the Legislature on Future State Revenues, December 3, 2014
Exhibit H	TABLE 8, Major General Fund Revenue Forecasts for FY 2015, FY 2016 and FY 2017

I. ROLL CALL

Chairman Ken Wiles called the meeting of the Economic Forum to order at 9:10 a.m., and the secretary called roll. The members were present at the meeting in Carson City.

II. OPENING REMARKS AND OVERVIEW OF THE ECONOMIC FORUM.

Chairman Wiles stated the purpose of this meeting was to provide updates to the Economic Forum forecasts, under existing law, and to pass those updates along to the Governor and the Legislature.

Before moving to the next agenda item, Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided an explanation of the meeting materials, including the Economic Forum meeting packet, the Fiscal Analysis Division Forecast Information Packet, and presentations from the Executive Budget Office, the Gaming Control Board and the Department of Taxation. He acknowledged a submittal by Terry Rubald, Department of Taxation, that references allowable deductions relative to net proceeds of minerals, per the request of Mr. Maddox at the November 7, 2014, Economic Forum meeting. Lastly, Mr. Guindon informed the members that TABLE 8, Major General Fund Revenue Forecasts for FY 2015, FY 2016 and FY 2017 was provided inside the meeting packet (Exhibit A) as well as a separate handout (Exhibit H) because it would be frequently referenced throughout the meeting.

Mr. Guindon pointed out that the meeting materials were available in hard copy at meeting locations in Carson City and Las Vegas, as well as on the Legislative Counsel Bureau website. Mr. Guindon noted additional materials prepared for the meeting were available on the website, and may be referenced during the meeting.

III. PUBLIC COMMENT

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

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

Mr. Guindon stated the historical taxable sales and gaming market statistics are updated before each Economic Forum meeting. He said the tables included data received through September 2014, reported by the Department of Taxation, and an additional month of gaming numbers that were released by the Gaming Control Board in November 2014. He said the charts will not be addressed at this time, but can be viewed on the Legislative Counsel Bureau website.

V. REVIEW AND DISCUSSION OF PRELIMINARY FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FY 2015, FY 2016, AND FY 2017.

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

F. Real Property Transfer Tax

Chairman Wiles instructed the forecasters to present their forecast and highlight any significant deviations or material modifications that were made to their November 7, 2014, forecast.

Mr. Guindon made a brief statement in reference to the Report to the Governor and the Legislature on Future State Revenues, December 3, 2014 (Exhibit G). He conveyed that the report was written and subsequently provided to the members for review on Tuesday, December 2, 2014. He informed the members that any comments or changes that needed to be made to the report could be discussed during the meeting, which would allow staff to make the corrections and expedite the process for approval of the Forum's forecast report. Mr. Guindon said forecasts approved by the members will be updated in a table and presented to the members for final review. The table, approved by the members, would then be attached to the Report to the Governor and the Legislature on Future State Revenues, which would be sent to the Governor and the Legislature.

Beginning the discussion of the major General Fund Revenue forecasts, Mr. Guindon conveyed that the major General Fund revenue sources will be discussed in order of Agenda Item V, and will be presented in the order of Agency, Budget Division and Fiscal Division. He reiterated Chairman Wiles' request to highlight any new information or changes that were made to the November 7, 2014, forecast.

A. GAMING PERCENTAGE FEE TAX

Mike Lawton, Senior Research Analyst, Nevada Gaming Control Board

Mr. Lawton pointed out that the Gaming Control Board (GCB) forecast for the Gaming Percentage Fee Tax (PFT) revenue was revised slightly since November 7, 2014; however, there were no occurrences that necessitated any major adjustments or changes. Mr. Lawton said the GCB incorporated the October 2014 gaming win numbers into their model used to generate the December 3, 2014, forecast. He stated that gaming win decreased by 4.3% in October 2014 compared to a 2.6% decrease in October 2013. The October 2014 numbers reflected a slight increase in slot win of approximately 0.7% and an 11.8% decrease in gaming table win, which was driven by a 33.1% decrease in baccarat. Mr. Lawton reported that the corresponding PFT collections for November 2014 increased by 9.5%, or $5.8 million.

The increase in collections was due to a $1.4 million increase in collections from percentage fees on taxable gaming revenue and a $4.4 million increase in the estimated fee adjustment. Mr. Lawton said the results demonstrated the variance that can occur between the monthly gaming revenue numbers and the PFT collections, because of the interaction of credit play and the estimated fee adjustment. Mr. Lawton indicated that after the October 2014 results were entered into the GCB models for FY 2015, the state's total win forecast decreased by approximately 0.3%, which led to the GCB's forecast of approximately $11.2 billion in gaming win (slot win and games win combined). He said slot win increased by 0.2%, reflecting 0.7% growth totaling approximately $6.7 billion, and games win decreased by approximately 1.0%, reflecting 1.1% growth totaling approximately $4.5 billion. He said fiscal year-to-date, total win is down 0.2%; slots are up 0.9%; games and tables are down 2.1%; and baccarat is down 1.7%.

To summarize FY 2015, Mr. Lawton said the GCB is forecasting total game win to increase as follows: statewide to increase 0.8%; Clark County to increase 0.75%; the Las Vegas Strip to increase 1.4%; and the combined Las Vegas locals gaming market to increase approximately 0.3%. Mr. Lawton said the last seven months of FY 2014 compared to the last seven months of FY 2013 reflected a 2.4% increase for total win; a 1.0% decrease in slot win; and a 7.6% increase in games win, with baccarat showing a stout 14.6% increase.

Moving to the PFT revenue forecast for FY 2015, Mr. Lawton said the GCB projected an increase of 0.7%, totaling $687.2 million in collections, which was revised from the projection of $687.1 million reflected in the November 7, 2014, forecast (Exhibit H). Mr. Lawton said in order to achieve the GCB's FY 2015 forecast, the average growth rate required over the last seven months of FY 2015 is an increase of 0.8% (page 21, Exhibit A). To further expand, the GCB is facing a 1.1% growth rate for the last seven months of FY 2014 compared to the last seven months of FY 2013. Mr. Lawton said the GCB forecasts gaming win to increase in FY 2016 as follows: 2.4% growth in statewide gaming win, totaling approximately $11.5 billion; 2.3% growth in Clark County; 3.0% growth on the Las Vegas Strip; and 1.5% growth in the Las Vegas locals market. He said the corresponding percentage fees for those gaming win projections are forecast to grow 2.8% totaling $706.6 million in FY 2016; increase 3.5% totaling $11.9 billion in FY 2017; and grow 3.3% to $730 million in total tax collections.

In conclusion, Mr. Lawton said he expected increased visitation; increased international visitors; increased convention attendance; increased customer balance sheets, both locally and domestically; increased construction employment; and gradual national economic recovery. He said baccarat revenue growth is projected to blend in with medium-end slot play and table game play.

Mr. Leavitt observed that several months ago the PFT collections and games win were reflecting positive monthly growth; however, there were consistent declines over the last four months. He questioned the reason for the drop, and asked why the GCB forecast games win and collections to increase over the next two years.

Mr. Lawton replied that prior to the decline, five straight monthly increases in gaming win were reported, and baccarat was on the upswing. However, the last three consecutive months reflected decreases in baccarat win, and the last two months faced tough comparisons relative to table game hold, game win and the volume of play. Mr. Lawton said discussions with operators on the Las Vegas Strip communicated confidence relative to continued average growth in baccarat, and signaled no indication that China's poor economy would flow through to the Las Vegas market. He said events that were occurring domestically and locally were driving the GCB's forecast, such as job growth, declining gas prices, and growth in construction employment. Mr. Lawton thought the GCB forecast was fairly conservative.

Mr. Leavitt commented that the General Fund revenue forecasts in total were unusual, and noted they all showed consistent increases except for the PFT. He said although Mr. Lawton thought the estimates for growth were conservative, the slight growth that the GCB is forecasting represented a turnaround compared to what the last several months reflected.

Mr. Lawton added that customers are spending less on gaming and more on food, beverage, rooms, and entertainment.

Mr. Maddox asked how much of the 2.8% growth in PFT revenue projected between FY 2015 and FY 2016 was attributable to the domestic side of the market versus baccarat play. He asked if the GCB forecast reflected flat growth for baccarat over the next couple of years. He asked how much growth was attributable to the U.S. economy versus the baccarat market.

Mr. Lawton replied the GCB forecast baccarat win to increase approximately 0.6% in FY 2015; grow 1.5% in FY 2016; and grow 3.0% in FY 2017.

Mr. Maddox asked if the balance of the forecasted growth was a combination of table games and slots. Mr. Lawton concurred.

Mr. Maddox commented that baccarat was slow in October 2014; however, New Year's bookings at the Wynn Las Vegas was showing a strong number of visitors coming from the Far East. He said he cannot forecast what gaming will be like in FY 2015, but in the next 45 days, the high-end baccarat market was looking good.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers referred the members to the Executive Budget Office (EBO) Economic Forecast (Exhibit C). She explained that the forecast is econometrically driven, but adjustments are made when appropriate. She said the forecast results are presented in nominal levels, and the variables measured in dollars are inflation adjusted per the Consumer Price Index (CPI) to avoid price fluctuations that can distort data and underlying real growth. She noted that inflation is expected to range from 1.7% to 2.6% over the forecast horizon. Ms. Powers said her forecast modeled the change rather than the level in order to achieve stationary regression results, because non-stationary time series produces unreliable and spurious results. The econometric model is based on tourism and hospitality related activity that makes up approximately 60% of the state's tax revenue, and is driven by visitor volume, which is dependent on the health of the national and world economy. She said the average visitor comes to Nevada with a fixed budget; therefore, the model incorporates how much visitors are likely to spend and the amount of activity that trickles down to the businesses and the overall economy. To further clarify, Ms. Powers moved to page 3 of her handout to illustrate the idea behind the sequence for the model equation (Exhibit C). She explained that primary economic variables taken from Moody's Analytics' U.S. and World economy forecasts are used to derive the Las Vegas visitor volume, which in turn affects the gaming drop and related retail activity on the Las Vegas Strip. Furthermore, gaming and retail sectors impact employment, which in sequence funnel dollars into retail, entertainment and gaming, also referred to in her model as "locals activity."

Ms. Powers referenced the graph on page 5 (Exhibit C), Visitors. She said Las Vegas visitor volume is estimated based on U.S. employment; world GDP; dollars spent on recreation, measured by personal consumption expenditures on recreation; the number of rooms in Las Vegas; and the number of states with casinos. She indicated there were no changes made to the EBO's November 7, 2014, forecast relative to visitor volume or employment, and that steady growth is expected in visitor volume over the next three fiscal years. She said state employment is a function of visitors, gaming, and construction, and noted that moderate acceleration is anticipated in payroll employment. Ms. Powers modeled PFT collections as a function of visitors; the number of other states with casinos; dollars spent on recreation; and growth in the number of rooms on the Las Vegas Strip, which was a proxy for opening new casinos. She referred to the graph on page 9 (Exhibit C), and pointed out that PFT collections had a flat to moderate trend since the economic recovery began in FY 2011. She explained that data showed improvement in the national economy, which in turn contributes to PFT collections and the probability of an additional positive estimated fee adjustment; therefore, the EBO made a slight adjustment to the PFT revenue forecast. However, the EBO's outlook is that visitors will continue to spend more on nongaming activity, such as shows, party pools and retail, and will siphon dollars that would traditionally go to gaming. Ms. Powers forecast the PFT collections to improve 0.4% in FY 2015; improve 1.0% in FY 2016; and increase 1.1% in FY 2017. She said downside risks to the forecast were relative to weak economies in the Euro market, China, Brazil, India and Japan, and domestically, an early rate hike by the Federal Reserve would negatively impact wage growth and discretionary spending.

Mr. Maddox recalled his suggestion at the November 7, 2014, meeting to pull baccarat out of the model, because in his opinion baccarat was not dependent on all of the metrics assumed in the EBO forecast. He said if baccarat was considered flat, then the other metrics would hold true for slots and tables. Mr. Maddox said regional gaming numbers were decimated over the last 12 to 18 months, and found it encouraging that the Isle of Capri (mid to low-end regional gaming company) recently reported a 10% rise in gaming, with incremental slot play. He thought this trend served as a good indication for the mid to lower-tier Las Vegas Strip properties in terms of slot win and basic table win, and felt the market was stronger than what the EBO forecast. He reiterated that baccarat was difficult to forecast and needed to be isolated.

Ms. Powers clarified that the EBO model isolated baccarat play; however, it was added to the slot and table win forecast using a simple trend. She clarified that slots and tables were clumped together in the forecast. Ms. Powers said the EBO could look into recalibrating their model in the future.

Chairman Wiles said from an econometric standpoint, although basic table games and slots were slightly different, the underlying processes and variables that drive baccarat were very different. He agreed with Mr. Maddox that baccarat should not be included in the model.

Mr. Maddox asked if the EBO forecast assumed a decline in baccarat because of the world economy, specifically in China. He said he was surprised by the EBO forecast of 1.0% revenue growth in FY 2016, because the U.S. economy reflected strong auto sales, an increase in consumer spending, and pressure on wages. He thought growth in the mid-level market would be stronger than 1.0%.

Responding to Mr. Maddox, Ms. Powers said she did not forecast a decline in baccarat, and that it actually showed a slight positive trend.

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

Regarding general information pertaining to the Fiscal Divisions economic overview, Mr. Guindon referred the members to TABLE 8 (Exhibit H). He said the Fiscal Division made slight revisions to their forecasts in FY 2015, FY 2016 and FY 2017 based on an additional month of collections reported by the Gaming Control Board. He said the division had not changed its outlook for employment since the November 7, 2014, forecast; therefore, the slides in the front of the Fiscal Analysis Division's packet (Exhibit D) showed the same results for both October and November of 2014. He said the outlook was aligned with the employment forecast provided by Bill Anderson from the Department of Employment, Training and Rehabilitation. Mr. Guindon highlighted the following growth rates forecast by the Fiscal Division:

1. Nevada Total Employment: the division forecast growth at 3.0% in FY 2015 and approximately 3.7% to 3.6% in FY 2016 and FY 2017, respectively. Moody's Analytics projected the CPI to grow 1.4% in FY 2015; 1.9% in FY 2016; and 2.5% in FY 2017.

2. Nevada Average Wage Per Employee: the division forecast the wages per employee to outpace inflation, growing 2.0% in FY 2015, 2.4% in FY 2016 and 2.7% in FY 2017.

3. Wages Salary Growth: the division forecast growth at 5.0% in FY 2015, 6.2% in FY 2016 and 6.4% in FY 2017. Mr. Guindon noted the nonwage portion was also expected to increase over the forecast horizon and slightly outpace inflation.

4. Total Personal Income: the division forecast growth at approximately 4.0% in FY 2015, 5.0% in FY 2016 and 5.3% in FY 2017.

5. Visitor Growth: the division forecast increases of 2.0% in FY 2015, 1.5% in FY 2016 and FY 2017.

Moving to PFT collections, Mr. Guindon referred the members to page 35 of the Fiscal Analysis Division Forecast Information Packet (Exhibit D), TABLE 1B. He drew attention to slot win for FY 2015, and pointed out its 0.8% growth from FY 2014. He then dropped down the page and highlighted the information reported fiscal year-to-date, with five months of collections. Below that, he explained the remainder of the fiscal year section of the table and growth needed to meet the FY 2015 forecast for each of the variables shown in the table.

To address a question introduced earlier in the meeting by Mr. Leavitt, Mr. Guindon guided the members to page 34 (Exhibit D), TABLE 1A. He pointed out that historical slot win from FY 2008 to FY 2014 had not been positive; however, current statewide, regional and national data led him to believe that Nevada hit the bottom of the slot market, and positive growth rates should resume. He said the division forecast slot win to grow 0.8% in FY 2015; grow 0.9% in FY 2016; and grow 1.1% in FY 2017. With the most significant growth in the forecast related to game win, an adjustment was made to reflect 0.3% growth in game win for FY 2015 versus the 2.9% growth represented in the November 7, 2014, forecast. The Fiscal Division model assumes that Clark County, Washoe County and the remainder of the state are three separate markets, and looks at the slot side and the game side separately for each of those three markets. Mr. Guindon said baccarat is not removed from the model; however, it is scrutinized in regard to total table games, because that is where growth is expected versus slot win. Referring back to TABLE 1B (page 35, Exhibit D), Mr. Guindon pointed out that games win is down 2.1% through the first five months of FY 2015 compared to being up 2.3% the first five months of FY 2014. In order to hit the games win forecast for FY 2015, an average 2% growth would be required over the remaining seven months compared to an average of 7.6% growth in FY 2014. Mr. Guindon said table games on average, apart from baccarat, are hovering at a flat level; however, baccarat is driving the games side and is projected to do very well in December and January 2015. He said in spite of baccarat's volatility, the house is expected to win, on average. The game of Baccarat is difficult to forecast because it is a high credit game with unknowns relative to discounted credit and timing as to when the credit will be collected; therefore, Mr. Guindon did not feel it was unreasonable to average 2% growth for the remaining seven months in FY 2015 against the 7.6% growth required over the remaining seven months in FY 2014.

Mr. Guindon said the first quarter of FY 2015 produced the lowest Taxable Gaming Revenue (TGR) to win ratio ever seen, averaging 89%, and indicated credit was a factor. However, the TGR win ratio in October and November of 2014 was over 100%, and when that number was carried through the forecast it brought the average collections over the first five months back to previous levels, which prompted the division's adjusted forecast. Mr. Guindon found it interesting that lowering the games win forecast slightly caused the TGR to win ratio to drop slightly; however, the percentage fees from TGR did not change much. He said the division's December 3, 2014, forecast shows the PFT collections from TGR in FY 2015 are growing 1.3% against the 0.8% from FY 2014, and are up 0.7% against the 2.2% year-to-date, with five months of collections. In order to hit the FY 2015 forecast, PFT collections would need to average 1.7% against the -0.1% average in FY 2014, over the last seven months of FY 2015 (page 35, Exhibit D).

Regarding the Estimated Fee Adjustment (EFA), Mr. Guindon said the result of the year-to-date PFT collections over five months led him to believe there would be growth in the remaining months of FY 2015. He said with the slight negative EFA in his forecast for FY 2015, the difference in collections over the remaining seven months of FY 2015 still resulted in a net of approximately -$6.6 million compared to the last seven months in FY 2014. Mr. Guindon indicated there would barely be any growth, on average, in total PFT collections in FY 2015 against an average of 1.1% a year ago in FY 2014. He noted total percentage fees, with five months of collections in FY 2015, are up 0.6% compared to -0.4% year-to-date with five months of collections in FY 2014.

Mr. Guindon reiterated that the Fiscal Division's December 3, 2104, forecast took into account one additional month of PFT collections and analysis of October and November gaming activity, including baccarat. Historically, baccarat play was stronger in December, January and February, but now it is played year-round, which can spread the risk over time. As an example, baccarat play that occurs late in FY 2016, with regards to credit, would not benefit PFT collections until the credit was satisfied in FY 2017.

Mr. Maddox observed that all of the forecasters used different models to generate their forecasts, such as direct communication with the operators, econometrics and regional forecasts. He realized history was not the best indicator of what the future holds, but thought it would be helpful to refer back to forecasts presented at the November 30, 2012, Economic Forum meeting for the previous biennium. He wanted to know whose forecast came closest to actual collections.

Mr. Guindon replied Moody's Analytics had the lowest percentage forecast error, while the other forecasters were in the 2.1% to 2.2% error range.

Mr. Lawton added that statewide coin-in and slot volume increased three of the last four months, and the Las Vegas Strip experienced six consecutive increases and one decrease in slot volume in calendar year 2014.

Chairman Wiles implied the Las Vegas Strip is doing better than the rest of the state; however, potential growth has been identified statewide. He summarized that baccarat has done well and was expected to excel over the next 45 to 60 days, and that regional properties were benefiting from the Las Vegas Strip overflow. He said although baccarat is extremely volatile in terms of prediction error, he felt reasonably comfortable with the other core gaming components. He asked the forecasters if that was a reasonable summary. Mr. Lawson concurred.

Regarding the econometric forecast, Chairman Wiles asked Ms. Powers if she was using real estimates when making adjustments to data for inflation.

Ms. Powers replied all variable figures in dollars were inflation adjusted in the EBO forecast. She said the forecast was in real terms, and inflation was added to the model forecasts to obtain the nominal forecast presented to the Forum.

Chairman Wiles summarized his understanding of the Budget Division's methodology when forecasting PFT revenue. He said the EBO used actual numbers, then removed inflation during the econometric analysis, and then added inflation back to get the final forecast results. Ms. Powers concurred.

Mr. Leavitt said his negative outlook relative to the PFT revenue forecast for the 2015-17 biennium was countered by discussions including lower gas prices, slot growth, and positive observations made by Mr. Maddox. He thought a slightly higher forecast may take some of the risk out of the highly volatile market for baccarat.

Chairman Wiles recalled conversations made with gaming operators and software companies, and said a concern relative to slot games is load balancing the floor. He said with client servers and other technologies, a property is likely to load balance the floor better to avoid overload of any single machine and to obtain a better yield. He said technology is making an impact in the gaming market and is achieving better utilization.

Mr. Guindon concurred, adding that the switch to multi-game devices started about ten years ago and made a significant change to slots. He clarified that the statistical gaming charts created by the Fiscal Division are based on boxes and devices; not the number of slot games available to players. He said when forecasting, the coin-in per unit, win per unit or hold percentage could no longer be calculated per box, because the product relative to slots was much different today.

Mr. Maddox said multi-game devices is unfortunate for slot machine manufacturers because it requires less boxes to be purchased and gives more content to the consumer. Mr. Maddox stated mid-level properties in Las Vegas will probably outperform their previous historical trends because of the lower gas prices and better economy; therefore, he felt the Budget Division's forecast was too conservative. He voiced confidence in baccarat activity and held comparisons to other tax bases that projected growth between 4% to 6% across the board, outside of the sunsets. Mr. Maddox did not think PFT would differ much from Live Entertainment Tax (LET) or some of the other major General Fund revenue sources.

Mr. Guindon stated for the record that he sent Moody's Analytics the latest collections information, and asked Dan White and Greg Bird if they wanted to submit revised forecasts. After evaluating the additional month of collections and the current economic conditions, Moody's Analytics decided not to make any changes; therefore, their December 3, 2014, forecast did not change from their November 7, 2014, forecast.

Ms. Rosenthal said she agreed with Mr. Maddox, and thought the Budget Division's forecast was slightly too conservative. She cautioned placing too much emphasis on lower gas prices, stating the lower prices felt temporary. World economy issues were also a concern. Ms. Rosenthal cited encouragement in positive trends seen across the board, including gaming, which prompted her recommendation to adopt the Gaming Control Board's forecast for FY 2015, FY 2016, and FY 2017. She came to her decision by eliminating the most conservative and aggressive forecasts, and going with the most aggressive of the remaining two.

Chairman Wiles recalled the November 7, 2014, meeting, stating that he asked each presenter to convey their single biggest risk factor relative to their forecast. He said the number one factor, receiving 100% unanimity, regarded the interest rates and how the Federal Reserve policy and national monetary policy effected consumer spending decisions across the country, ultimately affecting Nevada. Chairman Wiles stated it appeared there would be no significant changes for the next two years in that regard; therefore, by eliminating that concern and considering underlying fundamentals (e.g. gas prices), he felt reasonable comfort relative to growth opportunities.

Ms. Lewis classified herself as "guardedly optimistic," and agreed with the Agency's forecast.

> MS. ROSENTHAL MOVED THAT THE ECONOMIC FORUM ADOPT THE AGENCY'S REVENUE FORECAST FOR THE GAMING PERCENTAGE FEE TAX OF $687.213 MILLION FOR FY 2015, $706.620 MILLION FOR FY 2016 AND $730.012 FOR FY 2017. THE MOTION WAS SECONDED BY MR. MADDOX.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

For the record, Chairman Wiles clarified the motion was to adopt the December 3, 2014, forecast presented by the Agency.

In regard to the forecasts for the Live Entertainment Tax revenue, Mr. Guindon directed the members to TABLE 8 (Exhibit H), a comparison of December 3, 2014, and November 7, 2014, forecasts, by forecaster, and to TABLE 9 (page 22, Exhibit A), a comparison of average growth required over the remainder of FY 2015 to achieve the FY 2015 forecast.

B. LIVE ENTERTAINMENT TAX – GAMING

Mike Lawton, Senior Research Analyst, Gaming Control Board

Mr. Lawton reported that the Gaming Control Board forecast for Live Entertainment Tax revenue slightly increased since the November 7, 2014, forecast. He said the October 2014 LET collections equated to $11.1 million, which was an 8.9% decrease from October 2013. Along with facing a difficult comparison of 19% for October 2013, there were two large music festivals that occurred in Las Vegas. Mr. Lawton implied that people who attend a three-day music festival are less likely to attend hit shows, and are more likely to go to nightclubs. With the latest numbers incorporated into the

GCB model, along with a new shows assumption estimate, an upward adjustment of 1.0% was made to the previous LET forecast, resulting in a decrease of 3.3% in FY 2015, with $134.6 million in collections. He explained that in order to achieve the FY 2015 forecast, the required average growth over the last eight months of FY 2015 is -1.7%. He noted the growth rate over the last eight months of FY 2014 compared to the last eight months of FY 2013 was 8.9%. Mr. Lawton forecast the LET revenue to grow 2.1% in FY 2016 with $137.5 million in collections, and grow 2.5% in FY 2017 with $140.8 million in collections.

Mr. Lawton attributed the difficult comparisons in FY 2015 to a lack of new shows, a series of cancelled shows by a popular Las Vegas headliner, and nontaxable entertainment venues. Anecdotal discussions with operators implied the nontaxable venues were impacting some of the later shows and taking away from the traditional taxable live entertainment venues. Mr. Lawton indicated that the new shows are being hosted in forms of music festivals, including Route 91, Life Is Beautiful, and Rock In Rio. However, because those shows are not on gaming property, they are considered non-taxable. Mr. Lawton said the GCB's revised forecast anticipates softer comparisons in FY 2016 because of a new show coming on board, along with increased utilization of a larger venue on the Las Vegas Strip. He said FY 2017 will benefit by the opening of the MGM - AEG Arena.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers stated that the Budget Division's LET revenue forecast is driven by visitors and employment, and accounted for the impact from the locals. She said the Case-Shiller Price Index and S&P 500 Index serve as a proxy to reflect household balance sheets and consumer propensity to spend. Ms. Powers said the Budget Division forecast reflects an approximate 2% downward revision compared to the November 7, 2014, forecast, based on actual collections received year-to-date. The LET collections were forecast to decline 2.9% in FY 2015; grow 3% in FY 2016; and grow 4.3% in FY 2017. Ms. Powers said her outlook was supported by the opening of the MGM - AEG Arena in FY 2016, and her belief that entertainment plays a strong hand in the gaming industry's bottom line; therefore, she felt the casinos will continue to incorporate new shows that will generate nongaming revenue. She noted the Hard Rock Hotel Casino, Lake Tahoe, is scheduled to open in early 2015, and that heavy focus will be placed on entertainment throughout the year. The downside risks to her forecast are based on global economy and possible rate hikes by the federal government.

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

Mr. Guindon said the LET revenue forecast began on page 51 (Exhibit D), but directed the members to page 52 (Exhibit D) to review historical LET collections compared to forecasts for the 2015-17 biennium. He said his model is based on the visitors forecast, inflation, and inflation adjusted collections per visitor, but not in an econometric fashion. Mr. Guindon directed the members to TABLE 8 (Exhibit H), and pointed out the upward revision made in the Fiscal Division's December 3, 2014, forecast of approximately $1.0 million in FY 2015. This revision reflected -2.3% growth compared to the -3.0% growth forecast in November 7, 2014, along with a $1.5 million upward revision in FY 2016 and a $1.6 million upward revision in FY 2017. In regard to percentage growth rates, FY 2016 received a slight upward adjustment, but there was no change in FY 2017.

Mr. Guindon stated that he was informed at the November 7, 2014, meeting that the Wynn Las Vegas was opening a new show on December 16, 2014; therefore, that information was not included in the Fiscal Division's November 7, 2014, forecast. This information was the driver for the upward revision in LET revenue forecast, dated December 3, 2014, along with the outlook on the economy. He said the model used in his revised forecast took into consideration the occupancy rate, the price of the show, and the number of shows scheduled, and were adjusted to reflect "cannibalization" that would take away from other shows in Las Vegas. Mr. Guindon said there was fluctuation in LET revenue between FY 2008 and FY 2013, but acknowledged it may have been impacted by shows rather than the economy. He said this revenue source came back strong in FY 2014 because of the quality of the shows, and will decline in FY 2015 because of the lack of shows. A stronger economy, positive factors relative to the gaming percentage fees, and the additional month of collections reported by the Gaming Control Board were all factors that spurred the December 3, 2014, revised forecast. Mr. Guindon said knowing that LET collections were down 6.1% through the first four months of FY 2015, compared to 14% year-to-date in FY 2014, -0.3% growth is required over the last eight months of FY 2015, compared to the 8.9% growth in FY 2014, in order to achieve the FY 2015 forecast (page 22, Exhibit A).

Mr. Leavitt said he was inclined to go with the Fiscal Division's LET revenue forecast for FY 2015, FY 2016, and FY 2017. He noted that the Fiscal Division's forecast was close to the Agency's forecast, but slightly higher in the out-years.

Ms. Rosenthal agreed with Mr. Leavitt's inclination. She said if one new show or one extra month's data was all it took to create an upside, then she was comfortable with the Fiscal Division's forecast, even though the Fiscal Division had the highest forecast in all three fiscal years.

Mr. Maddox pointed out that the Las Vegas properties are shifting toward hosting 20,000 to 30,000 person outdoor festivals, which are located off the property and are nontaxable. He said he was comfortable with the Fiscal Division's forecast; however, he thought it could be stronger based on the current shows and the new product coming online within the properties.

Ms. Lewis stated she was less optimistic, and although the growing number of festivals would probably hurt the LET revenue source, she weighed in the future MGM-AEG Arena contribution to the revenue stream. Ms. Lewis stated she was comfortable with the Fiscal Division's forecast.

Mr. Lawton added that the MGM-AEG Arena will open the end of FY 2016, so LET collections will be captured in FY 2017.

Chairman Wiles questioned if the shift to outdoor festivals would cannibalize the existing shows or bring new people into the live entertainment market.

Mr. Guindon said those were good observations, which were considered in the Fiscal Division's December 3, 2014, forecast. He said repetitive festivals, such as the Electric Daisy Carnival, are built into the consumption cycle and thus cause the differentiation between taxable events and nontaxable events. He said the new shows, such as Rock In Rio, are at the margin and would likely cause possible substitution effects.

> MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL DIVISION'S REVENUE FORECAST FOR THE LIVE ENTERTAINMENT TAX OF $135.893 MILLION FOR FY 2015, $140.473 MILLION FOR FY 2016 AND $145.721 MILLION FOR FY 2017. THE MOTION WAS SECONDED BY MS. LEWIS.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

For the record, Chairman Wiles clarified that the Economic Forum approved the Fiscal Division's December 3, 2014, LET revenue forecast for FY 2015, FY 2016, and FY 2017.

In regard to the forecasts for the State 2% Sales Tax revenue, Mr. Guindon directed the members to TABLE 8 (Exhibit H), a comparison of December 3, 2014, and November 7, 2014, forecasts, by forecaster, and to TABLE 9 (page 21, Exhibit A), a comparison of average growth required over the remainder of FY 2015 to achieve the FY 2015 forecast.

C. STATE 2% SALES TAX

Sumiko Maser, Deputy Director, Department of Taxation

Ms. Maser directed the members to page 2 of her handout (Exhibit E), Sales & Use Tax. She said revisions were made to the State 2% Sales Tax revenue forecast to include monthly and quarterly tax filings for the period of September 2014, which reflected statewide taxable sales of $4.2 billion at a 4% growth rate when compared to September 2013. Currently, there was 51 months of continuous taxable sales growth. Ms. Maser stated the Department of Taxation (Taxation) worked with the Economics Department at the University of Nevada, Reno, in an effort to better capture recent growth rates. She explained that the Economics Department included the September 2014 filings when they reran Taxation's internal regression models, using the assumption that both models were accounting for strong and continued growth in taxable sales. The results were as follows: 6.2% growth in FY 2015 compared to growth of 4.8% (November 7, 2014, forecast); 6.2% growth in FY 2016 compared to growth of 4% (November 7, 2014, forecast); and 5.9% growth in FY 2017 compared to growth of 3.5% (November 7, 2014, forecast).

Concluding, Ms. Maser explained that the model used in the November 7, 2014, forecast did not capture the growth appropriately; therefore, the models were revised, which created the significant increase in Taxation's forecast.

Mr. Leavitt asked if there were any industries reporting decreases in taxable sales. He asked how the construction industry was doing.

Ms. Maser replied the top ten industries that make up approximately 50% to 60% of Nevada's taxable sales are all showing strong increases. She said taxable sales specific to the construction industry does not reflect smooth growth; however, an increase is expected over the long-term.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers said employment, gaming drop and retail activity are tightly linked in the econometric model used by the Executive Budget Office to develop the sales tax revenue forecast. She explained her model assumes that a typical visitor comes with a fixed budget, of which a growing portion is spent on nongaming activities. Furthermore, the gaming portion of that budget is captured by gaming drop, which has a negative coefficient with the estimated retail sales. The nongaming portion of the budget is captured by using national retail sales as a proxy for what an average visitor spends in Nevada. She said the model also includes Nevada employment and income, which accounts for the impact from the locals. Ms. Powers said the EBO's December 3, 2014, forecast for State 2% Sales Tax revenue reflects growth of 6.9% in FY 2015; 5.7% in FY 2016; and 5.9% in FY 2017.

Mr. Leavitt felt the State 2% Sales Tax was the largest General Fund revenue source to forecast, and was given assurance when he saw the small variation between the forecasts.

Mr. Maddox observed the high growth rates included in the forecasts. He said 6% plus growth, compounded, would generate significant revenue for the state.

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

Mr. Guindon said the Fiscal Division's State 2% Sales Tax revenue forecast started on page 61; however, he directed the members to page 63 (Exhibit D) to review fiscal year historical collections. Mr. Guindon stated the Fiscal Division's December 3, 2014, forecast was revised since their November 7, 2014, forecast. He described his forecast methodology, stating it is based on an econometric equation that uses quarterly taxable sales on an inflation adjusted per employee basis. He said the December 3, 2014, forecast modeled personal income per employee, visitors per employee, construction employment per employee, vehicle registrations per employee, and construction employees per employee to capture the different segments that drive taxable sales. He said gaps occurred between taxable sales and the State 2% Sales Tax collections, which was due to tax abatement awards granted by the state, such as the Renewable Energy Tax Abatement program. Mr. Guindon said a large gap occurred between State 2% Sales Tax collections and statewide taxable sales in September 2013, with collections growing slower. However, in September 2014, that trend reversed and statewide taxable sales were up approximately 4% and collections were up over 7%. He reiterated that abatements generate taxable sales, but do not generate tax collections, which made him think the gap could still be wider than what was forecast in November 2014; therefore, he increased the gap between taxable sales and collections, which dropped the growth in revenue in FY 2015 by 0.3% totaling an approximate $2.4 million difference between forecasts. Compared to the November 7, 2014, forecast, the growth rate in FY 2016 stayed the same at 5.9% and the rate in FY 2017 increased to 5.5% (an increase of 0.1%). Mr. Guindon clarified the December 3, 2014, forecast was only revised due to the additional month of tax collections, and not because of changes to the economic outlook or changes in the equation.

Mr. Guindon directed his focus to historical charts relative to the 17 major NAICS categories that represent approximately 83% of total taxable sales in Nevada. He said when comparing the first quarter of FY 2015 (July through September) and FY 2014 (July through September), the major NAICS categories were up 5.8%, while the NAICS that make up the remaining 17% of total taxable sales were up 6.4%. Mr. Guindon said that during the recession, taxable sales in Clark County retracted and increased significantly in some of the rural areas because of the renewable energy projects and mining activity. However, that trend is changing and Clark County and Washoe County are showing stronger numbers as the economy improves, with year-to-date data showing growth across all of the different industry sectors.

Mr. Guindon directed the members to page 63 (Exhibit D), TABLE 1, Taxable Sales and State 2% Sales Tax collections Forecast for FY 2015, FY 2016, and FY 2017. He remarked on the robust revenues this tax has generated over the years, yet it only applied to tangible personal property, which did not include food. He acknowledged the Tesla project, and stated that Storey County has already seen growth in taxable sales. Although the abatements impact sales tax collections, the companies benefiting from those abatements are generating jobs, which will indirectly effect the area and the state. Mr. Guindon expanded on the casino projects in Clark County and explained how they will generate taxable sales and sales tax collections from the purchases of the construction materials, and also create jobs. He said the forecasts generated by the Fiscal Division relative to employment, wages, and personal income make him more comfortable with the division's December 3, 2014, State 2% Sales Tax revenue forecast of 5.5% to 6% growth every year over the forecast horizon. He noted the charts relative to taxable sales and collections per employee on a nominal inflation adjusted basis and per visitor on a nominal inflation adjusted basis also made him more comfortable with his forecast.

Chairman Wiles observed that Moody's Analytics' forecast for State 2% Sales Tax revenue was significantly higher than the other forecasts, whereas the other forecasts were very close.

Mr. Maddox asked for the hindsight analysis again from November 30, 2012, forecasts. He commented that in FY 2015, taxable sales will surpass the $49 billion reported in FY 2007. He pointed out that FY 2017 collections are forecast to reach $56 billion, and compared to FY 2007, that was a compound growth rate of 1.2% over the decade. He noted that timeframe included the recession.

In response to Mr. Maddox, Mr. Guindon stated the FY 2014 forecasts made November 30, 2012, by the Economic Forum, Department of Taxation, Fiscal Division, Budget Division and Moody's Analytics were all very close. He said the Economic Forum's forecast was the clear winner when looking at the one-year ahead forecast, and based on the average error. He said the two-year ahead forecasts got decimated because of the recession, and in the current year forecast, there was not a lot of variance between the average error and the average absolute error.

In closing, Mr. Guindon acknowledged the forecast error tracking tables produced by the Fiscal Division. He said they are a lot of work, but are very useful for tracking the forecasts compared to actual collections. He said the error percentages will come down as the state's economy recovers from the recession.

Ms. Rosenthal remarked on how close the forecasts were. She felt presentations made November 7, 2014, and December 3, 2014, indicate positive growth and a brighter economy. She implied more projects were coming to Nevada that have yet to be announced. She said a lot can happen over the biennium, but taking into account the input received from the presentations, coupled with the approach of reviewing prior forecast errors by forecaster, were reasonable factors on which to base a forecast. Ms. Rosenthal noted the Budget Division historically produced a low forecast error relative to State 2% Sales Tax revenue forecasts, and even though their forecast is slightly higher than the others, she proposed considering the Budget Division's forecast for State 2% Sales Tax for FY 2015, FY 2016 and FY 2017.

Mr. Leavitt concurred.

> MS. ROSENTHAL MOVED THAT THE ECONOMIC FORUM ADOPT THE BUDGET DIVISION'S DECEMBER 3, 2014, REVENUE FORECAST FOR THE STATE 2% SALES TAX OF $995.792 MILLION FOR FY 2015, $1,052.885 BILLION FOR FY 2016 AND $1,115.375 BILLION FY 2017. THE MOTION WAS SECONDED BY MR. LEAVITT.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

D. INSURANCE PREMIUM TAX

Sumiko Maser, Deputy Director, Department of Taxation

Ms. Maser explained that the graphic on page 4 of the presentation material, State of Nevada Department of Taxation Economic Forum Projections (Exhibit E), was created to help the Economic Forum visualize the Insurance Premium Tax and how it was calculated. She explained that insurance providers reported premiums to the Department of Taxation (Taxation). The premiums were taxed at a 3.5% tax rate, and the insurance companies were allowed deductions for a home office credit and a guarantee offset. Actual tax due was calculated by deducting these two offsets.

Ms. Maser said the following three factors were considered in the forecast:

1. Activity from Managed Care Organizations (MCOs): These organizations contract with the state to provide Medicaid services. Insurance Premium Tax payments were collected on a large number of Medicaid enrollees at the first part of the calendar year.

2. Cap on the Home Office Credit: Historically, businesses took deductions of approximately $30 million. Assembly Bill 3 of the 28th Special Session (2014) places a cap of $5 million on the home office credit, effective January 1, 2016. This puts $25 million directly back into the General Fund.

3. Employer Mandate: The employer mandate was scheduled to take effect January 1, 2015. This factor was not considered in Taxation's November 7, 2014, forecast for the Insurance Premium Tax. Taxation forecast an increase in insurance premiums based on these internal assumptions and what had been reported from businesses.

Ms. Maser said, considering the three factors and historical revenue data, Taxation revised its forecast upward to growth of 8.7% in FY 2015, compared to the November 2014 forecast of 8.6%; 7.9% in FY 2016 compared to the November 2014 forecast of 6.8%, and 7.3% in FY 2017 compared to the November 2014 forecast of 6.3%.

In summary, Ms. Maser said Taxation's forecast for the Insurance Premium Tax revenue was increased to take into consideration the employer mandate, which was not considered in the November 2014 forecast.

Mr. Nakamoto explained that the Insurance Premium Tax forecast for Taxation shown on TABLE 8 (page 18, Exhibit A) also included an amount between $9 million and $10 million for Insurance Premium Tax revenue collected by the Insurance Division of the Department of Business and Industry that was specifically related to surplus lines insurance.

Susanna Powers, Chief Economist, Executive Budget Office

Ms. Powers said that the Executive Budget Office changed its methodology for the Insurance Premium Tax collection (page 15, Exhibit C). The biggest change was due to the inclusion of Assembly Bill 3 of the 28th Special Session (2014), which reduced the amount of the home office tax credit for insurance companies. She explained, under the previous methodology, the tax base changed based on population growth, and the estimated impact from the newly insured due to the Affordable Care Act (ACA) was added. The new methodology also included the reduction in home office tax credit and a factor that accounted for overall growth in the insurance industry stemming from an improving economy. She said the overall Insurance Premium Tax collections would benefit from increasing business creation and property and casualty collections.

Ms. Powers said the Executive Budget Office revised forecast for the Insurance Premium Tax revenue was 8.1% for FY 2015; 5.4% for FY 2016; and 5.8% for FY 2017. She noted the reduction in the home office tax credit might encourage some insurance companies to relocate out of state, which could affect the net gain in Insurance Premium Tax revenue. She said there was uncertainty as to how the ACA would affect buying habits over the next fiscal years. She did not consider any impact from the employer mandate, which she would discuss in more detail in her presentation of the Modified Business Tax (MBT) forecast.

Ms. Powers said data from the Department of Employment, Training and Rehabilitation (DETR) indicated that in 2016, the employer mandate would affect about 2% of Nevada firms employing more than 100 workers. She said Kaiser Foundation research indicated that 99% of large firms already offered health care coverage. That was why she did not think the 2015 mandate would have a large impact on revenue collections. She noted the 2016 employer mandate would affect about 4% of Nevada companies employing more than 50 workers. There were about 2,000 firms of this size in Nevada, which represented 2.6% of Nevada companies. She said there would probably be some effect, but it would be negligible.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Nakamoto said that the Fiscal Analysis Division's forecast for the Insurance Premium Tax was shown on page 75 of the Fiscal Analysis Division Forecast Information Packet (Exhibit D), and the actual forecast was on page 79.

Mr. Nakamoto explained that the Fiscal Analysis Division forecast for the Insurance Premium Tax revenue used a regression equation to forecast the quarterly components. He said the forecast considered Insurance Premium Tax collections per Nevada employee as a function of both personal income of Nevada employee and single-family home sales per Nevada employee. He noted that there were some revisions to the Fiscal Analysis Division's November 7, 2014, forecast as shown on TABLE 8 (page 17, Exhibit A), but the changes are not significant. He noted that the largest revision was to FY 2015 due to the amount of first quarter collections.

Referring to the Fiscal Analysis Division Forecast Information Packet (page 79, Exhibit D), Mr. Nakamoto said there was a new column titled "FY 2015 YTD." He said for the quarter ending December 30, there was $69.5 million in collections, which represented growth of 8%. He said the November 2014 forecast was for growth of $66.8 million, or 3.6%. The first revision to the forecast involved an "intercept adjustment," to the projected growth rate throughout the forecast period to account for 2015 actual year-to-date collections.

Mr. Nakamoto noted that the forecast for 11% growth in the quarter ending June 30 was compared to a fairly low amount in the same quarter a year ago. He explained that approximately $3.3 million should have been booked in the previous quarter, but instead appeared as a prior fiscal year tax collection in FY 2015. He said the table also reflected the home office credit adjustment of $12.5 million in FY 2016 and $25 million in FY 2017 due to A.B. 3 of the 28th Special Session (2014). He noted that projection was unchanged from the Fiscal Analysis Division's November 2014 forecast. He said the Fiscal Analysis Division would continue to monitor the effect of the home office credit adjustment for potential changes to the May 2015 forecast.

Mr. Nakamoto said the last part of the Insurance Premium Tax forecast presentation involved the ACA's employer mandate, which would become effective January 1, 2015. He noted that the Insurance Division staff was of great help to the Fiscal Analysis Division in getting a better idea as to what would happen after the employer mandate became effective. He said TABLE 1 – IPT (page 80, Exhibit D) used the same methodology to adjust for the ACA for FYs 2015, 2016 and 2017. The assumptions, however, had changed. He initially believed that the ACA would not have a big effect on the Insurance Premium Tax revenue until after the employer mandate became effective. After discussions with Insurance Division staff, and having reviewed the first quarter collections, he thought the effects of ACA were already being seen. He explained that the individual mandate was already covering the employees that were required to be insured by the employer mandate. It was originally assumed that the uninsured population would decrease by 40% in calendar year 2015, 45% in calendar year 2016, and 50% in calendar year 2017, but those amounts have been reduced significantly. He said the previously uninsured were most likely already purchasing insurance, either through Medicaid, in which case some premiums from the MCO would be paid; through the Exchange or some other private carrier; or the employer was covering them. The revised assumption was that the amount of uninsured purchasing insurance would grow by 10% in calendar year 2015; 15% in calendar year 2016; and 15% in calendar year 2017.

Mr. Nakamoto said the net increase as a result of the ACA assumption was significantly lower, but when paired with the increases to the forecast due to actual collections, the forecast was reduced by about $440,000 in FY 2016 and $907,000 in FY 2017. While there were changes to the assumptions used to generate the Fiscal Analysis Division forecast for the Insurance Premium Tax revenue, the forecast had not changed, except for the first year, which was adjusted from 8.6% to 10.5% due to strong first quarter collections.

Mr. Nakamoto noted that if the home office credit amount were removed from the forecast, growth rates would be 5.4% for FY 2016 and 5.6% for FY 2017. Almost 4% of the growth in the forecast was due solely to the change in the home office credit law.

Mr. Maddox asked how the forecast on page 79 (Exhibit D) of 3.7% for FY 2016 compared to the adjusted forecast. Mr. Nakamoto explained that the forecast of 3.7% for FY 2016 was a baseline forecast. He said the forecast of 5.4% on page 82 included the ACA adjustment. He also noted that the Fiscal Analysis Division forecast included the $9.5 million collected by the Insurance Division for FY 2016 in the surplus lines category.

Mr. Maddox said, though the Fiscal Analysis Division's projected growth rates were high, when the effect of the home office credit was removed, the remaining 5% growth was conservative and in line with expectations for Nevada. He asked if the forecasters were sure that was how the home office credit would affect collections.

Mr. Nakamoto replied, based on the January 1, 2016, effective date, there would be six months of FY 2016 collections, then a full year of FY 2017 collections. He did not know whether collections would flow in evenly, but based on the information provided by the Department of Taxation, it was the best forecast available at the moment.

Mr. Maddox said he was comfortable with the Fiscal Analysis Division forecast.

> MR. MADDOX MOVED TO APPROVE THE FISCAL ANALYSIS DIVISION REVENUE FORECAST FOR INSURANCE PREMIUM TAX OF $291.239 MILLION IN FY 2015, $319.349 MILLION IN FY 2016, AND $349.124 MILLION IN FY 2017. THE MOTION WAS SECONDED BY MS. LEWIS.
>
> THE MOTION CARRIED UNANIMOUSLY.

E. MODIFIED BUSINESS TAX

Mr. Guindon noted that the Modified Business Tax (MBT) had two components: financial and nonfinancial. He explained that the nonfinancial component had a sunset provision with a rate of zero percent up to the first $85,000 in taxable wages per quarter, and 1.17% over that amount for FY 2015. For FY 2016 and FY 2017, under current law, the rate would revert to the flat rate of 0.63% on all quarterly taxable wages. He noted the forecasts showed negative growth for FY 2016 compared to FY 2015, then rebounded in FY 2017, because of the sunset provisions. He suggested that the Economic Forum members prepare a forecast for both the nonfinancial and financial portions of the MBT. If the Governor's recommended budget included changes in the way the MBT was calculated, an Economic Forum forecast would be available.

Sumiko Maser, Deputy Director, Department of Taxation

NONFINANCIAL INSTITUTIONS

Ms. Maser said page 9 of the State of Nevada Department of Taxation Economic Forum Projections (Exhibit E) showed how the Department of Taxation calculated and forecast the MBT revenue. She said each business calculated the amount of MBT due by reporting gross wages paid, and deducted the health care deduction, which resulted in taxable wages. The current tax structure was zero percent for taxable wages up to

$85,000, and 1.17% above that threshold. That tiered rate was to sunset in July of 2015, at which time the rate would revert to 0.63% on all taxable wages.

Ms. Maser said Taxation forecast gross wages and health care deductions separately to provide a forecast of taxable wages. The tax rate was applied to each fiscal year in order to calculate the forecast. The methodology used for the current forecast was the same methodology used to prepare the November 2014 forecast. However, with the most recent quarter's data, as well as the recent growth rates, the Taxation forecast for the MBT, nonfinancial was revised as follows: FY 2015 was unchanged at 6.2%; FY 2016 was revised from -32.4% to -29.8%; and FY 2017 was revised upward from 3.2% to 3.8%.

FINANCIAL INSTITUTIONS

Ms. Maser said Taxation's forecast for the MBT, financial was shown on page 11 (Exhibit E). She said Taxation took into account collections for the most recent quarter, and any quarter that seemed to be an outlier. After rerunning the models, it did not seem necessary to revise the forecasts. Therefore, Taxation's forecast for the MBT, financial was unchanged at 4.1% for FY 2015 and 0.7% for both FY 2016 and FY 2017.

Susanna Powers, Chief Economist, Executive Budget Office

NONFINANCIAL INSTITUTIONS

Ms. Powers said growth in the MBT for nonfinancial institutions was driven primarily by growth in employment and wages. Employment in the nonfinancial sector was forecast to grow slightly stronger than total employment (page 17, Exhibit C). The wage forecast model was driven largely by employment, but also included a computed employment population ratio for Nevada to account for slack in the labor market. She calculated the employment population ratio based on current employment statistics; statistics for Nevada; and the State Demographer's total population for Nevada.

Ms. Powers said, before the recession, the ratio was about 50%. It fell to 40% in 2010 and was forecast to climb to 47% over the 2015-17 biennium. There was a slight downward revision in the Executive Budget Office's forecast for MBT for nonfinancial institutions.

Ms. Powers recalled that at the November 2014 meeting, the forecasters were asked by the Economic Forum to consider the impact of the ACA employer mandate, particularly on the allowable health care deductions. She said one reason the amount of allowable deductions taken by businesses was unchanged was that the firms already offering health care coverage found the means to offset the increased premiums by cost sharing, offering high deductible plans, adding spousal surcharges and using wellness incentives.

Ms. Powers said DETR reports quarterly census and wage information, and also tracks the number of firms in Nevada by employment size. In 2015, the employer mandate would affect about 2% of Nevada firms employing more than 100 workers. The Kaiser Foundation reported that 99% of large companies offered health care benefits to their employees. She did not think the 2015 mandate would have much impact on the Insurance Premium Tax revenue.

Ms. Powers said the 2016 employer mandate would affect about 4% of Nevada companies employing more than 50 workers. She said the Kaiser Foundation reported that 93% of workers at companies employing between 50 and 99 employees were offered health care benefits by their employers. She said although some firms may claim more deductions in 2015, the effect on MBT, nonfinancial revenue collections would be negligible considering the mandate affected only about 2% to 4% of Nevada firms, most of which already offered health care coverage to employees.

Ms. Powers said that until data or additional research indicated otherwise, based on historical data over the last five years, the share for health care deduction remained unchanged at 8%. For FY 2015 it was estimated that about 80% of wages were subject to the $85,000 wage threshold based on FY 2014 quarterly data from the Department of Taxation. After applying the allowable health care deductions and the 1.17% tax rate to taxable wages above $85,000, in FY 2015, the Executive Budget Office forecast 3.9% growth in the revenue. She explained that in FY 2016 and FY 2017 the tax rate would sunset to 0.63% for all nonfinancial taxable wages. Therefore, for FY 2016 tax collections were expected to decline by 28.6% over the previous fiscal year. In FY 2017, growth of 5.1% was projected.

FINANCIAL INSTITUTIONS

Ms. Powers said the banking industry in Nevada continued to trim down, which was reflected in the employment outlook for the financial sector. The job outlook in FY 2015 was flat, with a slight improvement in FY 2016 and FY 2017. The Executive Budget Office's computations for the MBT financial were based on the financial wage forecast, which was a function of employment in the financial sector. The wage forecast model was driven largely by employment, but also included a computed employment population ratio for Nevada to account for the slack in the labor market. Ms. Powers said she reforecast the wages, and there was a very slight downward revision. She explained that, even though employment has had negative growth, wages have not. That was why there was a slight improvement in collections. A moderate improvement in compensation was expected over the next three fiscal years. She said the first quarter collections for FY 2015 were lower than what the Executive Budget Office had forecast. She said growth in this revenue was driven primarily by growth in employment and wages. She was not comfortable changing the share for health care deductions. She explained that about 6.7% was deducted from wages for health care expenses, based on a 5-year average. After the health care expenses were deducted, the remainder was taxed at 2%.

Ms. Powers said that the Executive Budget Office forecast MBT, financial collections to increase 1.8% in FY 2015; 3.1% in FY 2016; and 3.9% in FY 2017.

Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division

NONFINANCIAL INSTITUTIONS

Mr. Reel said the Fiscal Analysis Division's forecast for the MBT was shown on page 87 of the Fiscal Analysis Division Forecast Information Packet (Exhibit D). Mr. Reel said he would review the economic assumptions underlying the Fiscal Analysis Division's forecast for the MBT, nonfinancial. He said TABLE 2B showed the wage disbursement forecast (page 93). For FY 2015, the Fiscal Analysis Division forecast a 5.7% increase in wages; 6.9% in FY 2016; and 7.0% in FY 2017. He said those forecasts were driven by DETR's employment forecast for the nonfinancial sector of 3.3% in FY 2015; 4.1% in FY 2016; and 4.0% in FY 2017.

Mr. Reel said the assumptions for average wage per employee were based on the latest actual figure of about $45,300 per year, which was increasing to about $49,000 per employee by the end of the forecast period in FY 2017. He noted that those assumptions have not changed from the Fiscal Analysis Division's November 2014 forecast.

Mr. Reel said TABLE 2C (page 94, Exhibit D) showed the Fiscal Analysis Division's forecast for taxable wages and collections for MBT, nonfinancial. He said the Fiscal Analysis Division had forecast growth for taxable wages for the first quarter of FY 2015 of 6.2%, and actual taxable wages grew 3.4%. The Fiscal Analysis Division's forecast was for 5.2% growth in collections, while actual collections grew 2.7%. He explained that some of the difference was due to the impact of the health care deduction, which had been assumed to be about 7.6% for the first quarter, but was actually about 7.9%. After allowing for the effect of the health care deductions, the Fiscal Analysis Division's forecast was about $400,000 over actual collections. He said some of that was factored into the Fiscal Analysis Division's revised forecast; however, the assumption for health care deductions was not changed.

The Fiscal Analysis Division revised its forecast downward to 5.1% in FY 2015; the growth rate for FY 2016 was unchanged at -28.7% due to the reduction in the MBT tax rate; and in FY 2017, the growth rate remained 7%, but there was a slight $1.7 million reduction in dollar value.

Mr. Leavitt asked why the Fiscal Analysis Division and Executive Budget Office forecasts for MBT financial for FY 2016 were close, but there was a $10 million difference in the amounts projected by the Fiscal Analysis Division and the Executive Budget Office for FY 2017. Mr. Reel explained that was due to the underlying employment growth used in the Fiscal Analysis Division's forecast, which was driven by DETR's employment forecast for FY 2017 of about 4.0%. The Fiscal Analysis Division's wage per employee forecast of about 2.9% had an effect on the dollar amount also.

FINANCIAL INSTITUTIONS

Mr. Reel referred to TABLE 3B on page 104 of the Fiscal Analysis Division Forecast Information Packet (Exhibit D). He said the economic assumptions have not changed since the Fiscal Analysis Division submitted its November 2014 forecast. He said wage and salary growth was projected to be 3.5% in FY 2015; 4.6% in FY 2016; and 4.5% in FY 2017. Employment in the financial sector was lower than in the nonfinancial sector. The Fiscal Analysis Division wage per employee growth projections were unchanged at 1.6% for FY 2015; 2.7% for FY 2016; and 2.6% for FY 2017.

Mr. Reel said TABLE 3C on page 105 (Exhibit D) showed the Fiscal Analysis Division forecast for MBT financial. Mr. Reel said the Fiscal Analysis Division had forecast first quarter collections of 6.4%, but actual collections were only 5.3%. He said the Fiscal Analysis Division forecast reflects the first quarter revision throughout the forecast path. The Fiscal Analysis Division's FY 2015 forecast for MBT, financial has been reduced by about $286,000; in FY 2016, -$131,000; and FY 2017, -$137,000.

Chairman Wiles noted that 12 or 13 small banks were taken into receivership since 2013. He asked whether the forecasters were aware of any new banks that have been formed. None of the forecasters indicated they were aware of a new bank. Chairman Wiles said, based on anecdotal information, he believed growth for the financial sector would be conservative.

Mr. Maddox asked about the projection for 7% growth in FY 2016 and 2017. He asked where the wage inflation index information originated. He noted that FY 2014 was the first year in a long time that average wages increased. He asked if that was an actual number, or whether it had been adjusted.

Mr. Reel explained that the wage inflation index was provided by Moody's. He directed the Economic Forum members to MBT CHART 1A on page 96 (Exhibit D), which showed nonfinancial industry employment. He said the blue line represented actual current employment statistics produced by the Bureau of Labor Statistics. The Fiscal Analysis Division forecast was based on DETR's quarterly census of employee wages, which lagged a bit. Because of the lower employment assumption, the wages per employee was revised, and the Fiscal Analysis Division forecast was based on that revised employment projection. He said the wage disbursement information for FY 2014 was actual data.

Mr. Reel confirmed that the Fiscal Analysis Division forecast projects wages to increase an average of 2.7% in FY 2016 and 2.9% in FY 2017. He explained that Fiscal Analysis Division forecast the wage per employee to be a bit higher than was expected by the Bureau of Employment Analysis and Bureau of Labor Statistics, but that increase was not significant. He said DETR's employment growth was driving the 7% growth in wages for FY 2016 and FY 2017.

Mr. Guindon noted that wages was the product of the average wage per employee and employment. He explained that the MBT forecast for the nonfinancial sector included construction, manufacturing, hotel gaming and recreation, mining, etc. He said the average wage per employee was affected by cost-of-living increases and the mix of the industries included in the nonfinancial sector. DETR's forecast included the Tesla Gigafactory, which would increase the number of construction jobs initially, and the number of manufacturing jobs in the out-years of the forecast. He said there would be other construction projects in Southern Nevada. He explained that construction jobs paid more on average than some of the other sectors in the nonfinancial employment sector.

Mr. Maddox said he would expect the CPI to be aligned with the rate of inflation, but wages were projected to grow at a rate higher than inflation.

Mr. Guindon explained that inflation was decreasing due to the decrease in the cost of oil, but the decrease in the cost of oil would not result in a reduction in employee wages. He said he could not tell how much was due to "mix shift." He would attempt to get more detail for the various industries for the May forecast. He said the rate of inflation was low over the forecast horizon, so cost-of-living adjustments could cause wages to grow faster than inflation. The mix in wages also pulled the average wage up.

Chairman Wiles noted that slack in the labor market could have an impact on the employment rate. Mr. Guindon said between the Tesla Gigafactory and projects in Southern Nevada, demand for construction employees might outpace supply. That could place a premium on wages.

Mr. Maddox said, although the tax rate would change due to the sunset provision, the underlying assumptions were strong.

Mr. Leavitt recommended using the Fiscal Analysis Division forecast of $379.528 million for FY 2015 and $270.420 million for FY 2016, and a reduced forecast of $285.000 million for FY 2017. He thought 7% growth in total payroll was high.

Mr. Maddox agreed, and pointed out that employee wage growth has not been over 7% since 2004 or 2005. Every other year it has been between 5% and 6%.

Ms. Rosenthal observed that the state has not experienced the amount of growth expected in FY 2016 and FY 2017 due to the major projects in Southern Nevada and Northern Nevada for a long time.

Mr. Reel noted that revenue of $285.000 million in FY 2017 would equal a 5.4% rate of growth.

Chairman Wiles said that the difference between $285.000 million and $289.000 million was small, and he would be comfortable adopting either amount for FY 2017.

Mr. Maddox asked if picking another forecasters' forecast for FY 2017 would be better, because it would include the underlying wage assumptions. Ms. Rosenthal agreed that she would rather pick one of the other forecasts for FY 2017.

Chairman Wiles noted that the forecasts were very similar. He asked if the Economic Forum members were comfortable adopting the Fiscal Analysis Division's forecast for all three years. He noted that the Executive Budget Office forecast for MBT, nonfinancial for FY 2017 was $281.765 million.

Mr. Maddox said he was more comfortable with a projection of 5% growth than 7% growth. If mix shift was a factor, then 7% could be the correct forecast.

Mr. Wiles said there was still significant unemployment in the state. Wages typically lagged the CPI in a slack market. There may be an outlier in the employment data for construction in Northern Nevada that would drive the average wage higher, but that was not a certainty.

Mr. Maddox asked the Fiscal Analysis Division why this revenue was expected to grow at a higher rate than the other revenues being forecast. Mr. Guindon commented that the MBT nonfinancial forecast was driven by the outlook for the financial and nonfinancial segments that made up total employment. The forecast was based on the nonfinancial employment outlook and the outlook for wages, less the assumption about health care.

Mr. Guindon explained that there was no direct relationship between wages and sales tax, other than that wages and personal income drove sales tax. He said sales tax was only applicable to tangible personal property, which did not involve 100% of a person's budget. He was not surprised that the sales tax would grow at a slower rate than MBT, because the MBT was driven by wages.

Mr. Maddox said, in the past, sales tax had been outpacing wage disbursement.

Mr. Guindon said there had been many changes in the tax laws in Nevada over the past three legislative sessions. He explained that sales tax might have outpaced wage disbursement during the recession, because collections in the rural areas were buoying the lack of activity in the rest of the state. He said wages and employment were clearly lower during the recession. That was why it was difficult to compare collections for the MBT and sales tax over the past four years. He said percentage fees were driven by visitors and were contributed to by locals, but he would not expect gaming revenue to grow as fast as employment and wages. He believed the MBT forecast should be driven by assumptions in employment and wages.

Mr. Maddox said his only comment was that over the past four years, total taxable sales grew much faster than nonfinancial wage disbursements. He asked if that was due to lag.

Mr. Guindon said he would have to know what was driving employment growth in each year. He noted special mining or renewable energy projects caused sales tax revenue to grow. He noted that renewable energy projects created jobs during construction, but there were not lots of jobs when the project was completed. He thought Mr. Maddox made a valid observation, but Mr. Guindon said he would need to look at the underlying dynamics in each year to know what was driving the increase in sales tax revenue collections.

Chairman Wiles said there was still a long-term pattern. He said one-time effects that occur every year were not really one-time effects, rather, they were part of a pattern.

Ms. Rosenthal said this revenue was unique because of factors such as the shift in jobs and what they paid, and the potential demand on labor. She said this was not a normal economic period, so it was tough to compare it to history. She understood Mr. Maddox's approach of questioning the logic of assuming 7% growth, especially as it compared to other tax revenue collections.

Ms. Rosenthal asked for a calculation of the dollar amount of 5% growth in FY 2017. Mr. Guindon said 5% growth in FY 2017 would equal $283.941 million. Ms. Rosenthal said that number seemed to be more reasonable. She said $281.765 million seemed too low.

Mr. Maddox noted that two projects on the Las Vegas Strip were supposed to begin in the fall of 2015, but he had not seen any indication that the projects were on schedule.

> MS. ROSENTHAL MOVED TO ADOPT THE MBT NONFINANCIAL REVENUE FORECAST PREPARED BY THE FISCAL ANALYSIS DIVISION OF $379.528 MILLION FOR FY 2015, AND $270.420 MILLION FOR FY 2016, AND APPLY A 5% GROWTH RATE TO THE FY 2016 FORECAST TO ARRIVE AT A FY 2017 FORECAST OF $283.941 MILLION. THE MOTION WAS SECONDED BY MS. LEWIS.
>
> THE MOTION CARRIED UNANIMOUSLY.

Chairman Wiles asked for a motion for the MBT financial forecast.

> MS. LEWIS MOVED TO ADOPT THE MBT FINANCIAL FORECAST PREPARED BY THE EXECUTIVE BUDGET OFFICE OF $24.218 MILLION FOR FY 2015, $24.969 MILLION FOR FY 2016, AND $25.943 MILLION FOR FY 2017. THE MOTION WAS SECONDED BY MS. ROSENTHAL.
>
> THE MOTION CARRIED UNANIMOUSLY.

F. REAL PROPERTY TRANSFER TAX

Sumiko Maser, Deputy Director, Department of Taxation

Ms. Maser referred to page 12 (Exhibit E), and reported that the Department of Taxation (Taxation) collected information that was reported from the local counties, although the data was limited to the amount of revenue collected and the number of taxable transfers that occurred. She indicated there were two factors that Taxation considered when revising its forecast. The first factor taken into account was the amount of General Fund revenue being collected per taxable transfer as shown on page 12 (Exhibit E). Most recently, the General Fund collected $466 of revenue per transfer, up by 14.12% compared to the same period a year ago. She noted that although quarter-to-quarter revenue fluctuated, Taxation was seeing a general growth trend as indicated by the green arrows on the chart. In fact, when comparing FY 2014 to FY 2013, there was a 9.76% increase in revenue, which essentially implied that property prices were increasing.

Moving to page 13, (Exhibit E), Ms. Maser said the second factor was that purchases or the number of transfers appeared to be flat and slightly decreasing over time in general, as represented by the red arrows on the chart. For example, in the most recent quarter (Q1 2015) there was a decline of 6.8% in total number of taxable transfers. However, when comparing FY 2014 to FY 2013, there was a slight decline of .03%. Moving to page 14 (Exhibit E), Ms. Maser said that after taking both the General Fund revenue per transfer and total taxable sales into consideration, Taxation revised its forecast. Even though the price of property was increasing, actual transfers appeared essentially flat. The RPTT forecast was increased in FY 2015 from 5.8% to 8.6%; increased in FY 2016 from 4.3% to 8.2%; and increased in FY 2017 from 4.1% to 7.6%.

Ms. Rosenthal asked if there was a distinction between the number of transfers and/or the property values between Southern Nevada and Northern Nevada.

Ms. Maser replied that she did not recall seeing anything that necessarily stood out for the number of transfers or property values between Southern and Northern Nevada.

Terry Rubald, Chief Deputy Director, Department of Taxation, added that she was aware of statistics indicating that property taxes and new properties in the Las Vegas area were growing at 11% and existing properties for resale were growing at approximately 7%. Overall, Northern Nevada saw approximately a 9% growth in sales prices, showing some growth across the state.

Mr. Leavitt asked if the Department of Taxation had any data, or if any census was collected at the county level to indicate how much of the total Real Property Transfer Tax (RPTT) came from commercial transactions, as opposed to residential housing. Ms. Rubald replied that the Department of Taxation does not collect that information.

Susanna Powers, Economist, Department of Administration, Budget Division

Ms. Powers stated that Nevada has made some headway in recovering from the epic housing slump. Even though the state's economy was bouncing back, there were still big barriers to home ownership, such as wage growth, student loan debt for the millennials, tight lending standards, and increasing land costs. Many of the recently built homes were expensive and homeowners who lost homes in the foreclosure prices, or had to short sale homes, had to wait four years before borrowing again. On the supply side, home permits were trailing at the levels seen in the 1980s, considering a rather flat population outlook and permitting delays. In Southern Nevada, home permits were likely to increase modestly. Retail listings have increased, which meant more competition for new homebuilders. Ms. Powers said that there were expectations that there would be a moderate improvement in sales of homes in the near term. Some of the short-term constraints should start to dissolve in FY 2016 and FY 2017 with the announcement that Fannie Mae and Freddie Mac were relaxing lending standards and some homeowners who lost homes in a the foreclosure crisis, or had to short sale homes, were able to borrow again. Ms. Powers stated that the missing link in the recovery has been the increase in employee income, and as the labor market starts to tighten, the state would start seeing gains in wages. Once household incomes started to rise, many people would be in a better position to qualify for mortgages. Nevada home sales were estimated based on the Case-Schiller Home Price Index for Las Vegas and on single-family home permits and existing single-family homes sales in Nevada. She noted that homes sales data was used to forecast RPTT. Ms. Powers stated that based on updated data, the Budget Division forecast had a minor upward revision for FY 2015 and FY 2016. Collections were estimated to increase by 6% in FY 2015, increase by 6.2% in FY 2016; and increase by 7.7% in FY 2017. The biggest risk to the RPTT forecast was the Federal Reserve's decision for when to raise short-term interest rates, which would have an impact on affordability and buyers ability to qualify for mortgage loans.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Nakamoto referenced page 113 in the Fiscal Analysis Division meeting packet (Exhibit D). He stated that the November 7, 2014, RPTT forecast was based on knowledge of 15 of the 17 counties first quarter RPTT collections, so he made a guess for the last two counties and added those to get the first quarter RPTT total. However, since putting the packet together, he received the last two counties RPTT collections and the forecast was off by approximately $3,000 in FY 2015. He thought the only adjustment to the forecast between when the packet was completed and currently was the $3,000.

Mr. Nakamoto stated that the Fiscal Division forecast was higher than the November 7, 2014, forecast by $3,000 in FY 2015; $2,000 in FY 2016; and $3,000 in FY 2017. Basically, the Fiscal Division outlook on housing remained the same, and the only real new data was that 5 of the 17 counties reported its RPTT collections on a monthly basis (Elko, Eureka, Lander, Lyon and Washoe Counties). Those counties were up by 17.8% compared to the second quarter, which was $1.1 million of $16.8 million for the second quarter, due mainly to Washoe County, which had $941,000 in revenue. The Fiscal Analysis Division forecast took into account single-family homes sales, new housing completions, and the Case-Schiller Index, and were run as a regression equation. Mr. Nakamoto noted that there was no information that would suggest changes to the Fiscal Division RPTT forecast other than the minor adjustments for the first quarter.

Mr. Maddox asked why the 17.5% increase was so large in the fourth quarter of FY 2015. Mr. Nakamoto replied that it was due to the fourth quarter of FY 2014; the second quarter of FY 2014 was so low and it was a high growth rate off a -6.6%. He said that particular observation in the last quarter of FY 2014 was an anomaly and the state would come back from that.

Ms. Lewis commented that she had concerns that as the housing prices increased, affordability was lapsing. She added that the state had not seen any large commercial transfers that would make a large difference.

Mr. Leavitt stated that one problem that often happens with commercial property is that the land is owned by a separate company from the business. When the business sells, it is only selling the business and does not involve a change in ownership transaction for the land; therefore, eliminates a transfer tax. Traditionally, he said that the RPTT was difficult to forecast, and the agency and Fiscal forecasts were close.

Ms. Rosenthal stated that two of the three RPTT forecasts were close and she was comfortable with the consistency in the forecasts. She agreed that the RPTT was difficult to forecast and commercial property was a big portion of the tax. She believed there were many jobs that would be coming to the state with future projects, which would bring new individuals to the state that would hopefully be purchasing homes. She added that new home construction has picked up in the state, and she was more comfortable with the agency or Fiscal Division forecast for the RPTT.

> MS. ROSENTHAL MOVED THAT THE ECONOMIC FORUM ADOPT THE FISCAL ANALYSIS DIVISION'S REVENUE FORECAST FOR THE REAL PROPERTY TRANSFER TAX OF $65.405 MILLION FOR FY 2015, $70.402 MILLION IN FY 2016, AND $76.064 MILLION IN FY 2017. THE MOTION WAS SECONDED BY MR. LEAVITT.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

VI. REVIEW AND DISCUSSION OF FORECASTS OF MINOR GENERAL FUND REVENUES FOR FY 2015, FY 2016, AND FY 2017 APPROVED BY THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) AT ITS NOVEMBER 26, 2014, MEETING.

Mr. Guindon referred to TABLE 5 on page 23 of the Economic Forum meeting packet (Exhibit A), which presented the Department of Taxation, Fiscal Analysis Division and Budget Division forecasts for the select minor revenue sources for which the Economic Forum directed the Technical Advisory Committee (TAC) to approve a consensus forecast. He stated that the TAC met on November 26, 2014, at which time staff provided a review of the forecasts.

Mr. Guindon referred to TABLE 6 (page 24, Exhibit A), which presented the forecast approved by the TAC as the consensus forecast for all the other General Fund revenue sources that the Economic Forum did not specifically consider. TABLE 7 on page 31 (Exhibit A) displayed the revenue sources that had to be considered by the TAC, and that were subject to sunset versus some of the larger revenue sources that were not subject to sunset, principally, the Net Proceeds of Mineral Tax, Business License Fee

Tax, Governmental Services Tax, and the Governmental Services Tax Commissions and Penalties, per the 2013 Legislation.

Moving to TABLE 6 on page 25 (Exhibit A), the chart showed that FY 2015 was approximately $3.0 million higher than the forecast presented in November 2014, principally, because of an upward revision to the Net Proceeds of Minerals Tax. In FY 2016, the forecast from the TAC was approximately $300,000 higher in FY 2016 than the previous forecast, and the FY 2017 forecast from the TAC consensus forecast was $1.8 million higher than the previous forecast. Mr. Guindon stated that the forecast for the Net Proceeds of Minerals Tax was $28.9 million for FY 2015, which was actually the average of the net proceeds of minerals forecasts for the State General Fund portion that were separately prepared by the Department of Taxation, the Executive Budget Office and the Fiscal Analysis Division. He said the three different net proceeds of minerals forecast were prepared and presented to the TAC, and took into account information that was provided to staff from Barrick Gold Corporation, as well as looking at some of the 10-Qs filed by publicly traded companies to get an idea of the 10-Qs through the third quarter of 2014. In addition, there were some reports on those companies' proven and probable reserves for their mines in Nevada. Fiscal staff looked at the current gold price and then what the forecast for gold could be going forward. Mr. Guindon stated that he had the table that was prepared and presented to the TAC that itemized the different assumptions in the forecasts for the price of gold, production, net to gross ratios and the average effected tax rates. He had information from financial statements, along with confidential information from Barrick Gold, which provided half of the gold mining in Nevada. Mr. Guindon noted that at the November meeting, Mr. Maddox requested detail for the latest actual information that was available on the deductions as they were classified under the law. Mr. Guindon stated that somewhat like Gaming Percentage Fees, the Net Proceeds of Minerals Tax had a lot of moving pieces to forecast because they had to look at the price and production of mining to get the gross. To get the net numbers, the deductions must be figured out, which was done by looking at the ratio of net to gross, in addition to the effective tax rate for the portion that goes to the State General Fund.

Ms. Rosenthal asked if the total General Fund revenue at the end of TABLE 6 was for all the minor revenue sources that were added to the Economic Forum's forecast to get the total. Mr. Guindon replied that was correct and those revenues were everything the Economic Forum did not forecast that were directed to the TAC to forecast. Page 25 (Exhibit A) showed GL 3002 through 3005, the General Fund commissions that would have to be added because they were tied to the Economic Forums decisions for the State 2% Sales Tax revenue. He stated that the State 2% Sales Tax revenue forecast was translated into other pieces because they were different rates. For example, the Basic City-County Relief Tax (BCCRT) was a .5% rate, so whatever the forecast was for the State 2% Sales Tax revenue, it could be converted into .5% forecast, and then take 1.75% of that, because that was the General Fund commission.

Chairman Wiles stated that there was a very tight range looking at the total for the TAC forecast versus each of the individual forecasts, so there was a fair degree of agreement among the individual forecasts.

MR. LEAVITT MOVED THAT THE ECONOMIC FORUM ACCEPT THE TECHNICAL ADVISORY COMMITTEE'S FORECAST FOR THE MINOR GENERAL FUND REVENUES FOR FY 2015, FY 2016, AND FY 2017. THE MOTION WAS SECONDED BY MR. MADDOX.

THE MOTION WAS UNANIMOUSLY APPROVED.

VII. INSTRUCTIONS TO TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) CONCERNING THE NEXT MEETING OF THE ECONOMIC FORUM.

Mr. Guindon stated that Agenda Item VII were the instructions to the TAC on future state revenues. He said that the Economic Forum had to prepare a revised forecast, if necessary, on or before May 1, 2015, which would be used to develop the legislatively approved budget. He said that the Economic Forum wanted to keep the instructions the same to the TAC, which was whether to continue to produce a forecast for all the revenues on TABLE 6 to bring forward.

Mr. Wiles said that the Economic Forum would continue to use the same process as done previously, unless there was any disagreement from the members.

VIII. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS

Mr. Guindon said, under the law, the Economic Forum must provide its revised forecast on or before May 1, 2015, which fell on a Friday. He said that May 1, 2015, would work well for the Fiscal Analysis Division staff, because most likely they would not be getting the information from the Gaming Control Board and the Department of Taxation until April 27th or 28th, which would give staff more time to put together the charts. He asked the members to look at their calendars to determine the best day for the meeting in May. He was aware the May meeting was five months away, noting that it was harder to get meeting rooms while in legislative session, and advance notice was needed to arrange the room for the meeting.

Chairman Wiles said that he would get in touch with staff to confirm the May meeting date after the members had time to look at their calendars. Mr. Guindon replied that staff would contact the members soon to confirm the May meeting date.

Mr. Maddox asked if staff could provide information on the percentage of growth projected if there were no sunsets. He believed that currently the Economic Forum was looking at approximately 5% to 6% growth in every category and he thought it would be interesting to understand what it would look like if nothing changed.

Mr. Guindon said staff could figure what the General Fund revenue would grow if the sunsets did not occur, which would just be a preliminary number.

Mr. Wiles called for a recess at 12:05 p.m. to allow staff to finalize the Economic Forum's forecast. The Economic Forum reconvened at 1:17 p.m.

Mr. Guindon presented two documents to the committee (Exhibit G): 1) the Economic Forum's Report to the Governor and the Legislature on Future State Revenues, with numbers filled in based on the Economic Forum's decisions made at this meeting, and 2) a table that includes the decisions made for both the major General Fund revenues and the minor General Fund forecasts made by the TAC, approved by the Economic Forum. He referred the committee to the second page of the table, and acknowledged the GST Commissions and Penalties, which were driven off the Economic Forum's State 2% Sales Tax forecast. He explained that the commissions were considered minor General Fund revenue sources, but the TAC cannot forecast them because the Economic Forum's State 2% Sales Tax forecast was needed. He said the Economic Forum's Report to the Governor and the Legislature on Future State Revenues, which includes the Economic Forum's December 3, 2014, forecast, would be presented to Governor Sandoval and members of the Nevada Legislature. Mr. Guindon explained that the Economic Forum's forecast was \$3,205,289,294 for FY 2015; \$3,069,593,035 for FY 2016; and \$3,260,982,435 for FY 2017. He said the growth rates were 4.5% in FY 2015; -4.2% in FY 2016; and 6.2% in FY 2017, and the decline in FY 2016 was due to the sunsets effecting some of the major revenue sources, in addition to some of the minor revenue sources.

Mr. Guindon said the numbers he would provide to address the requests by Mr. Maddox regarding the sunsets were the Fiscal Analysis Division's translation of the sunsets, and were by no means the official numbers or growth rates for what the growth rates would be without the sunsets. Based on the Economic Forum's forecast for total General Funds approved with the sunsets, a -4.2% decline was forecast in FY 2016 and an increase of 6.2% was forecast in FY 2017. An apples-to-apples comparison extending the sunsets would be 4.4% growth in FY 2016 and 4.9% growth in FY 2017. Mr. Guindon said he had to break out the major and minor revenue sources because the minors had more sunsets attached to them, and the order of the magnitude for the MBT sunsets were bigger. He said the Governmental Services Tax, Net Proceeds of Minerals Tax, and Business License Fee all affect the minor revenue sources. He said for the major revenue sources that the Economic Forum explicitly considered and forecast – that growth would be .2% in FY 2016, compared to the revised forecast for FY 2015, and 5.5% in FY 2017, but then comparing apples-to-apples by extending the sunset on the MBT, it would be 5.5% in FY 2016 and 5.4% in FY 2017. He said the forecast was in the mid-five point range once they get to the major revenue sources. For the minor General Fund revenue sources, growth was a 22.6% decline in FY 2016 and a 10.4% increase in FY 2017, as approved in today's meeting, which included the sales tax commissions.

Mr. Guindon said if they tried to get an apples-to-apples comparison by getting the sunsets for all the minor revenue sources that were effected, it would be a 0.3% decline for FY 2016 and a 2.8% increase in FY 2017, so the 22.6% decline went to a 0.3% decline because there was a substantial downward revision in the net proceeds forecasts. Mr. Guindon said he hoped that he addressed the concerns of Mr. Maddox relative to what was actually approved in terms of thinking about the growth that was tied to the underlying assumptions about the economy and the revenues that would come from that associated activity, independent of the law, which were the sunsets.

Mr. Wiles stated that the Economic Forum has reviewed the table with the Economic Forum's December 3, 2015, forecasts, in addition to the report provided by the Fiscal Analysis Division, and confirmed that it did conform to the Economic Forum's forecasts adopted in the meeting.

> MR. LEAVITT MOVED TO ACCEPT THE FORECAST OF FUTURE STATE REVENUES TO THE FINDINGS OF THE ECONOMIC FORUM AND THE REPORT. THE MOTION WAS SECONDED BY MR. MADDOX.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

Chairman Wiles said that the Economic Forum estimated growth of more than 5% for many of the major revenue and minor revenue components. He stated that for the past few years, flat has been growth, and now the state was actually seeing growth, which was somewhat of an unusual experience for the state given the economic decline, pullback and restructuring of the last four to five years. In addition, as an initial check on many of the revenue components, the state was just returning to 2007 numbers; however, this was not something that the state has not seen before, and hopefully the state would be able to sustain those numbers. Chairman Wiles stated, as always, there was uncertainty in the forecasts, and the primary component of uncertainty were interest rates going forward over the next two to three years. Additionally, there are international economic conditions, consumer confidence, and other exogenous shocks that no one can forecast that may affect all of the forecasts. Chairman Wiles believed the general consensus among the members was that there were some good economic indicators that the state has gone beyond stabilization and restructuring to growth, and with some of the other economic developments that the state was seeing, from an economic development standpoint, he hoped to see continued growth in the state.

IX. PUBLIC COMMENT.

There was no public comment.

X. ADJOURNMENT.

Chairman Wiles expressed his appreciation for the Fiscal Analysis Division staff and all the presenters for the effort and time involved in producing the forecast for consideration by the Economic Forum. The meeting was adjourned at 3:25 p.m.

Respectfully submitted,

____
Judy Lyons, Committee Secretary

____
Becky Lowe, Transcribing Secretary

____
Donna Thomas, Transcribing Secretary

APPROVED:

____
Ken Wiles, Chairman

Date:____________________________

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

MOODY'S ANALYTICS

April 2015

NEVADA ECONOMIC FORUM

Revenue Outlook: State 2% Sales and Use Tax, Gaming Percentage Fees

Prepared by
Sarah Crane
Economist
+610.235.5160

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Revenue Outlook: State 2% Sales and Use Tax, Gaming Percentage Fees

BY SARAH CRANE

The following revenue forecasts link Nevada's general sales and use tax revenues (NRS 372) and its gaming percentage fee revenues (NRS 463) to measures of underlying economic expansion. Sales tax collections have accelerated in fiscal 2015, and on the whole, their recovery remains intact. Gaming percentage fee growth has been much softer, though year-to-date fiscal 2015 collections are outpacing expectations thanks to a strong third quarter showing. Nevertheless, the state has a long, hard road ahead to successfully transition back to expansion, and it will take a substantial amount of time for revenues to fully recover from a severely depressed base, particularly in gaming.

Regional economy

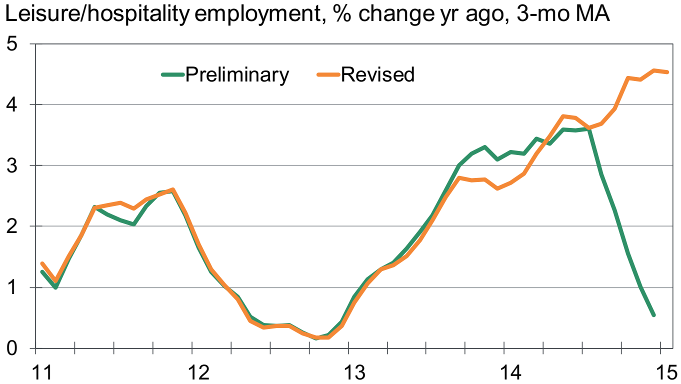
Nevada job growth is proceeding at one of the fastest paces in the country, behind that of only three other states. Annual revisions to employment data show that 2014 hiring was slightly stronger than the preliminary count, but the makeup of the revisions was most important. For example, the estimated year-end dip in the state's all-important tourism payrolls was a false alarm. Statewide, leisure/hospitality payroll growth was 4 percentage points stronger in the fourth quarter than first reported (see Chart 1). Outside of tourism, some industry job estimates were revised downward, but the pace of private sector growth remains healthy across the board. Thus, the outlook has not changed appreciably; Nevada's recovery is secure and will continue to advance.

Year over year, construction and transportation/utilities are out in front in terms of job gains, with strong support from the state's massive leisure/hospitality industry and professional services. As job growth climbs, workers are stepping off the sidelines and into the labor force, pushing the unemployment rate to 7.1% despite strong hiring. The increase is welcome news rather than cause for alarm, since it signals the job market is improving and Nevadans are more optimistic about finding work. Nevada is among the top 10 states with the fastest growth in factory jobs. Moreover, southern Nevada is seeing more high-tech business as it tries to catch up with the diversifying north (see Chart 2). The expansion and diversification of manufacturing and high-tech industries is great for the state's economy because salaries are high compared with those for other occupations and the downstream growth impacts are generally robust.

Thanks to an uptick in migration, Nevada's population grew more than twice as fast as the nation's in 2014, second only to

Chart 1: All Is Well in Nevada's Tourism Industry

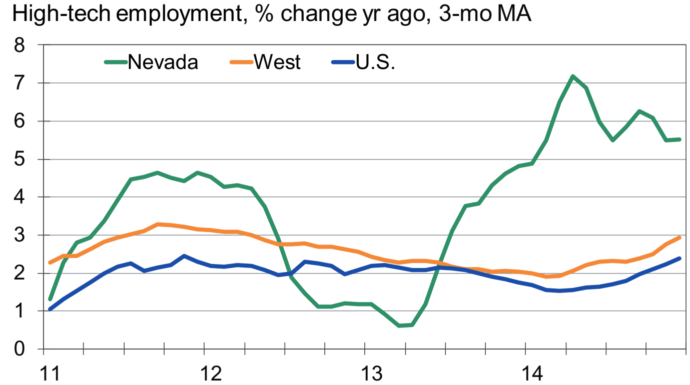
Leisure/hospitality employment, % change yr ago, 3-mo MA



Sources: BLS, Moody's Analytics

Chart 2: Nevada Enjoying a Tech Boom

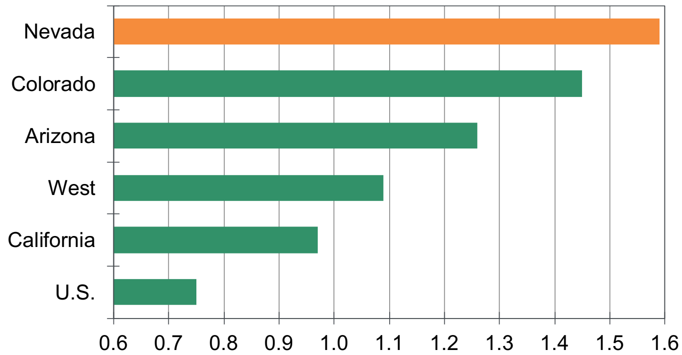
High-tech employment, % change yr ago, 3-mo MA



Sources: BLS, Moody's Analytics

Chart 3: In-Migration a Boon for the Silver State

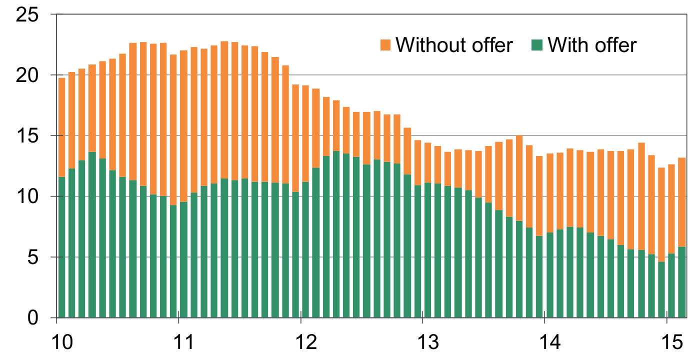
Population growth, 2014, %



Sources: Census Bureau, Moody's Analytics

Chart 4: More Vegas Inventory Has No Bidders

Single-family homes listed for sale, ths



Sources: Greater Las Vegas Assn. of Realtors, Moody's Analytics

North Dakota (see Chart 3). A pipeline of major business expansions and the resulting job opportunities will keep in-migration robust over the next few years, lifting consumer confidence and giving a much needed boost to the housing market.

That being said, real estate is faring well, thanks to progress in the housing and nonresidential sectors. Facility expansions and spec developments are sprouting up across the state, while vacancy rates are declining. Southern Nevada industrial, office and retail space showed a marked improvement in the fourth quarter of 2014 compared with the previous year, and Tesla Motors' move into Reno has boosted interest in northern Nevada. Strong leasing activity in the face of increased demand indicates a positive outlook for Nevada commercial real estate.

Single-family homebuilding is only keeping pace with that of the U.S., leaving robust apartment demand to power most of the housing construction gains. A flurry of business activity in Reno-Sparks has put metro area homebuilding on the mend. Residential construction growth has been climbing since mid-2014, with contributions from both single- and multifamily housing. Reno is among the top 6% of U.S. metro areas in terms of single-family building growth. Though appreciation has slowed, house prices are still about 10% higher than a year earlier. Meanwhile, single-family house price gains reported by the Greater Las Vegas Association of Realtors show that the Las Vegas housing market is finally beginning to stabilize and distress sales are accounting for a declining share of total transactions. However, the percentage of active listings on the market with no offers is rising. This trend indicates some sellers are overpricing their listings, holding back the local market (see Chart 4).

Table 1: Sales and Use Tax Forecast

	Q1	Q2	Q3	Q4	Total
Fiscal 2014, $ mil	226.26	236.14	226.34	242.58	931.32
% change yr ago	4.42	3.38	5.44	5.98	4.80
Fiscal 2015, $ mil	243.05	254.63	242.07	257.06	996.80
% change yr ago	7.42	7.83	6.95	5.97	7.03
Fiscal 2016, $ mil	259.94	271.45	260.54	276.48	1,068.42
% change yr ago	6.95	6.61	7.63	7.56	7.18
Fiscal 2017, $ mil	283.70	297.53	285.98	302.73	1,169.95
% change yr ago	9.14	9.61	9.77	9.49	9.50

Sources: Nevada Legislative Counsel Bureau, Moody's Analytics

While single-family building in Las Vegas remains sluggish, the number of multifamily starts in 2014 was more than double that of the previous year because of a fourth quarter surge in apartment construction. Outside of construction, an improving economy and a strong mix of event, meeting and convention business have supported the Las Vegas recovery and boosted revenues.

Nevada will continue to grow at an above-average rate, as an increase in residents and visitors drives strong consumer service demand. Reno's rising profile will support job gains and improve industrial diversity. Longer term, the state will remain vulnerable to large swings in the business cycle, but low costs, stronger than average demographic trends, and rising industrial diversity will help it outperform throughout the forecast.

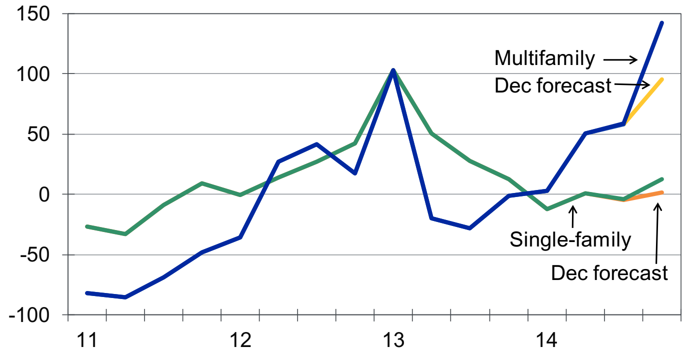
Sales and use taxes

Forecast. Sales and use tax collections grew steadily at just under 5% in fiscal 2014, but collections have accelerated into the new fiscal year. Continued improvement in visitor volumes, stronger household formation, and a long-awaited recovery in residential building will boost collections by 7% in fiscal 2015. By fiscal 2016 and fiscal 2017, the state's housing recovery will accelerate further, helping push collections higher by 7.2% and 9.5%, respectively (See Table 1).

Drivers. Key underlying drivers of sales and use tax collections include statewide residential construction and U.S. recreational services spending, a proxy for Nevada, partic-

Chart 5: Homebuilding Surprises on the Upside

Nevada housing completions, % change yr ago



Sources: Census Bureau, Moody's Analytics

ularly Las Vegas, tourism. Although legalized gaming continues to grow around the world, few global locations can rival Las Vegas from an overall entertainment perspective. This is evident from the latest data on Las Vegas visitor volume. After a significant deceleration in calendar 2013, the city welcomed 40.8 million people in calendar 2014, 2.8% higher than the previous year and exceeding the annual record, 39.7 million, set in 2012. Given the trajectory of the U.S. recovery, visitor volume will continue to expand steadily and will also benefit from near-term declines in the price of gasoline.

The near-term forecast is higher than the previous iteration because of stronger than expected homebuilding activity. Housing completions surprised on the upside, thanks to significant gains in the multifamily segment (see Chart 5). Continued healthy in-migration will generate sustained recovery in household formation and homebuilding in the years ahead. The Silver State is an attractive retirement destination, given its low cost of living, lack of a state income tax, favorable climate, and easy access to entertainment. Recessionary house price declines have also helped level the playing field with nearby competitors, boosting near-term prospects. Household formation will also get a boost from millennials breaking out on their own as the labor market continues to heal. This will help revive a much missed dimension of housing demand and will push multifamily housing starts into a more prominent role than in previous recoveries. The pace of residential permit issuance, which surpassed expectations, signals that homebuilders will be busy in the near future. More residential construction will translate into more durable goods purchases and sales taxes throughout the forecast.

Also important for sales taxes, nationwide recreational services spending was slightly higher than anticipated. Should low gasoline prices extend into the summer, beyond the baseline forecast assumption, tourism spending would get an added boost from lower travel costs for vacationers.

There are also several as yet unquantifiable upside risks to the forecast for sales tax collections. As part of an agreement reached with the state in April 2012, Amazon has begun to collect sales tax on items purchased by Nevada residents. The forecast does not explicitly account for this development, because the latest taxable sales data indicate that the impact on overall collections is marginal. For fiscal 2014, taxable sales for nonstore retailers, which include Amazon, totaled around $682 million, a $182 million increase from fiscal 2013. If it is assumed that all of this uptick is a result of the Amazon agreement, which went into effect in January, then the monthly increase in taxable sales attributable to Amazon comes to around $30 million. Applying a tax rate of 2% to that number, the monthly increase in sales and use tax revenue computes to around $600,000, or less than 1% of total statewide revenue for a usual month. As more historical data become available, Moody's Analytics will look for ways to fully incorporate this development into the baseline tax forecast.

Finally, this revenue forecast does not explicitly account for the direct effects of the deal between the state and Tesla. Most of the direct construction activity will be exempt from state sales tax, and the spillover impact and timing from the new factory are not yet unquantifiable. As more detailed information is released on construction timelines and hiring, Moody's Analytics will more explicitly incorporate this development into the forecast.

Gaming percentage fees

Forecast. Even with more tourists visiting Nevada, growth in gaming percentage fee collections has been marginal. Third quarter data were stronger than anticipated, and with a quarter left in the fiscal year, collections are finally outpacing year-to-date 2014. Still, the near-term forecast is weak given a slowdown in many Asia-Pacific economies, particularly China, which will weigh on some high-dollar play. Collections should rebound slightly thereafter thanks to more visitors and improving household finances among Americans in the western region. However, a structural break in the relationship between visitor volume and gaming percentage fees will keep the long-term increase below the historical average, increasing to just 4% by fiscal 2017. Thus collections will fail to return to their prerecession peak until beyond the current forecast horizon, a loss of more than a decade in terms of growth (See Table 2).

Drivers. Nevada's gaming percentage fees have similar cyclical drivers to sales and use taxes, with a few crucial exceptions. These exceptions—most notably sales' high dependence on construction for durable goods consumption—result in a higher correlation of gaming percentage fee collections with national and global economic trends. Of these trends, the two most significant factors are the national unemployment rate and national recreational services spending, as measured by the National Income and Product Accounts' personal consumption expenditures.

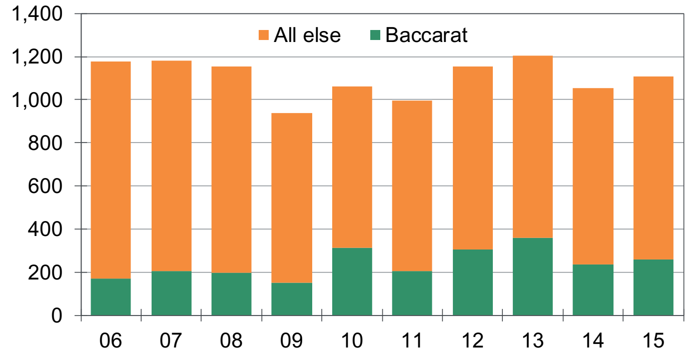
Over the last four fiscal years, gaming revenues have advanced at a mediocre 1.1% average annualized rate; for context, revenues from 1997 to 2006 expanded at a 6.3% average annualized rate. A slowdown in baccarat win accounted for an outsize share of the gaming revenue decline (see Chart 6). The high-end game grew from about 4% of Nevada's gaming win in 2003 to more than

13% in 2013, but reliance on high-dollar tourists carries risks. The flow of visitors from the Asia-Pacific region—the largest source of baccarat revenue on the Strip—has slowed to a trickle as a result of the economic downturn and more stringent controls on funds flowing overseas. Another part of the issue is that Nevada's share of the global gaming market has fallen precipitously in the last decade, meaning that an increasing majority of Americans and visitors from overseas do not need to travel to Nevada to gamble. Finally, although visitor volume is at a record high, the composition of visitors appears tilted more toward those under the age of 40, who statistically prefer to shop and experience the nightlife instead of gamble.

The structural break in the historical relationship between recreational spending and gaming is becoming increasingly clear and drives a large part of the disparity in forecast growth rates compared with sales and use taxes. Increased competition from other states, international destinations such as Macau, and even online betting will continue to moderate Nevada's share of gaming in the years ahead. Las Vegas tourism has been relatively successful in addressing this by diversifying beyond its traditional gaming image and branding itself more as a comprehensive vacation destination that appeals to a wider range of visitors. As a result, live entertainment and sales and use taxes will continue to increase at the expense of gaming percentage fees.

Chart 6: Fewer Baccarat Bucks on the Strip

Las Vegas Strip casino gaming revenue, Jan-Feb, $ mil



Sources: UNLV Center for Gaming Research, Moody's Analytics

Table 2: Gaming Percentage Fee Forecast

	Q1	Q2	Q3	Q4	Total
Fiscal 2014, $ mil	155.86	173.83	163.48	189.03	682.19
% change yr ago	0.29	1.49	-3.22	3.15	0.49
Fiscal 2015, $ mil	146.47	180.08	170.07	189.57	686.19
% change yr ago	-6.02	3.59	4.03	0.29	0.59
Fiscal 2016, $ mil	160.99	179.66	171.52	195.53	707.70
% change yr ago	9.92	-0.23	0.85	3.14	3.14
Fiscal 2017, $ mil	168.00	186.86	179.02	202.81	736.70
% change yr ago	4.35	4.01	4.37	3.73	4.10

Sources: Nevada Legislative Counsel Bureau, Moody's Analytics

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MOODY'S
ANALYTICS

Nevada Labor Market Briefing

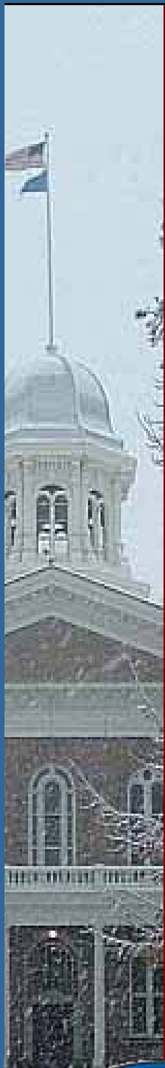
Department of Employment, Training & Rehabilitation

Don Soderberg, Director

Dennis Perea, Deputy Director

Bill Anderson, Chief Economist

Prepared by the Research and Analysis Bureau for Presentation to the Economic Forum: May 2015



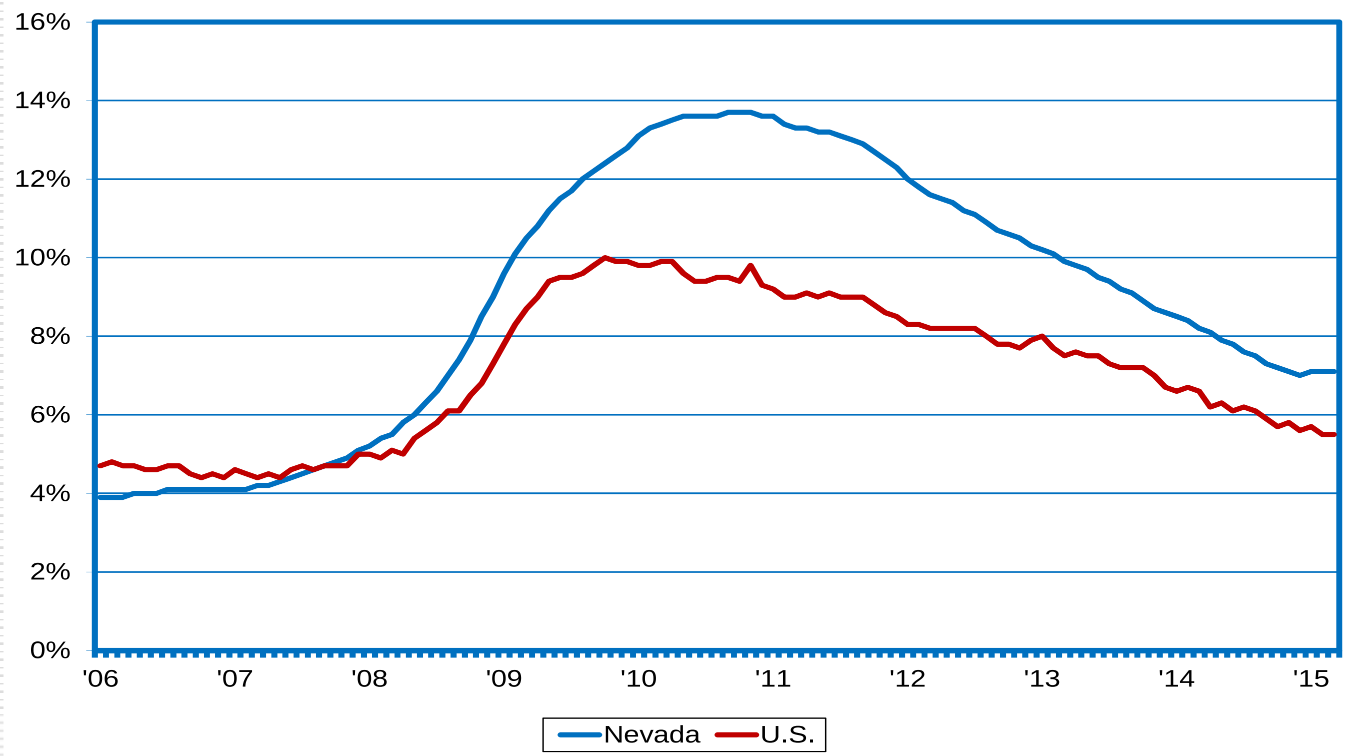
State Unemployment Rate

- 7.1% Unemployment Rate (SA[1])
  - Unchanged from February; down from 8.2% a year ago
    - Off from a recession peak of 13.7%
    - Improving labor market has enticed individuals to enter the labor market and search for work…this limits the downward pressure on the rate, even as employment rises
  - Compares to a 5.5% rate for the U.S.—1.6 points higher
    - Hovering around 1.5 points higher than the nation's for the past several months
    - NV's rate was 4.4 points higher than the nation's at the height of the recession

[1]seasonally adjusted

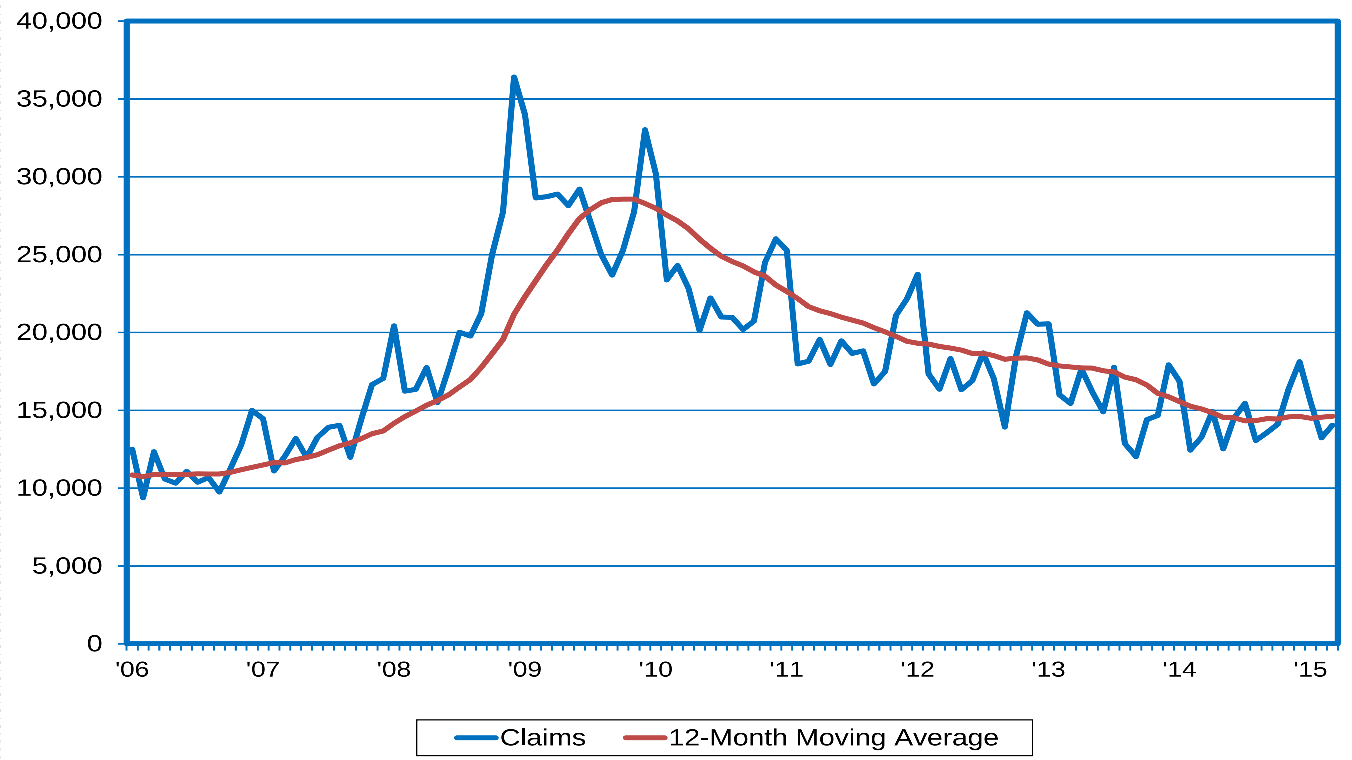
Unemployment Rate at 7.1% for 3rd-Straight Month; 49 Straight Months of Y-O-Y Declines

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



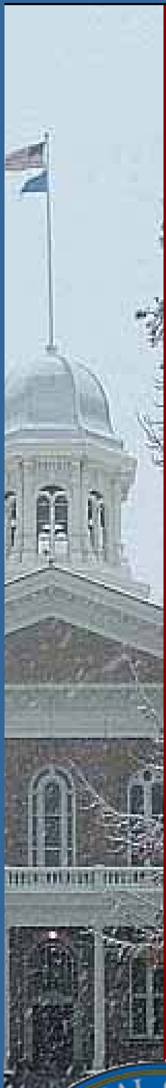
Initial Claims Continue to Hold Steady at Around Half of the Recessionary Peak

Initial Claims for Unemployment Insurance



NEVADA JobConnect

DETR
Nevada Department of Employment, Training and Rehabilitation

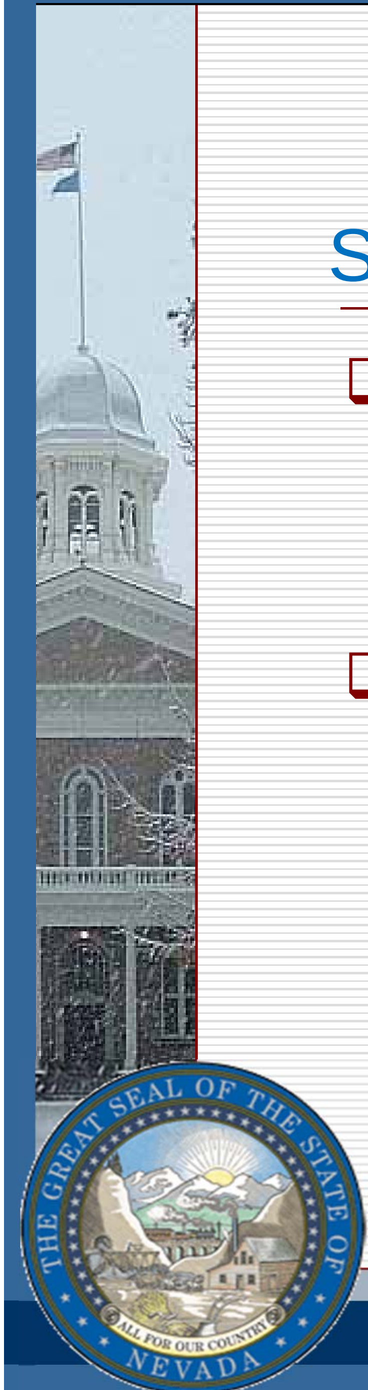


Including Discouraged Workers Adds Less Than a Point to the "Official" Rate

Alternative Measures Of Labor Underutilization

Alternative Measures of Labor Underutilization (2014 Annual Average)

Measure	Underutilization Concept	Level
Official Rate	jobless persons available to take a job who have actively sought work in the past four weeks	7.8%
U-1	jobless 15 weeks or longer	4.2%
U-2	job losers and persons losing a temporary job	4.0%
U-3	similar to official rate	7.7%
U-4	U-3 plus discouraged workers	8.4%
U-5	U-4 plus others marginally attached to the labor force	9.4%
U-6	U-5 plus those employed part-time for economic reasons	15.3%



State Employment (SA)

- Non-Farm Job Levels Up 34,100 Relative to a Year Ago
  - 2.8% gain compares to 2.3% in the nation
  - 51 consecutive months of year-over-year gains
- Down 700 Over the Month
  - 5,800 (NSA[2]) jobs were expected to be added based upon historical trends, but just 5,100 were actually added, resulting in the seasonally adjusted decline

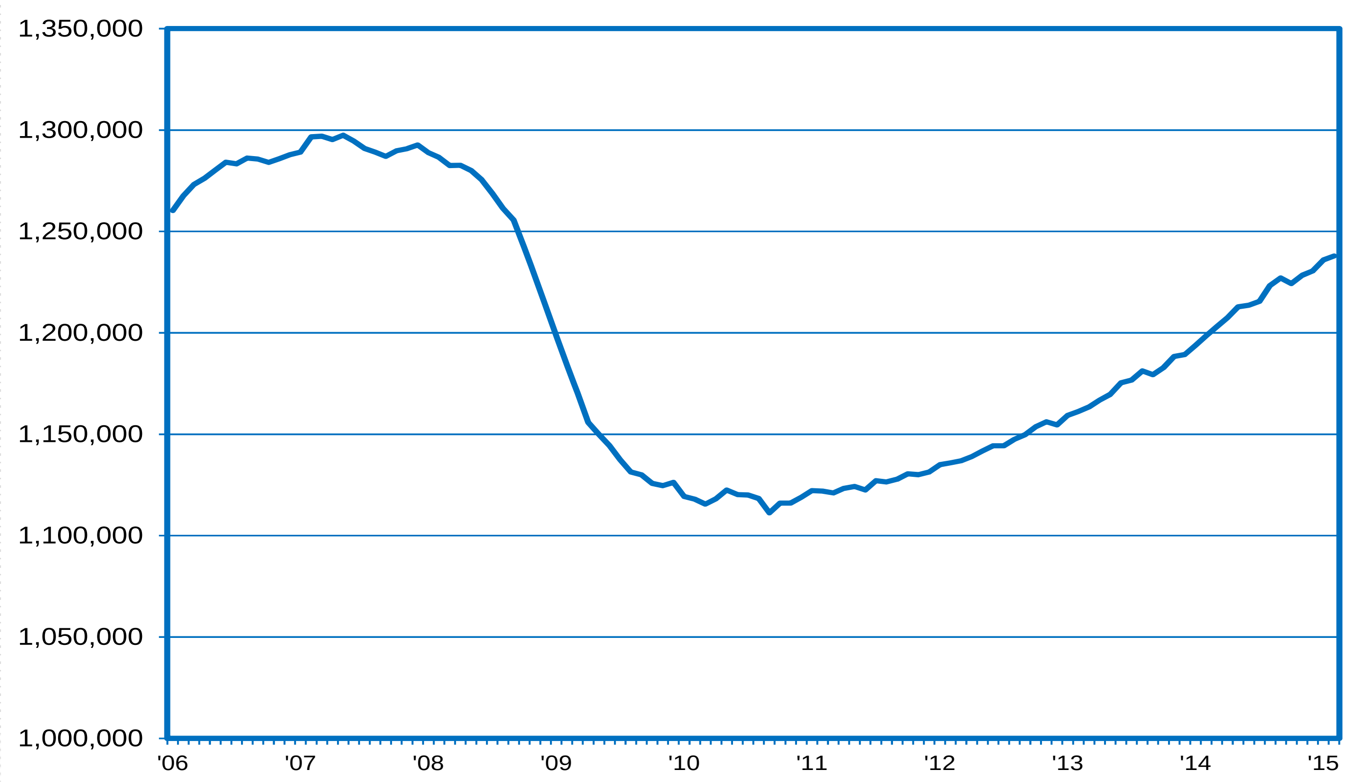
[2]not seasonally adjusted

DETR Nevada Department of Employment, Training and Rehabilitation

NEVADA JobConnect

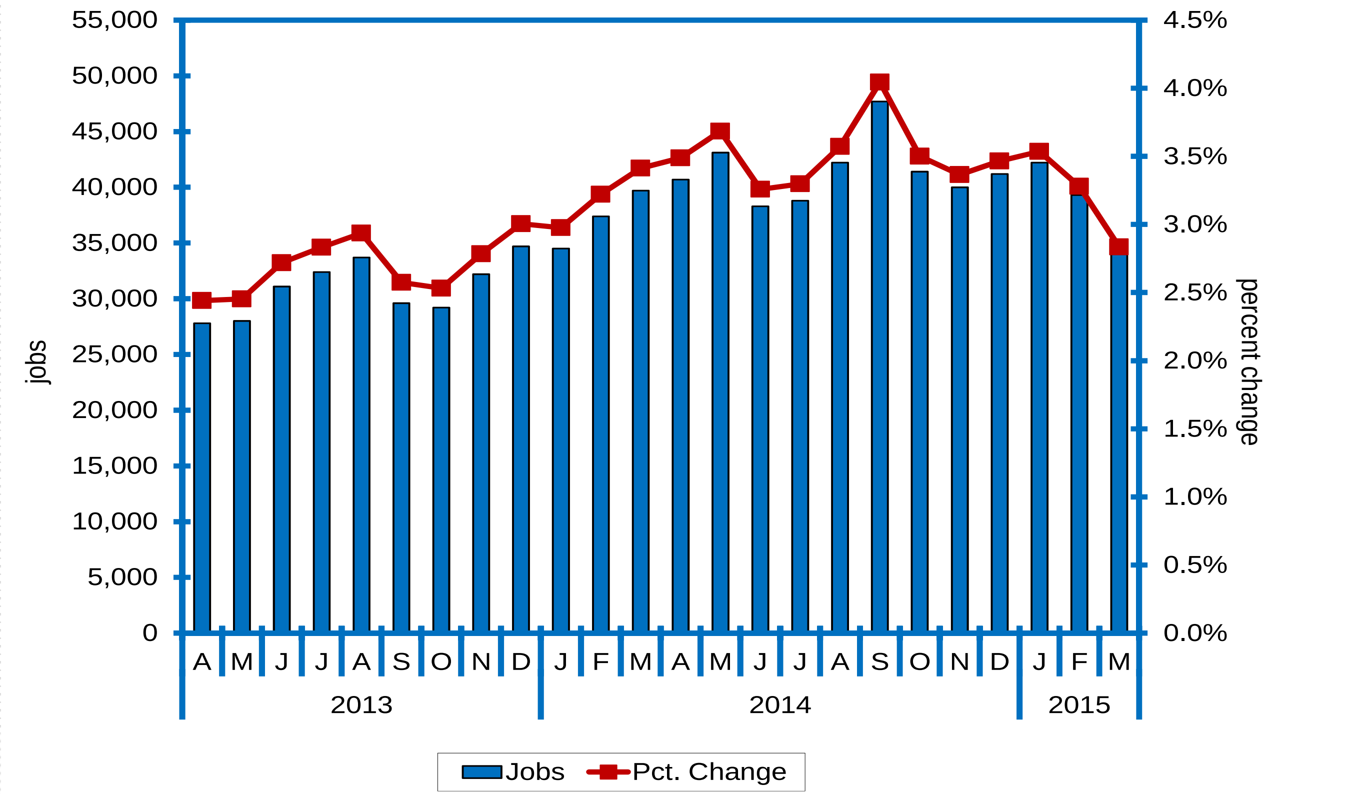
Job Levels Hold Steady Again in March; The Series Appears to be Under-Estimating

Nonfarm Jobs in Nevada (SA)



Job Levels up 34,100 from Year-Ago…+2.8%; Easing of Growth of Late is Questionable

Job Growth (SA; year-over-year)



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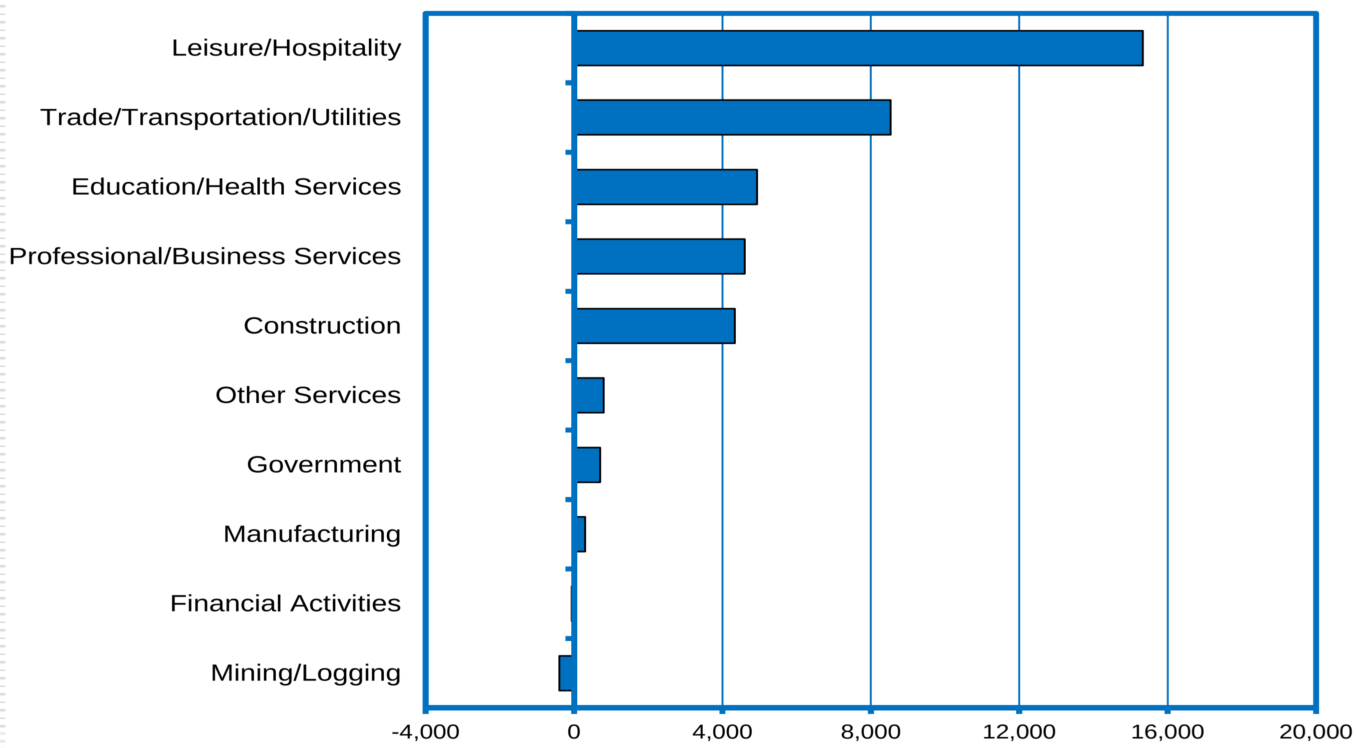
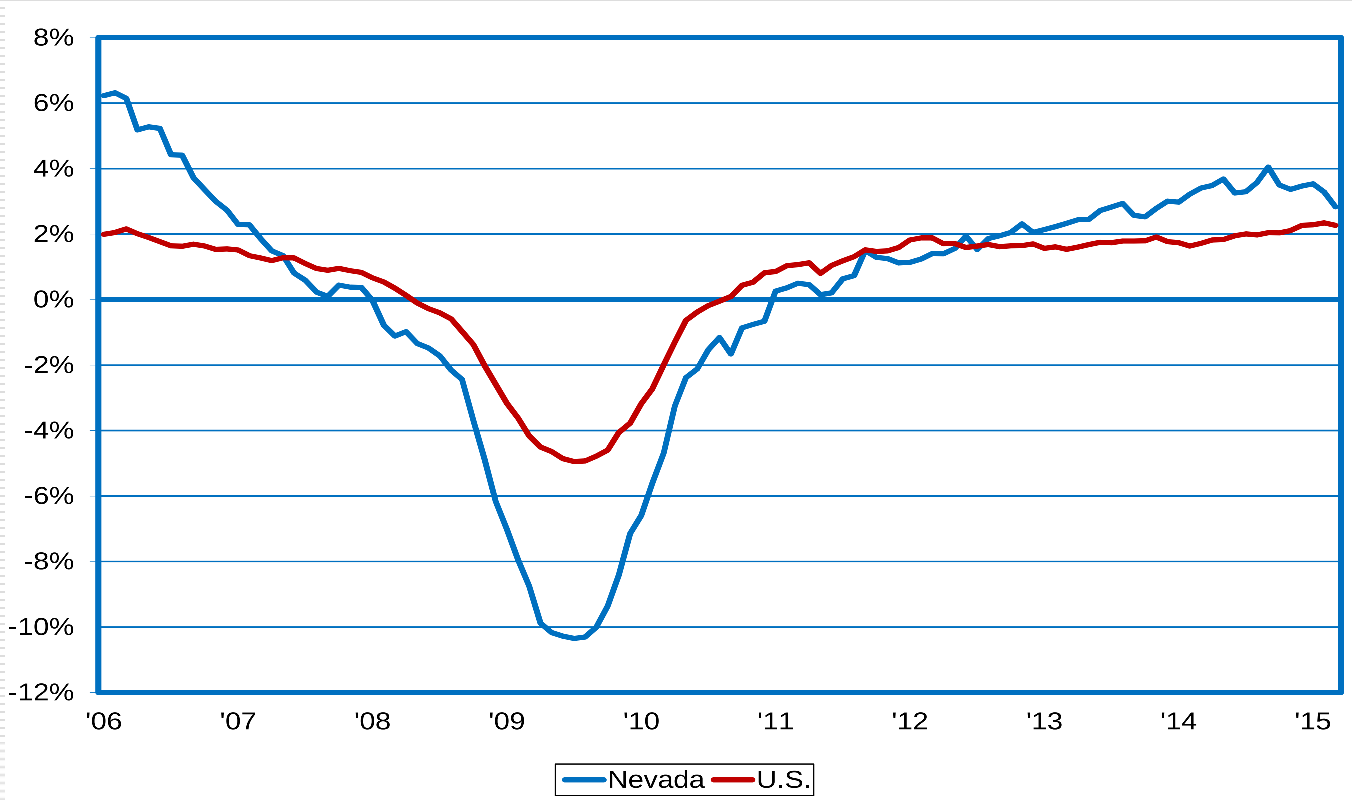
Leisure/hospitality, T/T/U, healthcare, and PBS Lead the way in Terms of Job Gains

YTD Job Growth by Sector (year-over-year)



NV Job Growth Exceeds Nation in 32 Straight Months

Job Growth (year-over-year)



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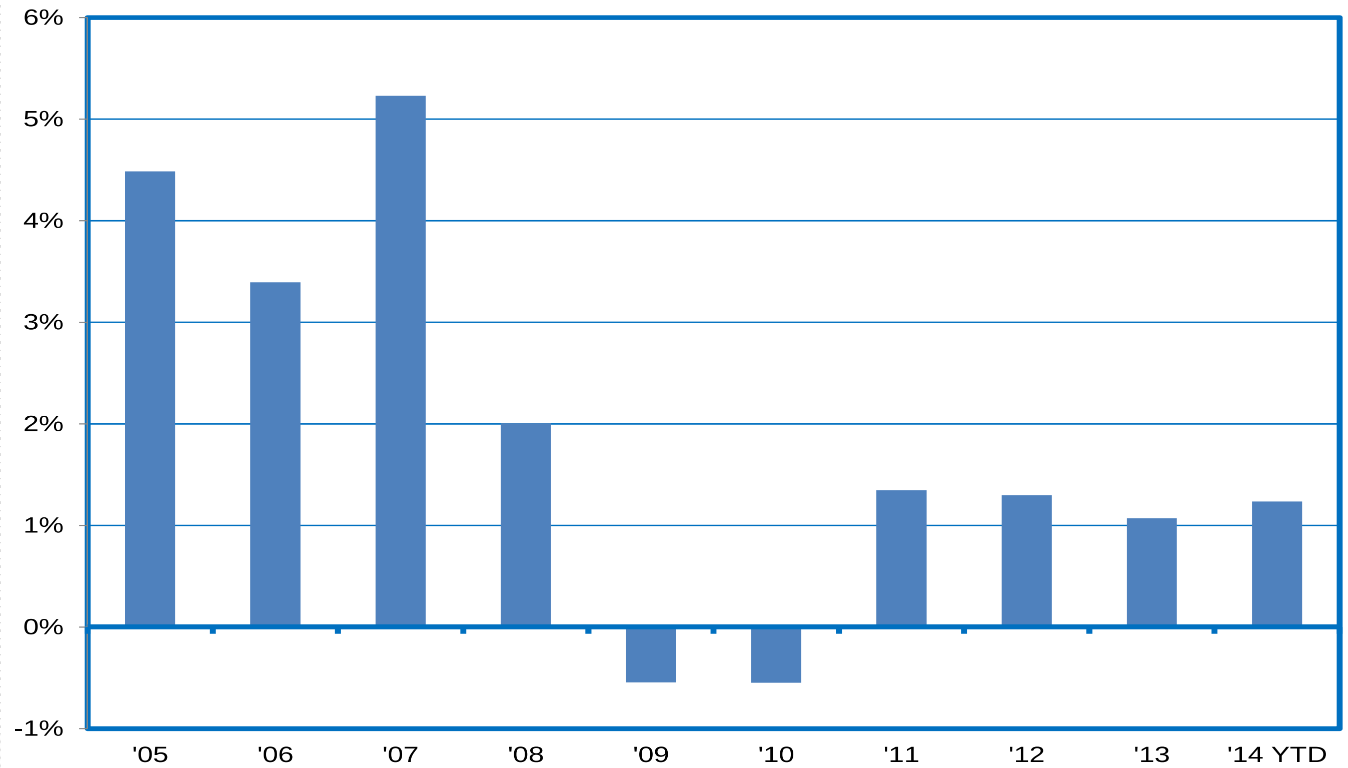
Wages Expand, But at a Relatively Subdued Pace

Avg. Weekly Wage Growth; Year-Over-Year; 2014 YTD through IIIQ



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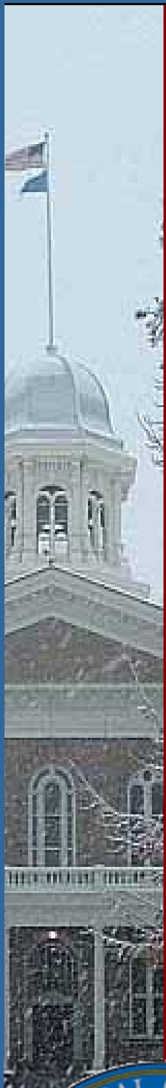
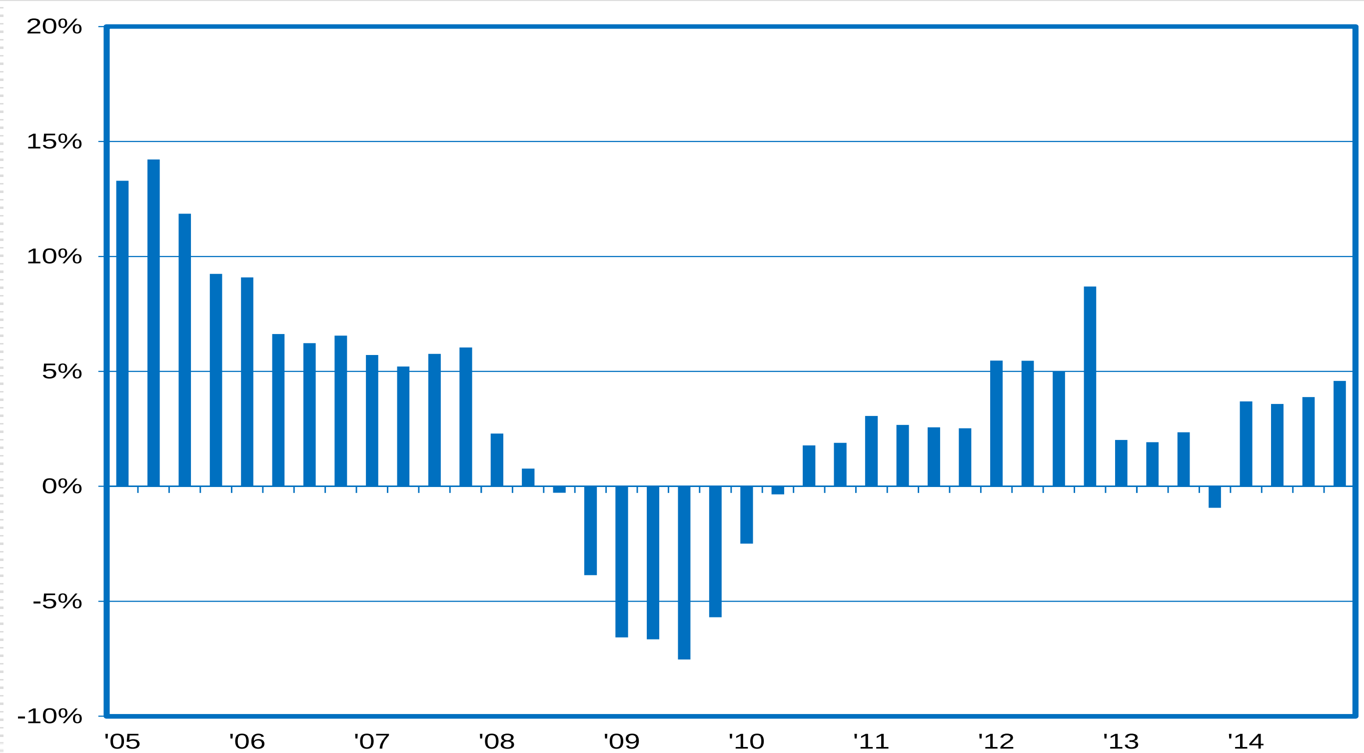


Personal Income up 3.9% in 2014; Same as in US; Gains in 17 of Past 18 Quarters

Personal Income Growth (year-over-year)



NV Adds Close to 100K Jobs Over 2010-2014 Period; Trending 40K Higher so far This Year

Nevada Job Growth Since 2010

	Total (Private+Public)	Private Sector
2010 Baseline	1,117,800	964,000
Calculation of 2011 Growth		
2011	1,125,700	975,500
Growth from 2010	7,900	11,500
Calculation of 2012 Growth		
2012	1,144,800	995,500
Growth from 2011	19,100	20,000
Calculation of 2013 Growth		
2013	1,174,300	1,023,300
Growth from 2012	29,500	27,800
Calculation of 2014 Growth		
2014	1,215,300	1,063,000
Growth from 2013	41,000	39,700
Calculation of 2015 Year-to-Date Growth		
2014 Year-to-Date (through March)	1,188,500	1,035,100
2015 Year-to-Date (through March)	1,228,200	1,074,200
Year-to-Date Growth from 2014	39,700	39,100
Total Growth Since 2010 (2011 Growth + 2012 Growth + 2013 Growth + 2014 Growth +2015 YTD Growth)	137,200	138,100

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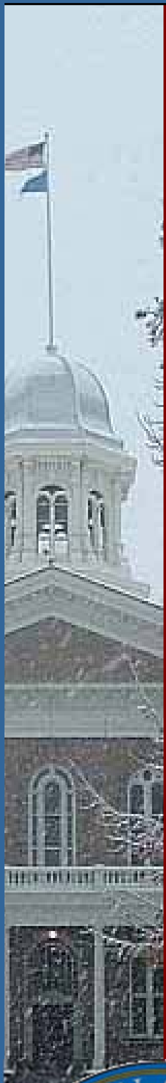
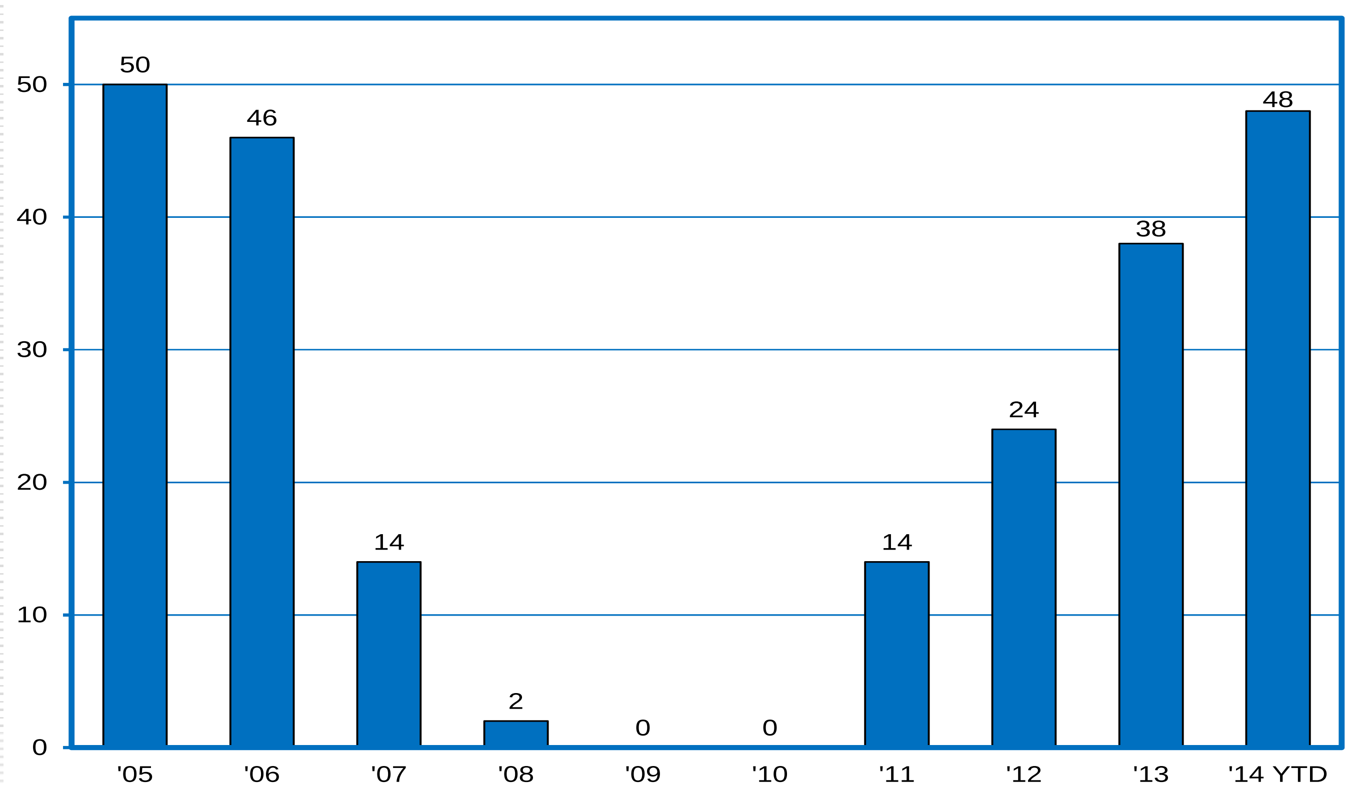


Job Growth 3rd-Strongest in Nation

QCEW Job Growth Rankings (# of states with slower private sector job growth than NV; 2014 YTD through IIIQ)

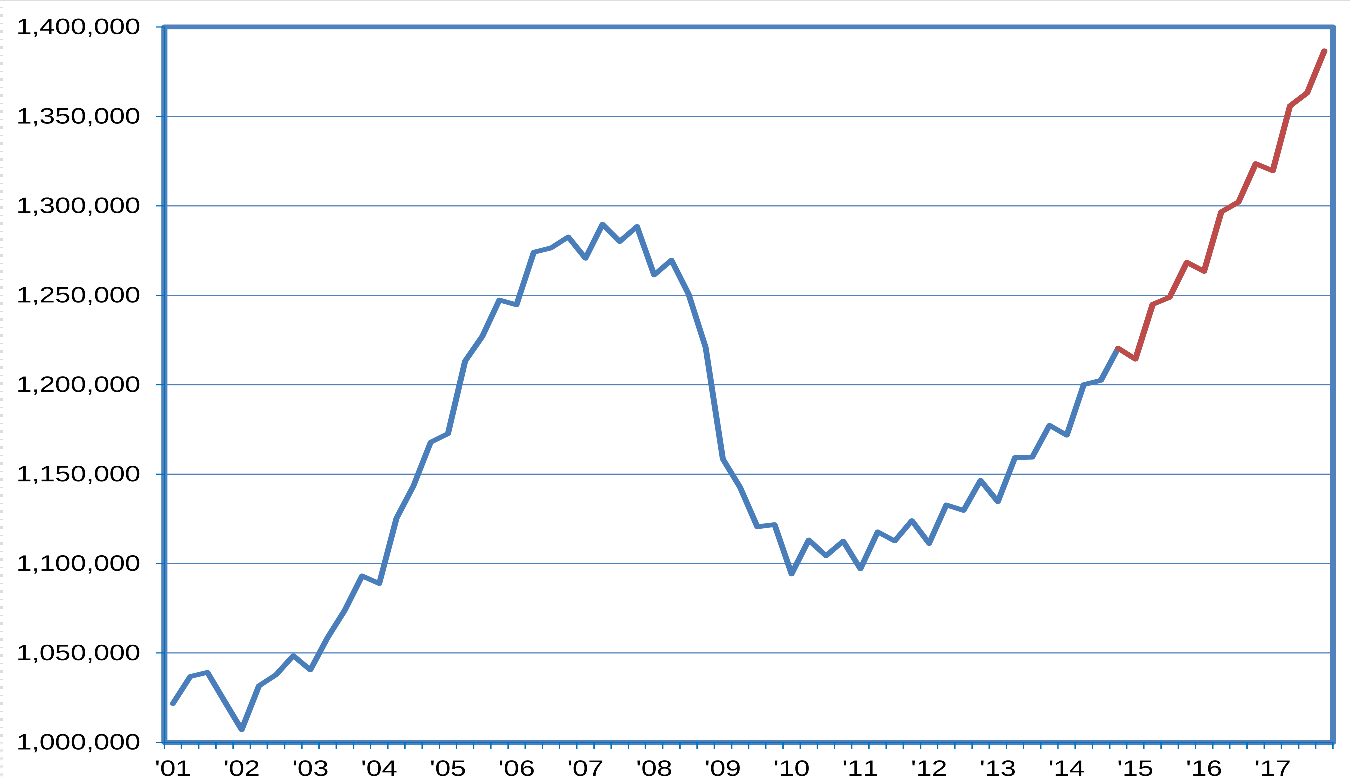


The Job Outlook: Key Takeaways

- Slightly more optimistic than in December
  - 2014-2017 job growth=158K vs. 133K previously
  - 2017 jobs=1.36M vs. 1.32M previously
    - A 2.5% difference
- Broad-based and diversified growth
  - 18 of 20 industry groups tracked show growth in every year of the forecast
- Bottom-line…Nevada lost 175K jobs during recession
  - Nearly 100K jobs added back over 2010-2014 period
  - Trending 40K higher so far this year
  - We expect to regain all jobs lost around mid-2016

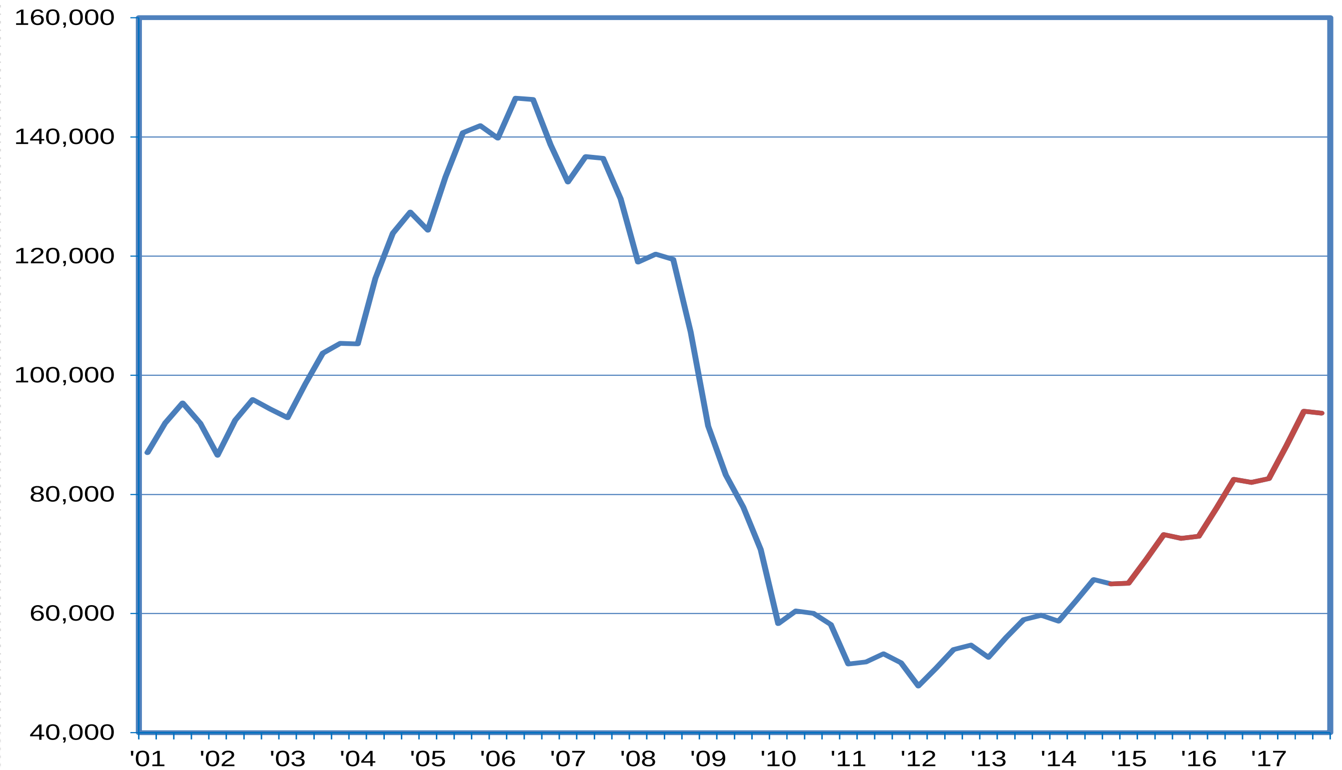
Job Levels Exceed Pre-Recession Peak by 97K at Year-End 2017

Total Jobs: History and Forecast



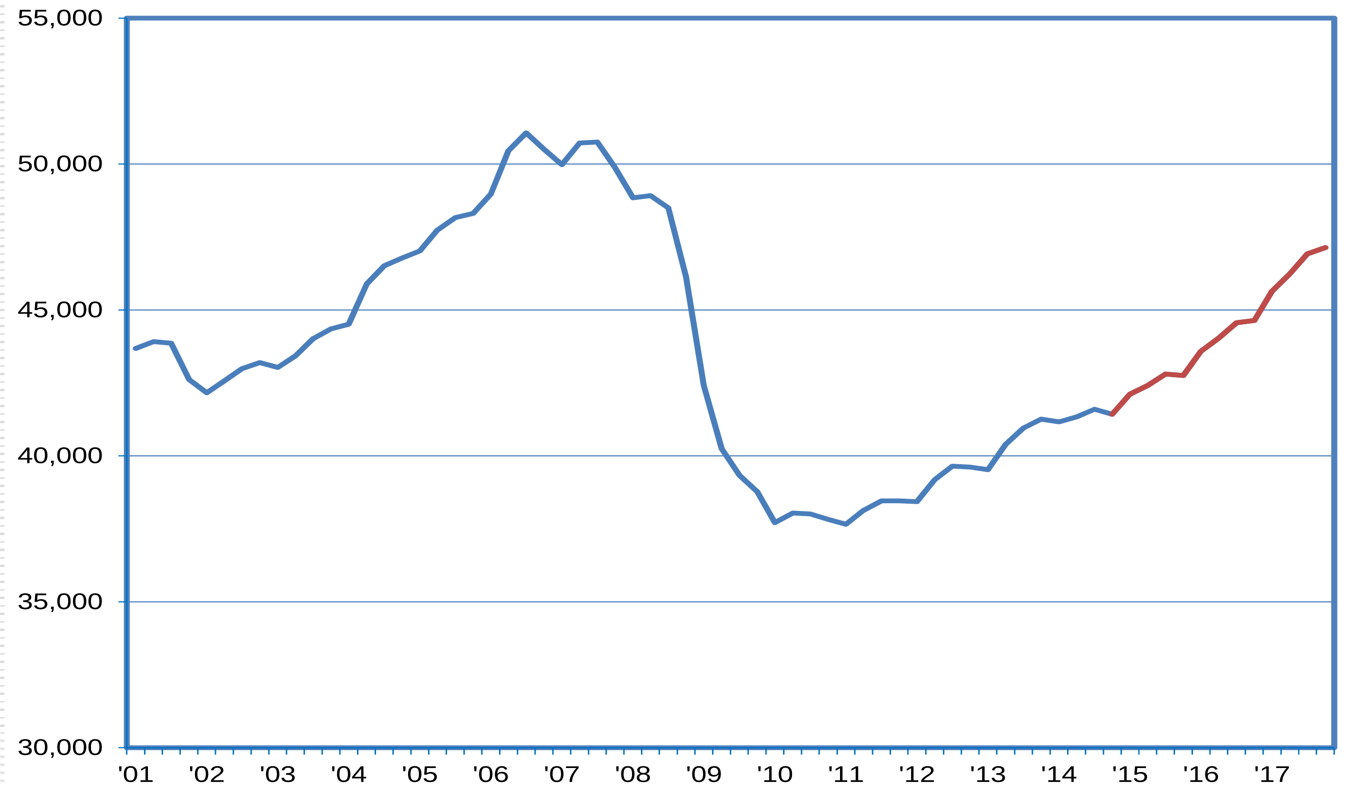
By the End of 2017, 46K Construction Jobs Added Since Bottoming Out

Construction Jobs: History and Forecast



Growth to Strengthen for Manufacturing Jobs; 5,100 New Jobs through 2017

Manufacturing Jobs: History and Forecast



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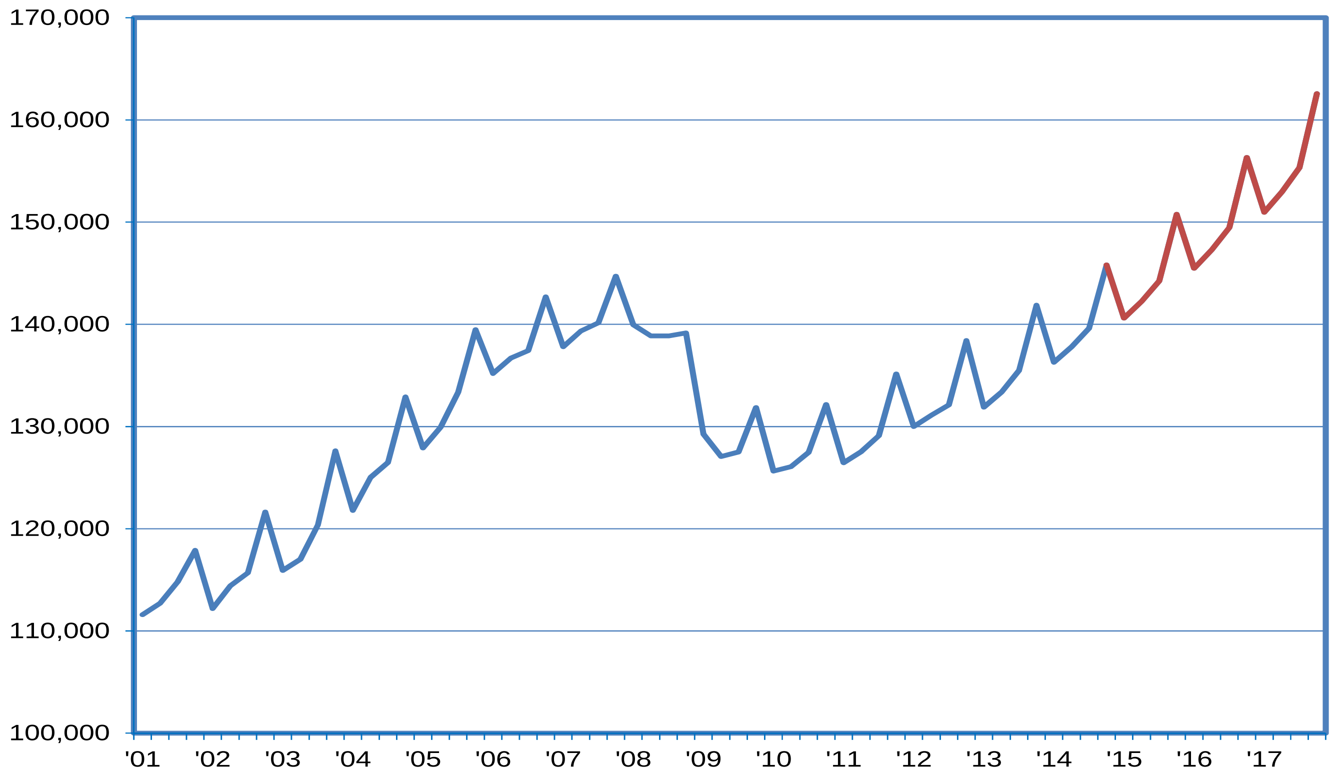
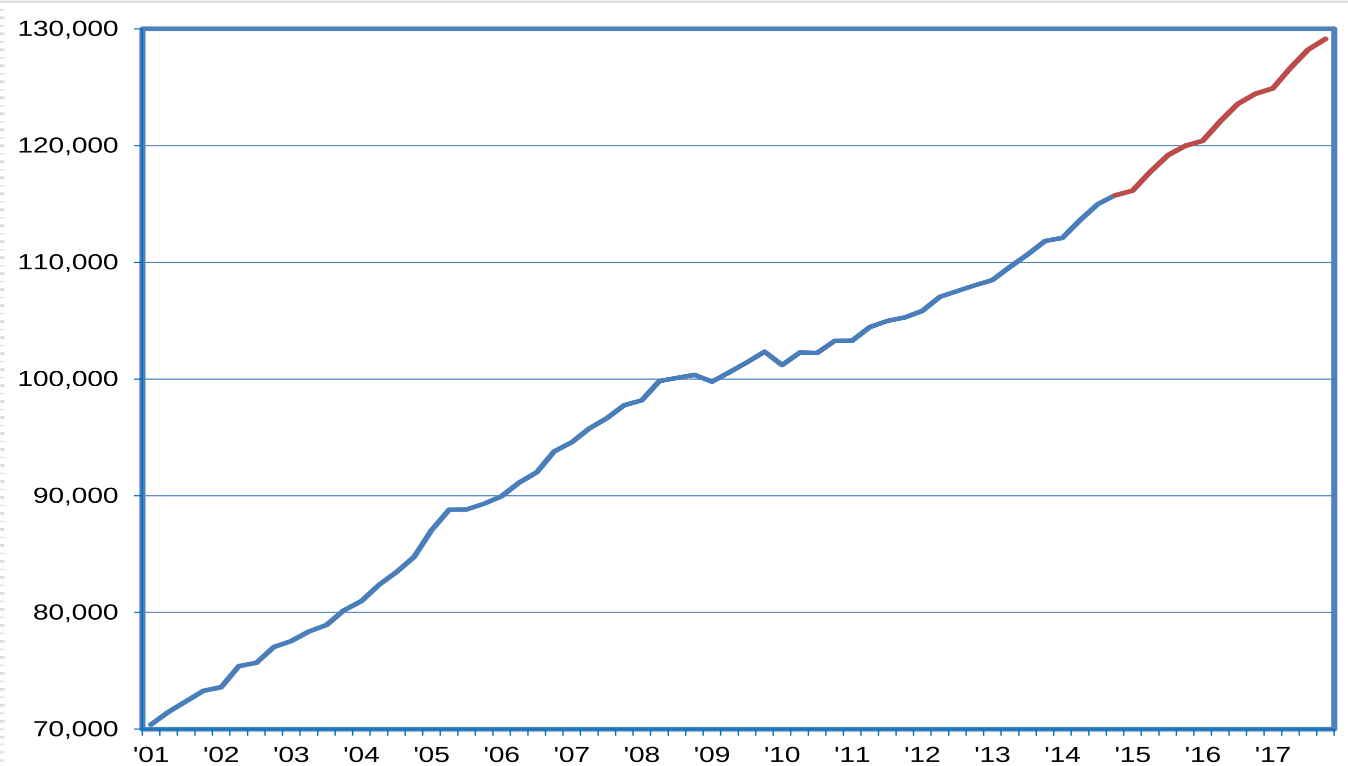
Retail Trade Should Continue Adding About 5,000 Jobs Annually

Retail Trade Jobs: History and Forecast



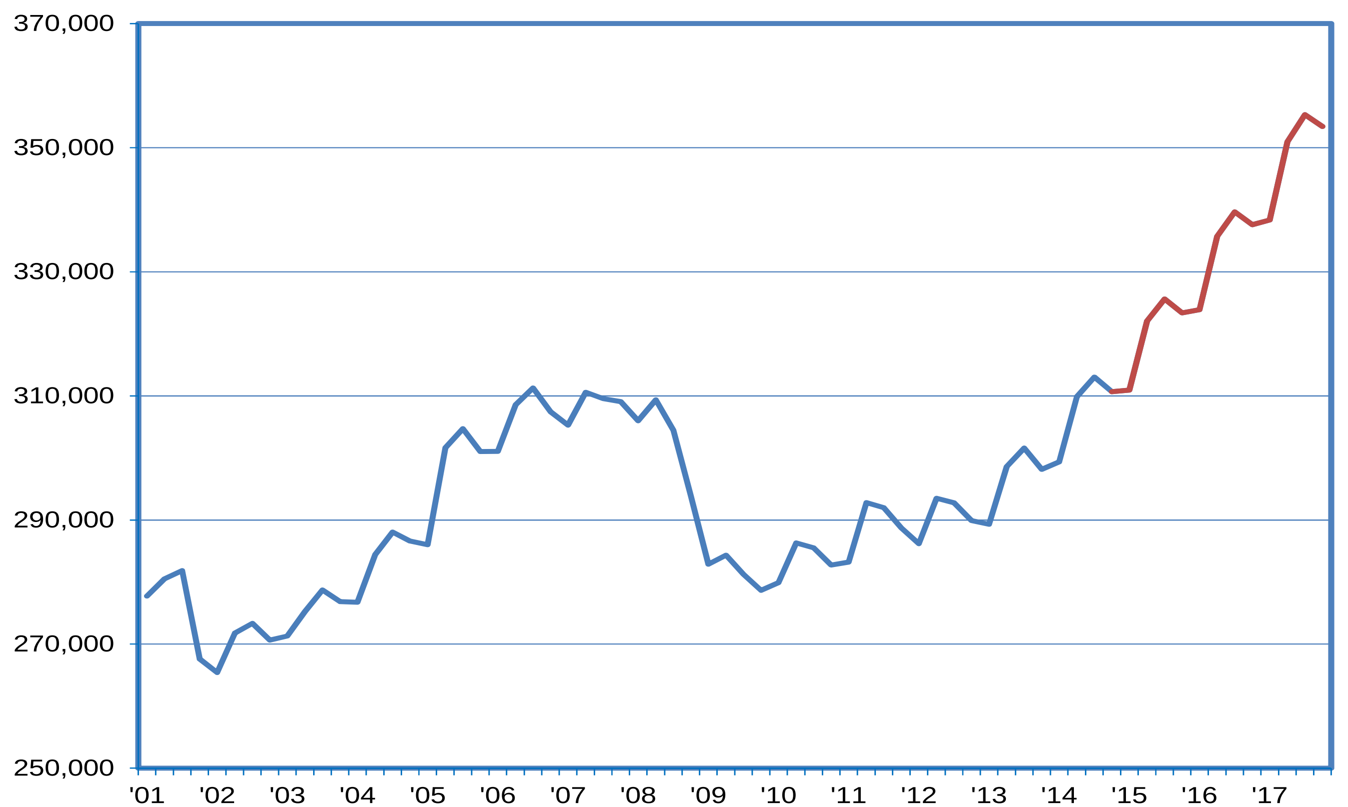
Expectations are for an Additional 4,500 Healthcare Jobs per Year

Healthcare/Social Assistance Jobs: History and Forecast



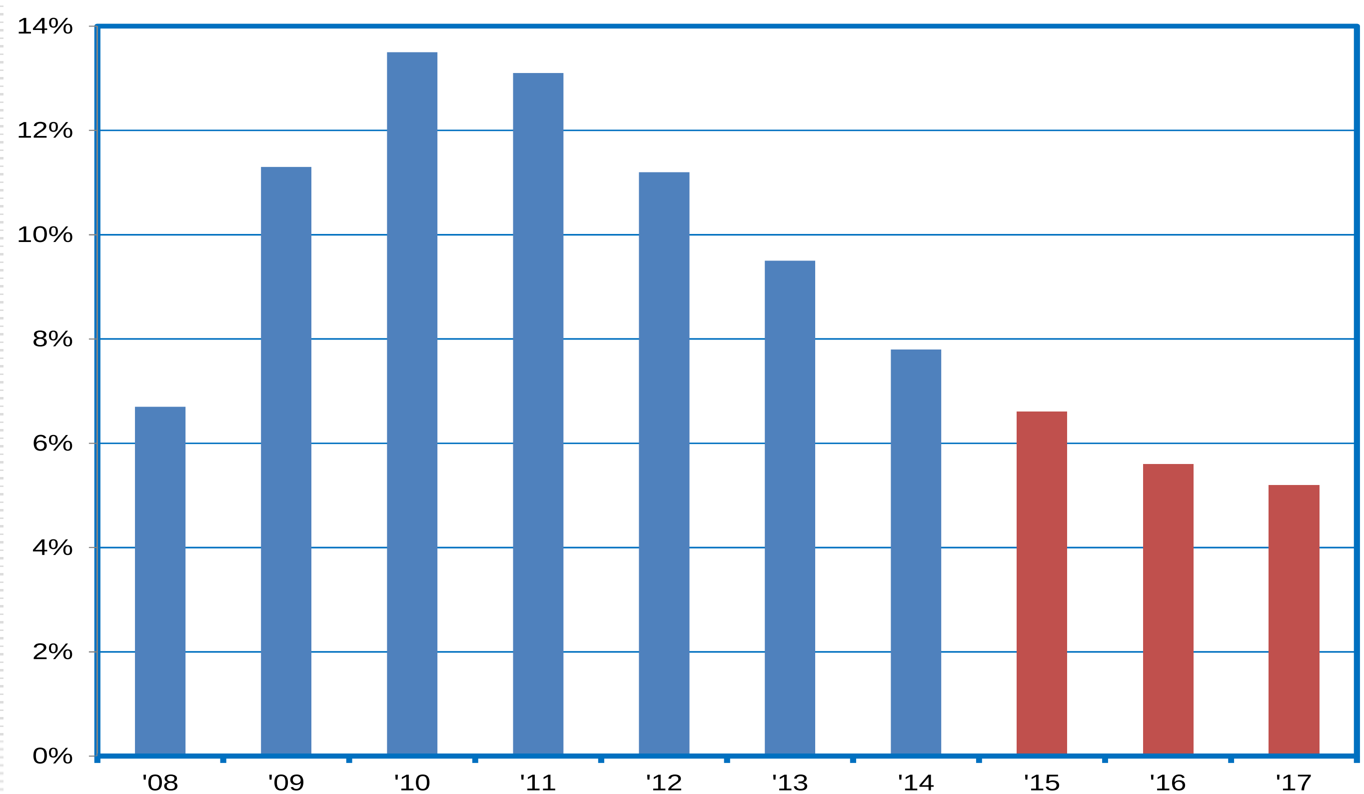
AFS Jobs Have Reached Historical High; More than 40K Additional Jobs Expected

Accommodation/Food Services Jobs: History and Forecast



NV's Unemployment Rate Trending Down…6.6% in '15; 5.6% in '16; 5.2% in '17

Unemployment Rate: History and Forecast



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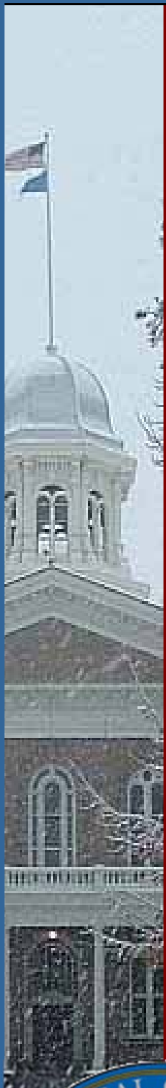

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AGENDA ITEM IX
A. TRANSFERRABLE FILM TAX CREDIT PROGRAM

Legislative Authority

Senate Bill 165 (2013 Session), further amended by Senate Bill 1 of the 28th Special Session (September 2014)

Administration of the Program

The Transferrable Film Tax Credit Program is administered by the Governor's Office of Economic Development (GOED).

Who Is Eligible For The Credits?

The credits may be granted to producers of certain film and other qualified productions, if the production is in the economic interest of the state, at least 60 percent of the total qualified expenditures and production costs for the production will be incurred in Nevada, and the production costs of the qualified production exceed $500,000.

How Is The Credit Calculated?

The base amount for the transferrable tax credit is 15 percent of certain qualified expenditures which are incurred in Nevada, with additional tax credits that can be earned based on wages, salaries, and fringe benefits (compensation) paid to certain out-of-state personnel. A tax credit of 12 percent can be earned based on the compensation paid to above-the-line personnel (actors, producers or directors) who are not Nevada residents. A credit based on compensation paid to below-the-line personnel (non-actors, producers or directors) who are not Nevada residents may be earned at the rate of:

- 12 percent for the period beginning January 1, 2014, to December 31, 2015;
- 10 percent for the period beginning January 1, 2016, to December 31, 2016; and
- 8 percent for the period beginning January 1, 2017, to December 31, 2017.

An additional tax credit of 2 percent of the qualified expenditures incurred in Nevada may be earned if at least 50 percent of the below-the-line personnel is comprised of Nevada residents. An additional tax credit of 2 percent of the qualified expenditures incurred in Nevada may also be earned if more than 50 percent of the filming days of the qualified production occurs in a county which, in each of the two years immediately preceding the date of the application, qualified productions incurred less than $10 million of direct expenditures.

Taxes to Which the Credits Apply

These transferrable tax credits may be applied to one or all of the following taxes:

- Branch Bank Excise Tax (NRS 363A.120)
- Modified Business Tax (Financial Institutions) (NRS Chapter 363A)
- Modified Business Tax (Non-Financial Institutions) (NRS Chapter 363B)
- Gross Gaming Percentage Fee Tax (NRS 463.370)
- Insurance Premium Tax (NRS Chapter 680B)

How Credits Are Issued and Transferred

Pursuant to NRS 360.759, a production that has been deemed to be eligible for transferrable tax credits by GOED must submit an audit to GOED to determine whether credits will be issued. If GOED certifies the audit and determines that all other requirements have been met, it must notify the producer that the credits will be issued and the amount of the credits that will be issued.

Within 30 days after the receipt of the notice, the producer is required to make an irrevocable declaration of the amount of transferrable tax credits that will be applied to each fee or tax. Upon receipt of the declaration, GOED is to issue to the eligible producer a certificate of transferrable tax credits in the amount approved by the Office for the fees or taxes included in the declaration of the producer.

The producer is permitted to transfer the credits to any other person, and shall notify GOED upon transferring any of the transferrable tax credits. GOED must additionally notify the Department of Taxation and the State Gaming Control Board of all transferrable tax credits issued, segregated by each fee or tax set forth, and the amount of any transferrable tax credits transferred.

Expiration Date of the Credits

Pursuant to NRS 360.7594, the credits expire four years after the date on which GOED issues them to the producer.

Maximum Amount of Credits That May Be Issued

Under current law (approved in Senate Bill 1 of the 28th Special Session), a total of \$10 million in tax credits may be issued by GOED over the life of the program. NRS 360.7594 additionally limits the amount of credit that may be issued to any qualifying production to a maximum of \$6 million.

Note: In Senate Bill 165 of the 2013 Session, the Legislature approved a total of \$80 million in credits to be issued for this program, with a limit of \$20 million to be approved per fiscal year. The bill specified that if GOED did not approve the maximum of \$20 million in any fiscal year, then the amount not issued could be carried over and issued in a subsequent fiscal year. These provisions were changed to a limit of $10 million for the life of the program due to the passage of Senate Bill 1.

When Does The Program Expire?

GOED is prohibited from approving any applications for transferrable tax credits under the following circumstances:

- If the approval of the application would cause the total amount of credits issued to exceed $10 million; or
- If the application is received on or after January 1, 2018.

The provisions governing the administration of the program expire by limitation on June 30, 2023.

AGENDA ITEM IX
B. NEVADA NEW MARKETS JOBS ACT TAX CREDITS

Legislative Authority

Senate Bill 357 (2013 Session)

Administration of the Program

The Nevada New Markets Jobs Act is administered by the Department of Business and Industry (Department).

Who Is Eligible For The Credits?

Insurance companies may receive a credit for making a qualified equity investment in a community development entity, particularly those that are local and minority-owned. A community development entity that receives such an investment is required to provide capital or equity investments in, or loans to certain qualified low-income community businesses and at least 30 percent of the total qualified equity investment amount must be provided to such businesses located in severely distressed census tracts.

The Department of Business and Industry is required to certify a total of $200 million in qualified equity investments, and is prohibited from certifying any single qualified equity investment of less than $5 million or certifying more than $50 million in qualified equity investments for any single applicant, including all affiliates and partners of the applicant which are qualified community development entities.

If the qualified investment is not made within 30 days after the date that the Department of Business and Industry certifies the investment, the certification lapses and may be reissued by the Department to other applicants as specified in NRS 231A.230.

How Is The Credit Calculated?

Insurance companies are entitled to receive a credit equal to 58 percent of the total qualified equity investment that is certified by the Department.

Taxes to Which the Credits Apply

These tax credits may be applied to the Insurance Premium Tax levied pursuant to Chapter 680B of the NRS.

How Credits Are Issued

The total credit amount of 58 percent must be claimed over a period of six anniversary dates following the date on which the investment is initially made:

- 2 years after the investment is made: 12 percent of the qualified investment may be claimed;
- 3 years after the investment is made: 12 percent of the qualified investment may be claimed;
- 4 years after the investment is made: 12 percent of the qualified investment may be claimed;
- 5 years after the investment is made: 11 percent of the qualified investment may be claimed; and
- 6 years after the investment is made: 11 percent of the qualified investment may be claimed.

No amount of the credit may be claimed before the date that is two years after the investment is made.

Expiration Date of the Credits

Any credit that is not used in a fiscal year because the amount of the credit exceeds a taxpayer's liability for the Insurance Premium Tax may be carried forward for use in any subsequent fiscal year.

Maximum Amount of Credits That May Be Issued

Under current law (approved in Senate Bill 357 of the 2013 Session), a total of $116 million in tax credits may be issued over the life of the program (or 58 percent of the $200 million in investments that the Department was required to certify). Based on the maximum amount of credit that may be claimed in any fiscal year, no more than $24 million in credits can be taken in any fiscal year.

When Does The Program Expire?

Though there is no scheduled expiration date for the program, under current law, the Department of Business and Industry is prohibited from certifying any more than $200 million in qualified equity investments under this program. All tax credits must be claimed by the insurance company making a qualified equity investment within six years after the qualified equity investment may be made; however, because there is no expiration date for the tax credits issued, the tax credits are valid until they are completely used.

AGENDA ITEM IX
C. ECONOMIC DEVELOPMENT TRANSFERRABLE TAX CREDITS

Legislative Authority

Senate Bill 1 of the 28th Special Session (September 2014)

Administration of the Program

The Economic Development Transferrable Tax Credit Program is administered by the Governor's Office of Economic Development (GOED).

Who Is Eligible For The Credits?

The credits may be granted to the lead participant engaged in a qualified project with other participants for a common purpose or business endeavor and which is located within the geographic boundaries of a single project site in Nevada. GOED is required to approve an application for these abatements if, among certain other requirements, the project would promote the economic development of the State and would aid the implementation of the State Plan for Economic Development; the participants in the project agree collectively to make a total new capital investment in this State of at least $3.5 billion during the 10-year period immediately following approval of the application; and at least 50 percent of the employees engaged in the construction of the project and at least 50 percent of the employees employed at the project are residents of Nevada.

How Is The Credit Calculated?

Tax credits issued by GOED for a qualifying project are in the amount of $12,500 for each qualified employee employed by the participants of the project, up to a maximum of 6,000 employees; plus an additional 5 percent of the first $1 billion of new capital investment in the State made collectively by the participants in the qualified project; plus an additional 2.8 percent of the next $2.5 billion in new capital investment in the State made collectively by the participants in the qualified project.

Taxes to Which the Credits Apply

These transferrable tax credits may be applied to one or all of the following taxes:

- Branch Bank Excise Tax (NRS 363A.120)
- Modified Business Tax (Financial Institutions) (NRS Chapter 363A)
- Modified Business Tax (Non-Financial Institutions) (NRS Chapter 363B)
- Gross Gaming Percentage Fee Tax (NRS 463.370)
- Insurance Premium Tax (NRS Chapter 680B)

How Credits Are Issued and Transferred

Pursuant to NRS 360.955, the lead participant in a qualified project that has been deemed to be eligible for transferrable tax credits by GOED must submit an audit to GOED to determine whether credits will be issued. GOED must determine within 14 business days after receipt of the audit whether it will certify the audit and make a final determination of whether transferrable tax credits will be issued. If GOED certifies the audit and determines that all other requirements have been met, it must notify the lead participant that the credits will be issued and the amount of the credits that will be issued.

Within 30 days after the receipt of the notice, the lead participant is required to make an irrevocable declaration of the amount of transferrable tax credits that will be applied to each fee or tax. Upon receipt of the declaration, GOED is to issue to the eligible producer a certificate of transferrable tax credits in the amount approved by the Office for the fees or taxes included in the declaration of the producer.

The lead participant is permitted to transfer the credits to any other person, and shall notify GOED upon transferring any of the transferrable tax credits. GOED must additionally notify the Department of Taxation and the State Gaming Control Board of all transferrable tax credits issued, segregated by each fee or tax set forth, and the amount of any transferrable tax credits transferred.

NRS 360.960 permits the transfer of each tax credit issued only once.

Expiration Date of the Credits

Pursuant to NRS 360.7594, the credits expire four years after the date on which GOED issues them to the lead participant.

Maximum Amount of Credits That May Be Issued

A total of $195 million in tax credits may be issued by GOED between FY 2016 and FY 2022. NRS 360.960 additionally limits the amount of credit that may be issued in any fiscal year between FY 2016 and FY 2022 to $45 million per year; however, if GOED fails to issue the maximum amount in any fiscal year, the remaining amount of credits must be carried forward and may be issued in any subsequent fiscal year ending on or before June 30, 2022.

When Does The Program Expire?

GOED is prohibited from approving any transferrable tax credits under the following circumstances:

- If the approval of the credits would cause the total amount of credits issued to exceed $195 million; or

- For a fiscal year beginning on or after July 1, 2022.

The provisions governing the administration of the program expire by limitation on June 30, 2036.

AGENDA ITEM IX
D. NEVADA EDUCATIONAL CHOICE SCHOLARSHIP TAX CREDITS

Legislative Authority

Assembly Bill 165 of the 2015 Session, which creates this program, was signed by Governor Sandoval on April 13, 2015, and became effective on that date.

Administration of the Program

The Nevada Educational Choice Tax Credit Program is administered by the Department of Taxation (Department).

Who Is Eligible For The Credits?

Any taxpayer who is required to pay the Modified Business Tax may receive a credit against the tax otherwise due for any donation of money made by the taxpayer to an eligible scholarship organization.

An eligible scholarship organization must meet the following criteria:

- It must be exempt from taxation pursuant to Section 501(c)(3) of the *Internal Revenue Code*;
- It must not own or operate any school in this State, including, without limitation, a private school, which receives any grant money pursuant to the Nevada Educational Choice Scholarship Program;
- It must accept donations from taxpayers and other persons and may also solicit and accept gifts and grants;
- It must not expend more than 5 percent of the total amount of money accepted from donations, gifts, or grants to pay its administrative expenses;
- It must provide grants on behalf of pupils who are members of a household that has a household income which is not more than 300 percent of the federal poverty level to allow those pupils to attend schools in Nevada chosen by the parents or legal guardians of those pupils, including, without limitation, private schools;
- The total amount of a grant provided by the scholarship organization on behalf of a pupil pursuant to this paragraph must not exceed $7,755 for Fiscal Year 2016 (adjusted annually for inflation);
- It must not limit to a single school the schools for which it provides grants; and
- It must not limit to specific pupils the grants provided, other than those children who are members of a household that are more than 300 percent of the federal poverty level.

How Is The Credit Calculated?

If a taxpayer applies for a credit and is approved by the Department, the amount of the credit is equal to the amount approved by the Department. The amount of the credit approved by the Department may not exceed the amount of the donation to the scholarship organization.

Taxes to Which the Credits Apply

These tax credits may be applied to the following:

- Modified Business Tax (Financial Institutions) (NRS Chapter 363A)
- Modified Business Tax (Non-Financial Institutions) (NRS Chapter 363B)

How Credits Are Issued

To receive the credit, a taxpayer who intends to make a donation of money to a scholarship organization must, before making such a donation, notify the scholarship organization of his or her intent to make the donation and to seek the authorized tax credit.

Before accepting the donation, the scholarship organization is required to apply to the Department for approval of the credit. Within 20 days after receiving the application, the Department must approve or deny the application and provide to the scholarship organization notice of the decision and, if the application is approved, the amount of the credit authorized. Upon receipt of notice that the application has been approved, the scholarship organization shall provide notice of the approval to the taxpayer who must, not later than 30 days after receiving the notice, make the donation of money to the scholarship organization.

If the taxpayer does not make the donation of money to the scholarship organization within 30 days after receiving the notice, the scholarship organization shall provide notice of the failure to the Department of Taxation and the taxpayer forfeits any claim to the credit.

Expiration Date of the Credits

Any credit that is not used in a fiscal year because the amount of the credit exceeds a taxpayer’s liability for the Modified Business Tax may be carried forward for use for not more than five years after the end of the calendar year in which the donation is made.

Maximum Amount of Credits That May Be Issued

The amount of credits the Department may issue is limited per fiscal year, as follows:

- FY 2016: $5 million;
- FY 2017: $5.5 million; and
- FY 2018 and future years: 110 percent of the amount of credits authorized in the immediately preceding fiscal year.

The amount of any credit that is forfeited because the taxpayer failed to make the donation within 30 days after being approved for the credit must not be included in calculating the amount of credits authorized for any fiscal year.

When Does The Program Expire?

The provisions of Assembly Bill 165 of the 2015 Session have no expiration date.

TABLE 1
GENERAL FUND REVENUES - ACTUALS
FY 2010 THROUGH FY 2014 AND FY 2015 VERSUS FY 2014 YEAR-TO-DATE THROUGH MARCH

Economic Forum May 1, 2015, Meeting - 4/27/15 - 4:00 PM

GL NO.	DESCRIPTION	FY 2010 ACTUAL	% Change	FY 2011 ACTUAL	% Change	FY 2012 ACTUAL	% Change	FY 2013 ACTUAL	% Change	FY 2014 ACTUAL	% Change	YEAR-TO-DATE [b.] FY 2014 MARCH	FY 2015 MARCH	% Change
	TAXES													
	PROPERTY/MINE													
3064	Net Proceeds of Minerals [1-00][3-09][19-10][1-12][2-12][1-14][2-14]	$76,350,861	5.6%	$111,534,972	46.1%	$120,414,858	8.0%	$111,275,062	-7.6%	$26,221,970	-76.4%	$162,046	$9,626,903	5840.8%
3241	Net Proceeds Penalty [1-00]	$301,761		$1,618										
3245	Centrally Assessed Penalties	$178,099	258.7%	$20,461	-88.5%	$4,327	-78.9%	$64,561						
3116	Mining Claims Fee [20-10][3-12]	$17,150		$18,135,082		$6,300								
	TOTAL PROPERTY/MINE TAX	$76,847,872	6.2%	$129,692,132	68.8%	$120,425,485	-7.1%	$111,339,623	-7.5%	$26,221,970	-76.4%	$162,046	$9,626,903	5840.8%
	SALES AND USE													
3001	Sales and Use Tax [1-04][1A-09][1-10]	$755,344,243	-10.3%	$795,575,210	5.3%	$842,941,556	6.0%	$888,658,964	5.4%	$931,319,687	4.8%	$532,161,552	$573,147,334	7.7%
3002	State Share - LSST [2-00][3-00][1-04][1B-09][1-10][4-12][3-14]	$7,264,043	5.3%	$7,730,620	6.4%	$8,309,073	7.5%	$8,791,462	5.8%	$9,194,669	4.6%	$5,269,930	$5,613,358	6.5%
3003	State Share - BCCRT [2-00][3-00][1-04][1B-09][1-10]	$3,268,705	113.3%	$3,473,803	6.3%	$3,682,170	6.0%	$3,893,046	5.7%	$4,088,755	5.0%	$2,344,475	$2,498,397	6.6%
3004	State Share - SCCRT [3-00][1-04][1B-09][1-10]	$11,442,957	113.4%	$12,156,488	6.2%	$12,884,425	6.0%	$13,625,039	5.7%	$14,305,300	5.0%	$8,204,002	$8,742,385	6.6%
3005	State Share - PTT [3-00][1-04][1B-09][1-10]	$7,028,623	108.9%	$7,344,471	4.5%	$7,778,846	5.9%	$8,230,334	5.8%	$8,797,760	6.9%	$5,013,644	$5,437,024	8.4%
	TOTAL SALES AND USE	$784,348,571	-8.7%	$826,280,591	5.3%	$875,596,070	6.0%	$923,198,845	5.4%	$967,706,171	4.8%	$552,993,604	$595,438,498	7.7%
	GAMING - STATE													
3032	Pari-mutuel Tax	$4,217	5.9%	$3,652	-13.4%	$2,113	-42.1%	$3,069	45.2%	$2,758	-10.1%	$2,758	$2,964	7.5%
3181	Racing Fees	$13,513	-12.6%	$11,731	-13.2%	$11,616	-1.0%	$8,698	-25.1%	$9,258	6.4%	$9,258	$7,456	-19.5%
3247	Racing Fines/Forfeitures	$810	-71.0%	$353	-56.4%		-100.0%	$350					$500	
3041	Percent Fees - Gross Revenue [2-04]	$630,526,019	-3.8%	$652,206,230	3.4%	$653,672,645	0.2%	$678,852,045	3.9%	$682,311,672	0.5%	$493,166,495	$496,614,395	0.7%
3042	Gaming Penalties	$1,030,064	21.6%	$1,413,028	37.2%	$459,560	-67.5%	$1,456,742	217.0%	$7,862,472	439.7%	$7,164,237	$302,055	-95.8%
3043	Flat Fees-Restricted Slots [3-04][1-06][1-08][5-12]	$8,578,006	-4.7%	$8,417,549	-1.9%	$8,485,702	0.8%	$8,403,435	-1.0%	$8,305,289	-1.2%	$4,596,480	$4,685,704	1.9%
3044	Non-Restricted Slots [1-06][1-08][5-12]	$12,425,211	-1.9%	$12,275,845	-1.2%	$12,628,582	2.9%	$12,298,703	-2.6%	$11,383,000	-7.4%	$5,917,311	$5,922,717	0.1%
3045	Quarterly Fees-Games	$6,699,150	-3.3%	$6,673,087	-0.4%	$6,592,935	-1.2%	$6,449,658	-2.2%	$6,410,111	-0.6%	$3,260,716	$3,434,771	5.3%
3046	Advance License Fees	$8,663,395	26.1%	$2,229,415	-74.3%	$3,996,985	79.3%	$1,340,597	-66.5%	$672,263	-49.9%	$652,258	$1,475,371	126.2%
3048	Slot Machine Route Operator	$37,000		$36,000	-2.7%	$36,500	1.4%	$40,500	11.0%	$37,000	-8.6%	$37,000	$35,000	-5.4%
3049	Gaming Info Systems Annual	$12,000	-33.3%	$15,124	26.0%	$18,000	19.0%	$18,000		$18,000		$18,000	$42,000	133.3%
3028	Interactive Gaming Fee - Operator							$437,500		$604,167	38.1%	$604,167	$500,000	-17.2%
3029	Interactive Gaming Fee - Service Provider					$1,000		$27,000		$75,000	177.8%	$67,000	$59,250	-11.6%
3030	Interactive Gaming Fee - Manufacturer					$125,000		$775,000		$700,000	-9.7%	$225,000	$75,000	-66.7%
3033	Equip Mfg. License	$228,500	4.3%	$278,000	21.7%	$264,500	-4.9%	$273,500	3.4%	$290,000	6.0%	$282,500	$277,625	-1.7%
3034	Race Wire License	$15,884	-16.4%	$33,393	110.2%	$38,849	16.3%	$34,889	-10.2%	$29,736	-14.8%	$19,818	$21,236	7.2%
3035	Annual Fees on Games	$134,225	-2.4%	$123,296	-8.1%	$116,425	-5.6%	$106,046	-8.9%	$105,341	-0.7%			
	TOTAL GAMING - STATE	$668,367,995	-3.4%	$683,716,703	2.3%	$686,450,412	0.4%	$710,525,734	3.5%	$718,816,067	1.2%	$516,022,997	$513,456,045	-0.5%
	CASINO/LIVE ENTERTAINMENT TAX													
3031	Casino Entertainment Tax [4a-04]													
3031G	Live Entertainment Tax-Gaming [4b-04]	$108,244,011	-3.7%	$118,538,335	9.5%	$125,337,855	5.7%	$125,709,500	0.3%	$139,156,240	10.7%	$91,370,557	$85,417,831	-6.5%
3031NG	Live Entertainment Tax-Nongaming [4b-04][2-06][2-08]	$11,475,519	25.2%	$12,099,287	5.4%	$11,644,191	-3.8%	$11,706,670	0.5%	$14,979,978	28.0%	$7,659,981	$8,516,904	11.2%
	Total Live Entertainment Tax	$119,719,530	-1.5%	$130,637,622	9.1%	$136,982,047	4.9%	$137,416,170	0.3%	$154,136,218	12.2%	$99,030,537	$93,934,735	-5.1%
	INSURANCE TAXES													
3061	Insurance Premium Tax [21-10][1-16]	$233,905,463	-1.9%	$234,830,927	0.4%	$236,787,376	0.8%	$248,512,421	5.0%	$263,531,578	6.0%	$133,955,718	$147,219,859	9.9%
3062	Insurance Retaliatory Tax	$60,019	-39.1%	$218,916	264.7%	$396,380	81.1%	$242,383	-38.9%	$234,807	-3.1%	$236,306	$340,357	44.0%
3067	Captive Insurer Premium Tax	$583,747	0.6%	$742,267	27.2%	$675,188	-9.0%	$635,037	-5.9%	$755,517	19.0%	$779,027	$876,890	12.6%
	TOTAL INSURANCE TAXES	$234,549,230	-1.9%	$235,792,111	0.5%	$237,858,943	0.9%	$249,389,842	4.8%	$264,521,903	6.1%	$134,971,051	$148,437,106	10.0%
	MODIFIED BUSINESS TAX (MBT)													
3069NF	MBT-Nonfinancial [10-04][5-06][6-06][3-08][2-10][6-12][4-14][2-16]	$363,411,521	43.6%	$361,355,326	-0.6%	$348,943,337	-3.4%	$363,242,006	4.1%	$361,095,880	-0.6%	$182,197,443	$188,257,765	3.3%
3069F	MBT-Financial [11-04][5-06][2-16]	$21,698,267	-11.1%	$20,545,331	-5.3%	$20,717,296	0.8%	$23,368,075	12.8%	$23,789,898	1.8%	$10,806,626	$10,642,954	-1.5%
	Total Modified Business Tax	$385,109,788	38.8%	$381,900,657	-0.8%	$369,660,633	-3.2%	$386,610,081	4.6%	$384,885,778	-0.4%	$193,004,069	$198,900,718	3.1%
	CIGARETTE TAX													
3052	Cigarette Tax [6-04][2-09][3-10]	$88,550,857	-8.7%	$85,961,100	-2.9%	$82,974,853	-3.5%	$83,017,546	0.1%	$79,628,983	-4.1%	$46,308,370	$46,852,175	1.2%
	REAL PROPERTY TRANSFER TAX													
3055	Real Property Transfer Tax [13-04][8-06]	$53,315,435	-19.1%	$51,552,368	-3.3%	$48,373,678	-6.2%	$54,989,831	13.7%	$60,047,457	9.2%	$31,122,722	$31,904,558	2.5%
	ROOM TAX													
3057	Room Tax [4-10]	$97,671,733		$112,567,350	15.3%									
	GOVERNMENTAL SERVICES TAX (GST)													
3051	Governmental Services Tax [5-10][5-14]	$51,330,663		$61,537,648	19.9%	$62,358,153	1.3%	$63,503,131	1.8%	$62,267,322	-1.9%	$40,273,039	$40,709,842	1.1%
	OTHER TAXES													
3113	Business License Fee [8-04][4-06][6-10][7-12][6-14]	$41,940,370	86.3%	$54,466,138	29.9%	$64,790,426	19.0%	$69,010,685	6.5%	$72,166,482	4.6%	$53,559,595	$54,829,601	2.4%
3050	Liquor Tax [5-04][2-09][7-10]	$38,425,078	3.9%	$39,483,406	2.8%	$40,649,951	3.0%	$39,884,376	-1.9%	$41,838,536	4.9%	$24,145,832	$25,246,153	4.6%
3053	Other Tobacco Tax [7-04][2-09][8-10]	$9,574,952	4.8%	$10,039,228	4.8%	$8,274,310	-17.6%	$10,348,437	25.1%	$11,620,286	12.3%	$6,660,411	$6,162,599	-7.5%
4862	HECC Transfer	$5,000,000		$5,000,000		$5,000,000		$5,000,000		$5,000,000				
3065	Business License Tax [9-04]	$8,381	159.6%	$13,710	63.6%	$597	-95.6%	$2,941	393.0%	$2,814	-4.3%	$1,550	$1,808	16.6%
3068	Branch Bank Excise Tax [12-04][7-06]	$3,378,900	7.9%	$3,074,089	-9.0%	$3,047,528	-0.9%	$2,996,521	-1.7%	$2,788,166	-7.0%	$1,489,250	$1,682,061	12.9%
	TOTAL TAXES	$2,658,139,354	6.2%	$2,811,714,854	5.8%	$2,742,443,087	-2.5%	$2,847,233,762	3.8%	$2,851,648,150	0.2%	$1,699,745,074	$1,767,182,801	4.0%

TABLE 1
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	LICENSES													
3101	Insurance Licenses	$15,376,278	4.3%	$16,542,772	7.6%	$15,646,219	-5.4%	$16,625,163	6.3%	$17,925,429	7.8%	$15,577,405	$16,046,122	3.0%
3120	Marriage Licenses	$419,295	-6.1%	$411,453	-1.9%	$404,472	-1.7%	$378,324	-6.5%	$371,684	-1.8%	$188,812	$185,616	-1.7%
	SECRETARY OF STATE													
3105	UCC [1-02][14-04][23-10]	$1,326,105	4.4%	$1,837,476	38.6%	$1,829,710	-0.4%	$1,685,928	-7.9%	$1,714,724	1.7%	$1,288,182	$1,275,280	-1.0%
3106	Las Vegas Commercial Filings [1-02][14-04][23-10]	$3,487,231	-41.4%	$2,720,100	-22.0%		-100.0%							
3129	Notary Fees [23-10]	$573,417	-15.1%	$767,795	33.9%	$579,228	-24.6%	$571,626	-1.3%	$544,060	-4.8%	$401,816	$389,406	-3.1%
3130	Commercial Recordings [1-02][14-04][23-10]	$65,197,355	0.4%	$70,844,590	8.7%	$66,693,331	-5.9%	$65,062,391	-2.4%	$66,661,943	2.5%	$49,738,353	$50,196,081	0.9%
3131	Video Service Franchise	$28,500	307.1%			$8,425		$7,075		$3,525		$2,525	$1,450	-42.6%
3121	Domestic Partnership Registry Fee [23-10]			$23,855		$33,891		$43,956		$51,621				
3152	Securities [14-04][23-10]	$20,349,692	-0.2%	$24,041,627	18.1%	$24,534,996	2.1%	$24,605,322	0.3%	$25,947,110	5.5%	$23,890,888	$24,786,814	3.8%
	TOTAL SECRETARY OF STATE	$90,962,300	-2.4%	$100,235,443	10.2%	$93,679,582	-6.5%	$91,976,297	-1.8%	$94,922,982	3.2%	$75,321,764	$76,649,031	1.8%
3172	Private School Licenses [7-14]	$207,304	1.1%	$237,816	14.7%	$224,140	-5.8%	$247,504	10.4%	$284,569	15.0%	$181,703	$155,643	-14.3%
3173	Private Employment Agency	$14,700	-14.5%	$13,500	-8.2%	$11,800	-12.6%	$11,700	-0.8%	$11,400	-2.6%	$10,900	$10,400	-4.6%
	REAL ESTATE													
3161	Real Estate Licenses [2-02][15-04]	$2,605,804	-1.2%	$2,365,131	-9.2%	$4,005,955	69.4%	$3,408,649	-14.9%	$1,372,080	-59.7%	$964,034	$980,380	1.7%
3162	Real Estate Fees	$4,370	-23.5%	$4,800	9.8%	$3,300	-31.3%	$2,890	-12.4%	$4,820	66.8%	$3,750	$3,493	-6.9%
	TOTAL REAL ESTATE	$2,610,174	-1.2%	$2,369,931	-9.2%	$4,009,255	69.2%	$3,411,539	-14.9%	$1,376,900	-59.6%	$967,784	$983,873	1.7%
3102	Athletic Commission Fees [5-02][24-10]	$2,946,092	-14.8%	$2,927,029	-0.6%	$5,115,117	74.8%	$3,867,975	-24.4%	$5,334,498	37.9%	$3,451,031	$3,687,429	6.9%
	TOTAL LICENSES	$112,536,143	-1.9%	$122,737,944	9.1%	$119,090,583	-3.0%	$116,518,502	-2.2%	$120,227,462	3.2%	$95,699,399	$97,718,113	2.1%
	FEES AND FINES													
3200	Vital Statistics Fees [17-04][25-10][8-14]	$791,398	-3.5%	$1,029,720	30.1%	$1,024,903	-0.5%	$1,057,380	3.2%					
3203	Divorce Fees	$187,816	-11.1%	$190,395	1.4%	$184,862	-2.9%	$171,211	-7.4%	$174,376	1.8%	$111,480	$110,675	-0.7%
3204	Civil Action Fees	$1,438,379	-13.0%	$1,447,508	0.6%	$1,389,756	-4.0%	$1,324,808	-4.7%	$1,325,805	0.1%	$517,327	$624,101	20.6%
3242	Insurance Fines	$816,140	-30.7%	$565,403	-30.7%	$1,431,172	153.1%	$1,208,502	-15.6%	$723,272	-40.2%	$645,607	$367,651	-43.1%
3103MD	Medical Discount Plan Reg. Fees	$10,500	5.0%	$10,500		$9,895	-5.8%	$2,050	-79.3%					
	REAL ESTATE FEES													
3107IOS	IOS Application Fees	$11,100	69.2%	$7,440	-33.0%	$9,800	31.7%	$8,794	-10.3%	$7,840	-10.8%	$6,360	$3,990	-37.3%
3165	Land Co Filing Fees	$133,270	-29.0%	$122,325	-8.2%	$140,650	15.0%	$131,320	-6.6%	$167,495	27.5%	$91,845	$124,297	35.3%
3167	Real Estate Adver Fees [9-14]	$4,115	-32.3%	$5,715	38.9%	$4,180	-26.9%	$2,745	-34.3%	$590	-78.5%	$430	$210	-51.2%
3169	Real Estate Reg Fees	$14,920	-34.3%	$13,050	-12.5%	$15,725	20.5%	$18,000	14.5%	$15,700	-12.8%	$9,675	$11,925	23.3%
4741	Real Estate Exam Fees [19-04]	$234,133	-1.6%	$215,220	-8.1%	$218,816	1.7%	$171,144	-21.8%	$174,117	1.7%	$130,213	$156,669	
3171	CAM Certification Fee	$57,645	5.6%	$65,672	13.9%	$86,040	31.0%							
3178	Real Estate Accred Fees	$89,650	-12.1%	$86,050	-4.0%	$79,050	-8.1%	$80,108	1.3%	$86,475	7.9%	$58,025	$66,400	14.4%
3254	Real Estate Penalties	$83,320	-38.0%	$76,636	-8.0%	$101,285	32.2%	$104,165	2.8%	$36,835	-64.6%	$28,190	$18,200	-35.4%
3190	A.B. 165, Real Estate Inspectors	$58,970	42.1%	$42,785	-27.4%	$63,250	47.8%	$50,650	-19.9%	$60,150	18.8%	$39,830	$34,510	-13.4%
	TOTAL REAL ESTATE FEES	$687,123	-13.4%	$634,892	-7.6%	$718,796	13.2%	$566,926	-21.1%	$549,202	-3.1%	$364,568	$416,201	14.2%
3066	Short Term Car Lease [3-02][4-09][10-10][8-12]	$33,579,292	22.0%	$38,600,630	15.0%	$44,499,016	15.3%	$45,753,454	2.8%	$46,151,238	0.9%	$23,572,384	$24,219,073	2.7%
3103AC	Athletic Commission Licenses/Fines [5-02]	$179,125	19.5%	$135,750	-24.2%	$231,865	70.8%	$215,822	-6.9%	$234,245	8.5%	$196,895	$176,788	-10.2%
3205	State Engineer Sales [4-02][11-10][10-14]	$3,026,422	41.0%	$2,996,259	-1.0%	$3,366,568	12.4%	$2,617,726	-22.2%					
3206	Supreme Court Fees	$202,075	-0.2%	$206,575	2.2%	$211,955	2.6%	$193,275	-8.8%	$216,785	12.2%	$155,565	$133,405	-14.2%
3115	Notice of Default Fee [26-10]	$2,442,525		$8,155,391	233.9%	$2,484,840	-69.5%	$2,765,325	11.3%	$1,706,387	-38.3%	$1,304,212	$1,194,584	-8.4%
3271	Misc Fines/Forfeitures	$1,896,987	-69.3%	$3,315,371	74.8%	$2,851,838	-14.0%	$11,162,515	291.4%	$3,125,839	-72.0%	$1,195,969	$8,182,934	584.2%
	TOTAL FEES AND FINES	$45,257,781	10.7%	$57,288,396	26.6%	$58,405,467	1.9%	$67,038,994	14.8%	$54,207,150	-19.1%	$28,064,007	$35,425,411	26.2%

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	USE OF MONEY AND PROPERTY													
	OTHER REPAYMENTS													
4403	Forestry Nurseries Fund Repayment (05-M27)	$20,670		$20,670		$20,670		$20,670		$20,670			$20,670	
4408	Comp/Fac Repayment [7-02]	$23,744		$23,744		$23,744		$23,744		$23,744				
4408	CIP 95-M1, Security Alarm [7-02]	$2,998		$2,998		$2,998		$2,998		$2,998				
4408	CIP 95-M5, Facility Generator [7-02]	$6,874		$6,874		$6,874		$6,874		$6,874				
4408	CIP 95-S4F, Advance Planning	$1,000		$1,000		$1,000		$1,000		$1,000				
4408	CIP 97-C26, Capitol Complex Conduit System, Phase I [7-02]	$62,542		$62,542		$62,542		$62,542		$62,542				
4408	CIP 97-S4H, Advance Planning Addition to Computer Facility [7-02]	$9,107		$9,107		$9,107		$9,107		$9,107				
4408	A.B. 576-Virtual Tape Storage	$463,444												
4409	Motor Pool Repay - Reno	$24,385												
4409	Motor Pool Repay - LV [11-14]	$6,630								$62,500				
4402	State Personnel IFS Repayment; S.B. 201, 1997 Legislature	$970,267		$970,267		$236,082		$326,659		$202,987				
	TOTAL OTHER REPAYMENTS	$1,591,661	-65.1%	$1,097,202	-31.1%	$363,017	-66.9%	$453,594	25.0%	$392,422	-13.5%		$20,670	
4406	Marlette Repayment	$10,512		$9,033	-14.1%									
	INTEREST INCOME													
3290	Treasurer [6-02][9-12]	$2,373,219	-87.1%	$1,096,923	-53.8%	$522,729	-52.3%	$625,550	19.7%	$589,930	-5.7%	$284,740	$434,105	52.5%
3291	Other	$13,041	-90.8%	$83,252	538.4%	($17,606)	-121.1%	$7,723		$4,156		$3,309	$3,546	7.1%
	TOTAL INTEREST INCOME	$2,386,259	-87.1%	$1,180,175	-50.5%	$505,123	-57.2%	$633,273	25.4%	$594,086	-6.2%	$288,049	$437,651	51.9%
	TOTAL USE OF MONEY AND PROPERTY	$3,988,432	-82.7%	$2,286,410	-42.7%	$868,140	-62.0%	$1,086,867	25.2%	$986,508	-9.2%	$288,049	$458,321	59.1%
	OTHER REVENUE													
3059	Hoover Dam Revenue	$300,000		$300,000		$300,000		$300,000		$300,000				
	MISC SALES AND REFUNDS													
4794	GST Commissions and Penalties / DMV [10-12][12-14]					$24,678,398		$25,127,068					$18,673,713	
3047	Expired Slot Machine Wagering Vouchers [11-12]					$3,134,219		$7,193,209	129.5%	$7,486,068	4.1%	$5,637,782	$6,338,037	12.4%
3071	Property Tax: 4-cent operating rate (Clark & Washoe) [13-10]	$36,448,071		$29,295,778	-19.6%	$22								
3070	Property Tax: 5-cent capital rate (Clark & Washoe) [14-10]	$34,690,823		$23,365,976	-32.6%	$11								
4792	Room Tax: State 3/8 of 1% Rate [15-10]	$2,334,563		$3,265,434	39.9%									
4791	Insurance Verification Fees [17-10]	$7,000,000		$1,732,513	-75.2%									
4790	Suppl. Account for Med. Assist. To Indigent [18-10][12-12]	$25,199,365		$21,889,136	-13.1%	$19,112,621	-12.7%	$19,218,718	0.6%					
4793	Lobbyist Registration Fee [27-10]			$100,000										
3107	Misc Fees	$252,176	38.3%	$424,845	68.5%	$251,299	-40.8%	$305,387	21.5%	$298,822	-2.1%	$188,151	$195,428	3.9%
3109	Court Administrative Assessments [16-10][13-12][13-14]	$4,580,172		$5,126,625	11.9%	$4,434,259	-13.5%	$4,118,579	-7.1%	$2,511,100	-39.0%	$1,630,640	$1,578,586	-3.2%
3114	Court Administrative Assessments Fee [28-10]	$271,461		$2,381,634	777.3%	$2,537,600	6.5%	$2,509,553	-1.1%	$2,335,123	-7.0%	$1,513,195	$1,382,855	-8.6%
3168	Declare of Candidacy Filing Fee	$63,767	97.6%	$31,854	-50.0%	$68,541	115.2%	$37,937	-44.7%	$92,200	143.0%	$86,106	$9,335	-89.2%
3202	Fees and Writs of Garnishments	$3,130	15.3%	$2,845	-9.1%	$2,255	-20.7%	$2,605	15.5%	$2,535	-2.7%	$1,945	$1,585	-18.5%
3220	Nevada Report Sales	$9,335	-27.1%	$9,050	-3.1%	$5,670	-37.3%	$8,620	52.0%	$3,480	-59.6%	$1,520	$5,300	248.7%
3222	Excess Property Sales	$32,385	-16.3%	$21,009	-35.1%	$32,966	56.9%	$26,780	-18.8%	$46,603	74.0%	$9,328	$68,515	634.5%
3240	Sale of Trust Property	$3,038	43.0%	$16,885	455.8%	$14,429	-14.5%	$4,718	-67.3%	$3,447	-26.9%	$717	$473	-34.1%
3243	Insurance - Misc	$516,856	-1.2%	$557,428	7.8%	$432,446	-22.4%	$390,623	-9.7%	$416,576	6.6%	$313,046	$306,842	-2.0%
3274	Misc Refunds	$42,508	-34.1%	$39,090	-8.0%	$63,338	62.0%	$90,567	43.0%	$30,729	-66.1%	$22,489	$22,518	0.1%
3276	Cost Recovery Plan [14-14]	$9,148,627	28.1%	$9,050,662	-1.1%	$8,495,233	-6.1%	$8,470,707	-0.3%	$8,883,972	4.9%	$6,804,281	$6,148,725	-9.6%
	TOTAL MISC SALES AND REFUNDS	$120,596,278	1322.7%	$97,310,765	-19.3%	$63,263,309	-35.0%	$67,505,073	6.7%	$22,110,653	-67.2%	$16,209,200	$34,731,912	114.3%
3060	Petroleum Inspection Fees [4-08]													
3255	Unclaimed Property [9-02][9-06][5-09][12-10][29-10][30-10][1-11][14-12]	$66,201,764	32.2%	$83,787,789	26.6%	$97,397,588	16.2%	$32,918,563	-66.2%	$17,466,436	-46.9%			
	TOTAL OTHER REVENUE	$187,098,042	217.8%	$181,398,554	-3.0%	$160,960,897	-11.3%	$100,723,636	-37.4%	$39,877,089	-60.4%	$16,209,200	$34,731,912	114.3%
	TOTAL GENERAL FUND REVENUE	$3,007,019,753	9.8%	$3,175,426,158	5.6%	$3,081,768,174	-2.9%	$3,132,601,761	1.6%	$3,066,946,360	-2.1%	$1,840,005,729	$1,935,516,559	5.2%

TABLE 1
GENERAL FUND REVENUES - ACTUALS
FY 2010 THROUGH FY 2014 AND FY 2015 VERSUS FY 2014 YEAR-TO-DATE THROUGH MARCH

Economic Forum May 1, 2015, Meeting - 4/27/15 - 4:00 PM

GL NO.	DESCRIPTION	FY 2010 ACTUAL	% Change	FY 2011 ACTUAL	% Change	FY 2012 ACTUAL	% Change	FY 2013 ACTUAL	% Change	FY 2014 ACTUAL	% Change	YEAR-TO-DATE [b.] FY 2014 MARCH	YEAR-TO-DATE [b.] FY 2015 MARCH	YEAR-TO-DATE [b.] % Change

NOTES:

[b.] The fiscal year-to-date amounts for Sales and Use Tax, Cigarette Tax, Liquor Tax, Other Tobacco Tax, Live Entertainment Tax-Nongaming and Gaming, and all of the taxes and fees listed under Gaming-State are based on actual amounts reported by the Department of Taxation and Gaming Control Board. The fiscal year-to-date amounts for the Secretary of State License revenues are based on actual amounts reported by the Secretary of State. The fiscal-year-to-date amounts for all other General Fund revenue sources shown in the table represent the figures obtained from the Controller's system through November 30 of FY 2014 and FY 2015. The amounts for revenue sources from the Department of Taxation represent the fiscal year-to-date amount through first the three months (for monthly tax sources) and through the first quarter (for quarterly tax sources).

FY 2004

[1-04] A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the sales tax to the state from 1.25% to 0.5%, effective July 1, 2003.

[2-04] S.B. 8 (20th S.S.) increased gross gaming tax rates by 0.5%: 3.0% to 3.5% on monthly revenue up to $50,000; 4.0% to 4.5% on revenue over $50,000 and up to $134,000; 6.25% to 6.75% on revenue exceeding $134,000, effective August 1, 2003.

[3-04] S.B. 8 (20th S.S.) increased quarterly restricted slot fees by 33%: from $61 to $81 per machine, up to 5 machines; from $106 to $141 for each machine over 5, up to 15 machines, effective July 22, 2003.

[4a-04] S.B. 8 (20th S.S.) modified types of establishments and entertainment subject to the current 10% Casino Entertainment Tax (CET), effective September 1 to December 31, 2003 [Estimated to generate $4,982,000 additional collections during 4-month period].

[4b-04] S.B. 8 (20th S.S.) repealed CET and replaced by Live Entertainment Tax (LET): 5% of admissions price, if entertainment is in facility with 7,500 or more seats; 10% of admissions price and food, beverage, and merchandise purchased, if facility has more than 300 and up to 7,500 seats; exempt from the tax if facility is a nongaming establishment with less than 300 seats or is gaming establishment with less than 300 seats and less than 51 slot machines, 6 games, or any combination thereof, effective January 1, 2004.

[5-04] S.B. 8 (20th S.S.) increased liquor taxes by 75%: beer from 9 cents to 16 cents per gallon; liquor up to 14% alcohol from 40 cents to 70 cents per gallon; liquor over 14% and up to 22% alcohol from 75 cents to $1.30 per gallon; liquor over 22% alcohol from $2.05 (15 cents for alcohol abuse program, 50 cents to local government, and $1.40 to State General Fund) to $3.60 per gallon (15 cents for alcohol abuse program, 50 cents to local government, and $2.95 to State General Fund) , effective August 1, 2003. [Estimated to generate $13,873,000 in FY 2004 and $15,536,000 in FY 2005]. A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the liquor tax to the state from 3% to 0.5%, effective August 1, 2003. [Estimated to generate $734,000 in FY 2004 and $822,000 in FY 2005]

[6-04] 2003. [Estimated to generate $63,268,000 in FY 2004 and $70,047,000 in FY 2005] A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the cigarette tax to the state from 3% to 0.5%, effective August 1, 2003. [Estimated to generate $2,538,000 in FY 2004 and $2,884,000 in FY 2005]

[7-04] A.B. 4 (20th S.S.) reduced collection allowance provided to taxpayer for collecting and remitting tax on other tobacco items from 2.0% to 0.5%, effective August 1, 2003.

[8-04] S.B. 8 (20th S.S.) changed the $25 one-time annual business license fee to an annual fee of $100, effective July 22, 2003.

[9-04] S.B. 8 (20th S.S.) repealed the current quarterly $25 per employee tax when the Modified Business Tax comes online, effective October 1, 2003. [See Notes 10 and 11]

[10-04] S.B. 8 (20th S.S.) imposes tax on gross payroll of a business less a deduction for health care provided to employees, effective October 1, 2003. Tax rate is 0.70% in FY 2004 and 0.65% in FY 2005.

[11-04] S.B. 8 (20th S.S.) imposes tax of 2.0% on gross payroll of a financial institution less a deduction for health care provided to employees, effective October 1, 2003.

[12-04] S.B. 8 (20th S.S.) imposes excise tax on each bank of $7,000 per year ($1,750 per quarter) on each branch office, effective January 1, 2004.

[13-04] S.B. 8 (20th S.S.) imposes tax of $1.30 per $500 of value on the transfers of real property, effective October 1, 2003.

[14-04] S.B.2 and A.B. 4 (20th S.S.) makes changes to the rates and structure of the fees collected from entities filing with the Secretary of State's office, effective September 1, 2003 for Securities and UCC fee increases and November 1, 2003 for changes to commercial recording fees.

[15-04] S.B. 428 (2003 Session) increases real estate salesman, broker-salesman, and brokers licensing fees by $20 for an original license and $10 for renewal of license (original and renewal license fee varies depending on type of license), effective July 1, 2003.

[16-04] A.B. 493 (2003 Session) established that revenues from fees collected by the Division of Financial Institutions of the Department of Business & Industry will be deposited in a separate fund to pay the expenses related to the operations of the Commissioner of Financial Institutions and the Division of Financial Institutions, effective January 1, 2004. Previously, the revenues from the fees were deposited in the State General Fund.

[17-04] A.B. 550 (2003 Session) increased state's portion of the fee for issuing copy of a birth certificate by $2 and fee for issuing copy of death certificate by $1, effective October 1, 2003

[18-04] S.B. 504 (2003 Session) transferred the State Printing Division of the Department of Administration to the Legislative Counsel Bureau and all debt to the State General Fund was forgiven, effective July 1, 2003.

[19-04] Beginning in FY 2004, the portion of the fees collected by the Real Estate Division for Real Estate Testing Fees that belong to the General Fund are transferred from Category 28 in BA 3823 to GL 4741 in the General Fund. Previously, the revenue from these fees were reverted to the General Fund at the end of the fiscal year.

FY 2006

[1-06] S.B. 357 (2005 Session) allocates $1 per slot machine per quarter in FY 2006 and $2 per slot machine per quarter in FY 2007 from the quarterly license fee imposed on restricted and nonrestricted slot machines and sunsets effective June 30, 2007. A total of $822,000 in FY 2006 and $1,678,000 in FY 2007 is projected to be deposited in the Account to Support Programs for the Prevention and Treatment of Problem Gambling. (FY 2006: $84,666 - Restricted; $737,334 - Nonrestricted and FY 2007: $172,834 - Restricted; $1,505,166 - Nonrestricted)

[2-06] A.B. 554 (2005 Session) lowers the occupancy threshold from 300 to 200, effective July 1, 2005. Estimated to generate $3,600,000 in FY 2006 and FY 2007.

[3-06] S.B. 3 (22nd S.S.) provides an exemption for entities that have four or fewer rental dwelling units. Estimated to reduce collections by $2,975,000 in FY 2006 and $3,060,000 in FY 2007.

[4-06] S.B. 3 (22nd S.S.) allows an entity operating a facility where craft shows, exhibitions, trade shows, conventions, or sporting events to pay the Business License Fee for entities not having a business license as an annual flat fee of $5,000 or on a $1.25 times the number entities without a business license times the number days of the show basis. Estimated to generate $134,420 in FY 2006 and $158,884 in FY 2007.

[5-06] S.B. 391 (2005 Session) replaces the NAICS-based approach for defining a financial institution with a structure based on a state or federal licensing or regulatory requirement for conducting financial activities. Collection agencies and pawn shops are not included as financial institutions, but as nonfinancial businesses. The changes are estimated to reduce MBT-Financial collections by $1,801,800 in FY 2006 and $2,047,500 in FY 2007 and increase MBT-Nonfinancial collections by $584,168 in FY 2006 and $621,237 in FY 2007. Net effect is a reduction in total MBT collections of $1,217,632 in FY 2006 and $1,426,263 in FY 2007.

[6-06] S.B. 523 (2005 Session) reduces the MBT-Nonfinancial institutions tax rate from 0.65% to 0.63% from July 1, 2005 to June 30, 2007. Estimated to reduce collections by $6,978,000 in FY 2006 and $7,450,000 in FY 2007.

[7-06] S.B. 3 (22nd S.S.) provides an exemption for the first branch bank operated by a bank in each county, replacing the previous exemption for one branch bank only. Estimated to reduce collections by $441,000 in FY 2006 and FY 2007.

[8-06] S.B. 390 (2005 Session) increases the collection allowance provided to Clark County and Washoe County from 0.2% to 1.0%, effective July 1, 2005, which makes the collection allowance 1.0% in all 17 counties. Estimated to reduce collections by $1,056,292 in FY 2006 and $1,022,504 in FY 2007.

[9-06] S.B. 4 (22nd S.S.) allocates $7,600,000 of the Unclaimed Property revenues collected by the State Treasurer to the Millenium Scholarship Trust Fund in FY 2006 and FY 2007.

FY 2008

[1-08] Per the June 30, 2007, sunset provision of S.B. 357 (2005 Session), the $2 per slot machine per quarter allocated from the quarterly license fee imposed on restricted and nonrestricted slot machines to the Account to Support Programs for the Prevention and Treatment of Problem Gambling ceases and the full amount collected from the quarterly slot fees remains in the General Fund.

[2-08] Per the A.B. 554 (2005 Session), race events that are part of the National Association of Stock Car Auto Racing (NASCAR) Nextel Cup series and all races associated with such an event are exempt from the LET, effective July 1, 2007.

[3-08] Per the sunset provision of S.B. 523 (2005 Session), the MBT-Nonfinancial institutions tax rate increases to 0.65% from 0.63%, effective July 1, 2007.

[4-08] S.B. 165 (2005 Session) requires the State General Fund portion of the petroleum inspection fees imposed pursuant to NRS 590.120 to be deposited into a separate account for use by the Department of Agriculture, effective July 1, 2007.

FY 2009

[1A-09] S.B. 2 (25th S.S.) reduced the collection allowance provided to taxpayer for collecting and remitting sales and use taxes to the state from 0.5% to 0.25% effective January 1, 2009 and ending on June 30, 2009. During the six months the reduction in the collection allowance is effective in FY 2009, it is estimated that the change will generate $1,087,145 for the State 2% Sales Tax.

[1B-09] S.B. 2 (25th S.S.) reduced the collection allowance provided to taxpayer for collecting and remitting sales and use taxes from 0.5% to 0.25% effective January 1, 2009 and ending on June 30, 2009. During the six months the reduction in the collection allowance is effective in FY 2009, it is estimated that the General Fund commission of 0.75% retained by the State for collecting and distributing the LSST, BCCRT, SCCRT, and Local Option taxes (LOPT) will generate the following additional General Fund revenue: LSST - $8,859; BCCRT - $1,968; SCCRT - $6,893; and LOPT - $4,275.

[2-09] S.B. 2 (25th S.S.) reduced the collection allowance provided to taxpayer for collecting and remitting cigarette taxes, liquor taxes, and other tobacco taxes to the state from 0.5% to 0.25% effective January 1, 2009 and ending on June 30, 2009. During the six months the reduction in the collection allowance is effective in FY 2009, it is estimated to generate the following additional General Fund revenue: Cigarette Tax - $125,955; Liquor Tax - $50,412, and Other Tobacco Tax - $11,209.

[3-09] S.B. 2 (25th S.S.) requires the advance payment on the Net Proceeds of Minerals Tax in FY 2009 based upon estimated net proceeds for the current calendar year. The provisions of S.B. 2 also apply to FY 2010 and FY 2011, but the Net Proceeds of Minerals tax reverts back to the former method (based on previous calendar year) of taxing net proceeds on July 1, 2011. Based on S.B. 2, the Economic Forum's December 1 estimates for Net Proceeds of Minerals Tax for FY 2010 will be collected in FY 2009 and FY 2011 will be collected in FY 2010. Thus, S.B. 2 is estimated to increase FY 2009 net proceeds tax collections by $28,000,000 and decrease FY 2010 collections by $1,500,000 ($26,500,000 - $28,000,000). There is no revenue impact on FY 2011 as the Net Proceeds of Minerals Tax is estimated to remain at $26,500,000 in FY 2011.

[4-09] S.B. 2 (25th S.S.) requires that 1% of the 4% recovery surcharge retained by short-term car rental companies as reimbursement for costs of vehicles licensing fees and taxes to be deposited in the State General Fund effective January 1, 2009, and ending June 30, 2009. During the six months that the transfer of 1% of the 4% recovery surcharge to the General Fund is effective in FY 2009, it is estimated that it will generate additional General Fund revenue of $1,779,910.

[5-09] Initiative Petition 1 (IP1) approved by the 2009 Legislature and allowed to become law by the Governor imposes up to an additional 3% Room Tax in Clark and Washoe counties but not to exceed a total combined of 13% in any area of each county, effective July 1, 2009. Under IP1, the revenue from the Room Tax is deposited in the State General Fund for FY 2010 and FY 2011 and is dedicated to K-12 education thereafter beginning in FY 2012. Due to the July 1, 2009, effective date, only 10 months of revenue is deposited in FY 2010.

TABLE 1
GENERAL FUND REVENUES - ACTUALS
FY 2010 THROUGH FY 2014 AND FY 2015 VERSUS FY 2014 YEAR-TO-DATE THROUGH MARCH

Economic Forum May 1, 2015, Meeting - 4/27/15 - 4:00 PM

GL NO.	DESCRIPTION	FY 2010 ACTUAL	% Change	FY 2011 ACTUAL	% Change	FY 2012 ACTUAL	% Change	FY 2013 ACTUAL	% Change	FY 2014 ACTUAL	% Change	YEAR-TO-DATE [b.] FY 2014 MARCH	FY 2015 MARCH	% Change

FY 2010

NOTE: Revenue amounts listed in the footnotes for FY 2010 based on legislative actions during the 2009 Session were prepared by the Fiscal Analysis Division using the Economic Forum's forecasts for FY 2010 and FY 2011 produced at its May 1, 2011, meeting. For those revenues for which revised forecasts were produced during January 2010, the effect of the legislative adjustment is included into the revised forecasts for the major General Fund revenue forecasts approved by the Economic Forum at its January 22, 2010, meeting, and the consensus General Fund revenue forecasts for minor revenue sources prepared by the Fiscal Analysis Division and the Budget Division.

[1-10] A.B. 552 lowered the collection allowance provided to a taxpayer for collecting and remitting sales and use taxes from 0.5% to 0.25%, effective July 1, 2009. A.B. 552 also increased the General Fund commission retained by the Department of Taxation for collecting and distributing the sales and use taxes generated by the BCCRT, SCCRT, and local option taxes (did not apply to the LSST) from 0.75% to 1.75%, effective July 1, 2009. Collectively, these changes are estimated to generate an additional $16,031,800 in FY 2010 and $16,679,000 in FY 2011. [FY 2010 - State 2%: $2,007,000 (TCA); LSST: $1,037,700 (TCA); BCCRT: $1,946,000 (GFC) + $3,700 (TCA); SCCRT: $6,806,700 (GFC) + $12,800 (TCA); LOPT: $4,210,000 (GFC) + $7,900 (TCA) and FY 2011 - State 2%: $2,049,700 (TCA); LSST: $1,081,400 (TCA); BCCRT: $2,028,000 (GFC) + $3,800 (TCA); SCCRT: $7,093,600 (GFC) + $13,300 (TCA); LOPT: $4,400,900 (GFC) + $8,300 (TCA) where GFC represents amount due to General Fund Commission rate change and TCA represents amount due to Taxpayer Collection Allowance change.]

[2-10] S.B. 429 changed the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) by creating a two-tiered tax rate in lieu of the single rate of 0.63%, effective July 1, 2009.. Under S.B. 429, a nonfinancial business pays a tax rate of 0.5% on all taxable wages (gross wages less allowable health care expenses) up to $62,500 per quarter, and a rate of 1.17% on taxable wages exceeding $62,500 per quarter. Estimated to generate an additional $173,330,000 in FY 2010 and $172,393,400 in FY 2011. The change to the MBT-General Business sunsets effective June 30, 2011.

[3-10] A.B. 552 lowered the collection allowance provided to a taxpayer for collecting and remitting cigarette taxes from 0.5% to 0.25%, effective July 1, 2009. This change is estimated to generate an additional $236,200 in FY 2010 and $237,300 in FY 2011.

[4-10] Initiative Petition 1 (IP1) approved by the 2009 Legislature and allowed to become law by the Governor imposes up to an additional 3% Room Tax in Clark and Washoe counties but not to exceed a total combined rate of 13% in any area of each county, effective July 1, 2009. Under IP1, the revenue from the Room Tax is deposited in the State General Fund for FY 2010 and FY 2011 and is dedicated to K-12 education beginning in FY 2012.

[5-10] S.B. 429 increases the depreciation rates for autos and trucks by 10% in the schedules used to determine the value of a vehicle for the purposes of calculating the Governmental Services Tax (GST) due, effective September 1, 2009. The portion of the GST generated from the depreciation schedule change is allocated to the State General Fund, which is estimated to generate $42,842,800 in FY 2010 and $51,411,300 in FY 2011. Under S.B. 429, additional revenue generated from the GST is deposited in the General Fund until FY 2013 and is then deposited in the State Highway Fund beginning in FY 2014.

[6-10] S.B. 429 increases the Business License Fee (BLF) by $100 to $200 for initial and annual renewals, effective July 1, 2009. Effective October 1, 2009, A.B. 146 transfers the BLF to the Secretary of State from the Department of Taxation as part of the business portal program and requires all entities filing with the Secretary of State under Title 7 to pay the initial and annual renewal $200 BLF. It is estimated to generate an additional $38,254,800 in FY 2010 and $44,802,600 in FY 2011. Under S.B. 429, the $100 increase in the BLF sunsets effective June 30, 2011.

[7-10] A.B. 552 lowered the collection allowance provided to a taxpayer for collecting and remitting liquor taxes from 0.5% to 0.25%, effective July 1, 2009. Estimated to generate an additional $100,400 in FY 2010 and $102,800 in FY 2011.

[8-10] A.B. 552 lowered the collection allowance provided to a taxpayer for collecting and remitting other tobacco taxes from 0.5% to 0.25%, effective July 1, 2009. Estimated to generate an additional $23,560 in FY 2010 and $24,270 in FY 2011.

[9-10] Effective July 1, 2009, S.B. 53 requires fees collected for expedite services provided by the Secretary of State to business entities to be deposited in the State General Fund. Estimated to generate $2,272,569 in FY 2010 and $1,818,056 in FY 2011.

[10-10] Effective October 1, 2009, S.B. 234 increases the state rate imposed on the short-term rental of a vehicle from 6.0% to 10.0% with the proceeds equivalent to 9.0% deposited in the General Fund and 1.0% deposited in the Highway Fund (maintains provisions of A.B. 595 from the 2007 Session). S.B. 234 eliminates the 4.0% recovery surcharge and allows short-term car rental companies to impose a surcharge to recover their vehicle licensing and registration costs. Estimated to generate an additional $9,883,900 in FY 2010 and $13,565,000 in FY 2011.

[11-10] A.B. 480 increases various fees collected by the State Engineer for examining and filing applications and issuing and recording permits, effective July 1, 2009. Estimated to generate an additional $900,000 in FY 2010 and FY 2011.

[12-10] A.B. 562 redirects $3,800,000 to the General Fund of the Unclaimed Property revenues collected by the State Treasurer to the Millennium Scholarship Trust Fund in FY 2010 and FY 2011.

[13-10] A.B. 543 requires Clark County and Washoe County to allocate the equivalent of 4-cents worth of property tax generated from their operating rate to the State General Fund in FY 2010 and FY 2011. Estimated to generate $36,010,800 in FY 2010 and $32,446,600 in FY 2011. (Clark County: $30,380,500 - FY 2010 and $27,329,100 - FY 2011) (Washoe County: $5,630,300 - FY 2010 and $5,117,500 - FY 2011)

[14-10] A.B. 543 requires Clark County and Washoe County to allocate the equivalent of 3.8 cents in FY 2010 and 3.2 cents in FY 2011 worth of property tax generated from the capital rate imposed pursuant to NRS 354.59815 to the State General Fund in FY 2010 and FY 2011. Estimated to generate $34,210,300 in FY 2010 and $25,957,300 in FY 2011. (Clark County: $28,861,500 - FY 2010 and $21,863,300 - FY 2011) (Washoe County: $5,348,800 - FY 2010 and $4,094,000 - FY 2011)

[15-10] S.B. 431 requires a portion of the revenue generated from the state 3/8 of 1% room tax revenue provided to the Nevada Commission on Tourism to be allocated to the State General Fund in FY 2010 and FY 2011. Estimated to generate $2,334,563 in FY 2010 and $3,265,434 in FY 2011.

[16-10] A.B. 531 requires the deposit of the portion of the revenue generated from Court Administrative Assessment Fees to be deposited in the State General Fund, effective July 1, 2009. Estimated to generate $4,763,532 in FY 2010 and $6,133,023 in FY 2011.

[17-10] S.B. 431 requires the transfer of the estimated residual amount of revenue generated from Insurance Verification Fees to the State General Fund in FY 2010 and FY 2011. Estimated to generate $7,000,000 in FY 2010 and $6,000,000 in FY 2011.

[18-10] S.B. 431 requires the transfer of $25,199,365 in FY 2010 and $22,970,977 in FY 2011 from the Supplemental Account for Medical Assistance to Indigent Persons created in the Fund for Hospital Care to Indigent Persons to the State General Fund.

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

[19-10] Based on information provided to the Fiscal Analysis Division regarding the amount of net proceeds that would be reported to the Department of Taxation on March 1, 2010, pursuant to NRS 362.115 for calendar year 2009 for FY 2010 and information on estimated mining operations for calendar year 2010 and 2011, the Fiscal Analysis Division produced a revised estimate for FY 2010 and FY 2011 for Net Proceeds of Minerals Tax of $71,700,000 and $62,100,000, respectively. These revised estimates were $31,700,000 and $27,100,000 higher than the consensus forecast prepared by the Budget Division/Fiscal Analysis Division on February 1, 2010 of $40,000,000 for FY 2010 and $35,000,000 for FY 2011.

[20-10] Section 47 of A.B. 6 (26th S.S.) creates a new annual Mining Claims Fee based on a progressive graduated fee per mining claim associated with the total number of mining claims held by an entity in Nevada. This new Mining Claims Fee is estimated to generate $25,700,000 in FY 2011 only as the fee is scheduled to sunset effective June 30, 2011.

[21-10] The Division of Insurance of the Department of Business and Industry is required to implement a program to perform desk audits of tax returns submitted by insurance companies when filing for the Insurance Premium Tax. This program is estimated to generate an additional $10,000,000 in Insurance Premium Tax collections in FY 2011.

[22-10] Section 64 of A.B. 6 (26th S.S.) requires the Department of Taxation to conduct a tax amnesty program from July 1, 2010 to September 30, 2010 for all taxes that are required to be reported and paid to the Department. It is estimated that the tax amnesty program will generate $10,000,000 in FY 2011 from all the different applicable taxes, but an estimate of additional revenue expected from each individual revenue source was not prepared.

[23-10] A.B. 6 (26th S.S.) increased various fees authorized or imposed in NRS associated with activities of the Secretary of State's Office related to securities, commercial recordings, and UCC filing requirements as well as changed the allocation of the portion to the State General Fund for fees associated with notary training and domestic partnerships. The changes were estimated to generate the following amounts in FY 2010 and FY 2011: UCC: $155,200 - FY 2010 and $465,600 - FY 2011; Commercial Recordings: $354,342 - FY 2010 and $1,063,027 - FY 2011; Notary Fees: $0 - FY 2010 and $153,600 - FY 2011; Securities: $855,314 - FY 2010 and $4,860,193 - FY 2011; and Domestic Partnerships: $0 - FY 2010 and $50,000 - FY 2011.

[24-10] Section 45 of A.B. 6 (26th S.S.) increases the license fee from 4% to 6% on the gross receipts from admission fees to a live contest or exhibition of unarmed combat, effective July 1, 2010. This fee increase is estimated to generate $1,250,000 in additional revenue for FY 2011.

[25-10] A.B. 6 (26th S.S.) requires the current fees specified in NRS 440.700 associated with birth and death certificates to continue to be collected by the State Registrar until the State Registrar establishes new higher fees through regulation. The higher fees imposed through regulation are expected to be effective July 1, 2010, and are estimated to generate an additional $368,511 in revenue for FY 2011.

[26-10] Section 31 of A.B. 6 (26th S.S.) imposes a new fee of $150 per notice of default or election to sell with the proceeds deposited in the State General Fund, effective April 1, 2010. This new notice of default fee is estimated to generate additional General Fund revenue of $2,760,000 in FY 2010 and $11,040,000 in FY 2011.

[27-10] Section 36 of A.B. 6 (26th S.S.) requires the Legislative Commission to transfer the first $100,000 in revenue collected from lobbyist registration fees imposed pursuant to NRS 218H.500 to the State General Fund. The $100,000 transfer to the General Fund is for FY 2011 only as the provisions sunset on June 30, 2011.

[28-10] Section 34 of A.B. 6 (26th S.S.) increases the adminstrative assessment amount associated with misdemeanor violation fines by $5 effective upon passage and approval of A.B. 6 (March 12, 2010). The proceeds from the additional $5 adminstrative assessment as part of the sentence for a violation of a misdemeanor are deposited in the State General Fund and is estimated to generate an additional $192,544 in FY 2010 and $2,310,530 in FY 2011.

[39-10] Based on information provided by the Treasurer's Office, the Fiscal Analysis Division revised the estimate for Unclaimed Property collections to be deposited in the State General Fund to $52,000,000 in FY 2010 and $58,081,000 in FY 2011. This revised forecast for Unclaimed Property proceeds yields an additional $4,018,000 in FY 2010 and $15,000,000 in FY 2011 above the February 1, 2010, consensus forecast of $47,919,000 for FY 2010 and $43,081,000 for FY 2011 prepared by the Budget Division/Fiscal Division based on information provided by the Treasurer's Office.

[30-10] Section 1 of A.B. 3 (26th S.S.) redirects the full $7,600,000 to the General Fund of the Unclaimed Property revenues collected by the State Treasurer from the Millennium Scholarship Trust Fund in FY 2010 and FY 2011. A.B. 562 (75th Session) redirected $3,800,000 to the General Fund of the Unclaimed Property revenues collected by the State Treasurer to the Millennium Scholarship Trust Fund in FY 2010 and FY 2011. The net effect of the provisions of A.B 3 is an additional $3,800,000 in General Fund revenue in FY 2010 and FY 2011 from Unclaimed Property proceeds.

FY 2011

[1-11] The Treasurer's Office provided the Budget Division of the Department of Administration and the Fiscal Analysis Division of the Legislative Counsel Bureau with information on additional unclaimed property for FY 2011, based on more complete information that became available after the Economic Forum May 2, 2011, meeting on actual unclaimed property remitted to the Treasurer's Office. Treasurer's Office estimated an additional $13,630,561 for FY 2011.

FY 2012

[1-12] S.B. 493 clarifies and eliminates certain deductions allowed against gross proceeds to determine net proceeds for the purpose of calculating the Net Proceeds of Minerals Tax liability. All of the deduction changes are effective beginning with the NPM tax payments due in FY 2012 based on calendar year 2012 mining activity and are permanent, except for the elimination of the deduction for health and industrial insurance expenses, which are effective for FY 2012 and FY 2013 only. Deduction changes are estimated to generate $11,919,643 in addtional revenue in both FY 2012 and

[2-12] A.B. 561 extends the June 30, 2011, sunset (approved in S.B. 429 (2009)) to June 30, 2013, on the Net Proceeds of Minerals Tax, which continues the payment of taxes in the current fiscal year based on the estimated net proceeds for the current calendar year with a true-up against actual net proceeds for the calendar year in the next fiscal year. The two-year extension of the sunset is estimated to yield $69,000,000 in FY 2012 only as tax payments are required in FY 2013 with or without the extension of the sunset.

[3-12] S.B 493 repeals the Mining Claims Fee, approved in A.B. 6 (26th Special Session), requiring payment of the fee in FY 2011 only with the June 30, 2011, sunset. S.B. 493 establishes provisions for entities that paid the Mining Claims Fee to apply to the Department of Taxation for a credit against their Modified Business Tax (MBT) liability or for a refund. No estimate of the impact in FY 2012 and FY 2013 from Mining Claims Fee credits was prepared so no adjustment was made to the Economic Forum May 2, 2011 forecast for MBT - Nonfinancial tax collections.

TABLE 1
GENERAL FUND REVENUES - ACTUALS
FY 2010 THROUGH FY 2014 AND FY 2015 VERSUS FY 2014 YEAR-TO-DATE THROUGH MARCH

Economic Forum May 1, 2015, Meeting - 4/27/15 - 4:00 PM

GL NO.	DESCRIPTION	FY 2010 ACTUAL	% Change	FY 2011 ACTUAL	% Change	FY 2012 ACTUAL	% Change	FY 2013 ACTUAL	% Change	FY 2014 ACTUAL	% Change	YEAR-TO-DATE [b.] FY 2014 MARCH	FY 2015 MARCH	% Change

FY 2012 (continued)

[4-12] Extension of the sunset on the 0.35% increase in the Local School Support Tax (LSST) in A.B. 561 from June 30, 2011, to June 30, 2013 generates additional revenue from the 0.75% General Fund Commission assessed against LSST proceeds before distribution to school districts in each county. Estimated to generate $1,052,720 in FY 2012 and $1,084,301 in FY 2013.

[5-12] A.B. 500 reduces the portion of the quarterly licensing fees imposed on restricted and non-restricted slot machines from $2 to $1 per slot machine that is dedicated to the Account to Support Programs for the Prevention and Treatment of Problem Gambling. The other $1 is deposited in the State General Fund in FY 2012 and FY 2013, due to the June 30, 2013, sunset in A.B. 500. Estimated to generate $682,982 in FY 2012 and $692,929 in FY 2013 from non-restricted slot machines and $75,970 in FY 2012 and $77,175 in FY 2013 from restricted slot machines.

[6-12] A.B. 561 changes the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) for FY 2012 and FY 2013 by exempting taxable wages (gross wages less allowable health care expenses) paid by an employer to employees up to and including $62,500 per quarter and taxable wages exceeding $62,500 per quarter are taxed at 1.17%, effective July 1, 2011. These provisions for the MBT-General Business sunset effective June 30, 2013, at which time the tax rate will be 0.63% on all taxable wages per quarter. Estimated to generate an additional $117,981,497 in FY 2012 and $119,161,117 in FY 2013.

[7-12] A.B. 561 extends the sunset from June 30, 2011, (approved in S.B. 429 (2009 Session)) to June 30, 2013, on the $100 increase in the Business License Fee (BLF) from $100 to $200 for the initial and annual renewal. Estimated to generate an additional $29,949,000 in FY 2012 and $30,100,000 in FY 2013.

[8-12] A.B. 561 requires the 1% portion of the 10% Short-term Car Rental Tax, currently dedicated to the State Highway Fund based on A.B. 595 (2007 Session), to be deposited in the State General Fund along with the other 9%. This change is effective July 1, 2011, and is permanent. Estimated to generate $4,402,222 in FY 2012 and $4,457,778 in FY 2013.

[9-12] The Legislature approved funding for the State Treasurer's Office to use a subscription rating service to allow for more effective investment in corporate securities, which is anticipated to generate additional interest income from the Treasurer's Office investment of the State General Fund. Estimated to generate $105,313 in FY 2012 and $244,750 in FY 2013.

[10-12] S.B. 503 requires the proceeds from the commission retained by the Department of Motor Vehicles from the amount of Governmental Services Tax (GST) collected and any penalties for delinquent payment of the GST to be transferred to the State General Fund in FY 2012 and FY 2013. S.B. 503 specifies that the amount transferred shall not exceed $20,894,228 from commissions and $4,672,213 from penalties in both FY 2012 and FY 2013.

[11-12] A.B. 219 requires 75 percent of the value of expired slot machine wagering vouchers retained by nonrestricted gaming licensees to be remitted to the Gaming Commission for deposit in the State General Fund on a quarterly basis. Based on the expiration period of 180 days for slot machine wagering vouchers and the effective date of July 1, 2011, only one quarterly payment will be made in FY 2012 with four quarterly payments made in FY 2013 and going forward. Estimated to generate $3,332,750 in FY 2012 and $13,331,000 in FY 2013.

[12-12] A.B. 529 requires transfer of $19,112,621 in FY 2012 and $19,218,718 in FY 2013 from the Supplemental Account for Medical Assistance to Indigent Persons in the Fund for Hospital Care to Indigent Persons to the State General Fund.

[13-12] A.B. 531 (2009 Session) requires the deposit of the portion of the revenue generated from Court Administrative Assessment Fees to be deposited in the State General Fund.

[14-12] S.B. 136 reduces the period from 3 to 2 years after which certain types of unclaimed property is presumed to be abandoned if the holder of the property reported holding more than $10 million in property presumed to be abandoned for the most recent report filed with the Treasurer's Office. Based on the Treasurer's Office analysis of the entities subject to this change, it was estimated that there would be net gain in unclaimed property receipts in FY 2012 of $30,594,750, but a net loss in FY 2013 of $33,669,923.

FY 2014: Represents legislative actions approved during the 2013 Legislative Session.

[1-14] S.B. 475 extends the June 30, 2013, sunset (approved in A.B. 561 (2011)) to June 30, 2015, on the Net Proceeds of Minerals Tax, which continues the payment of taxes in the current fiscal year based on the estimated net proceeds for the current calendar year with a true-up against actual net proceeds for the calendar year in the next fiscal year. The two-year extension of the sunset is estimated to yield $88,295,000 in FY 2014 as tax payments are required in FY 2015 with or without the extension of the sunset. The extension of the sunset is also estimated to generate an additional $2,936,000 in FY 2015 as the difference between Economic Forum forecast for FY 2015, based on elimination of the sunset, and the estimate based on the extension of the sunset approved in S.B. 475.

[2-14] S.B. 475 extends the June 30, 2013, sunset (approved in S.B. 493 (2011)) to June 30, 2015, that eliminates health and industrial insurance deductions allowed against gross proceeds to determine net proceeds for the purpose of calculating the Net Proceeds of Minerals (NPM) tax liability. These deduction changes are effective for the NPM tax payments due in FY 2014 and FY 2015. The health and industrial insurance deduction changes are estimated to generate $7,393,000 in addtional revenue in FY 2014 and $9,741,000 in FY 2015.

[3-14] Extension of the sunset on the 0.35% increase in the Local School Support Tax (LSST) in S.B. 475 from June 30, 2013, to June 30, 2015, generates additional revenue from the 0.75% General Fund Commission assessed against LSST proceeds before distribution to school districts in each county. Estimated to generate $1,226,600 in FY 2014 and $1,294,100 in FY 2015.

[4-14] S.B. 475 changes the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) for FY 2014 and FY 2015 by exempting taxable wages (gross wages less allowable health care expenses) paid by an employer to employees up to and including $85,000 per quarter and taxable wages exceeding $85,000 per quarter are taxed at 1.17%, effective July 1, 2013. The taxable wages exemption threshold was $62,500 per quarter for FY 2012 and FY 2013, based on A.B. 561 (2011). These provisions in S.B. 475 for the MBT-General Business sunset effective June 30, 2015, at which time the tax rate will be 0.63% on all taxable wages per quarter. Estimated to generate an additional $113,501,000 in FY 2014 and $120,572,000 in FY 2015.

[5-14] A.B. 491 requires the portion of the Governmental Services Tax (GST) generated from the 10% depreciation schedule change, approved in S.B. 429 (2009), to continue to be allocated to the State General Fund for FY 2014 and FY 2015, instead of the State Highway Fund as approved in S.B. 429 (2009). Under A.B. 491, the additional revenue generated from the GST depreciation schedule change is required to be deposited in the State Highway Fund beginning in FY 2016. The GST depreciation schedule change is estimated to generate $64,224,000 in FY 2014 and $65,134,000 in FY 2015.

[6-14] S.B. 475 extends the sunset from June 30, 2013, (approved in A.B. 561 (2011)) to June 30, 2015, on the $100 increase in the Business License Fee (BLF) from $100 to $200 for the initial and annual renewal. Estimated to generate an additional $31,273,000 in FY 2014 and $31,587,000 in FY 2015.

[7-14] S.B. 470 increases certain existing fees and imposes a new fee collected by the Commission on Postsecondary Education from certain private postsecondary educational institutions. The fee changes are estimated to generate an additional $86,675 in FY 2014 and $80,700 in FY 2015.

[8-14] A.B. 449 requires revenue from fees for vital statistics collected by the Health Division of the Department of Health and Human Services to be retained by the division and not deposited in the State General Fund, beginning in FY 2014. Estimated to result in a reduction of General Fund revenue of $1,027,500 in FY 2014 and $1,007,300 in FY 2015.

[9-14] A.B. 404 repeals provisions requiring that advertisements or offers for sale of timeshares within Nevada be filed with the Real Estate Division of the Department of Business & Industry, effective July 1, 2014. This bill additionally repeals the filing fee that was required to be paid to the Division for this purpose.

[10-14] S.B. 468 increases various fees and requires the revenue from the fees collected by the State Water Engineer of the Department of Conservation and Natural Resources (DCNR) to be deposited in the Water Distribution Revolving Account for use by the Division of Water Resources of DCNR and not deposited in the State General Fund, beginning in FY 2014. Estimated to result in a reduction of General Fund revenue of $2,600,000 in FY 2014 and FY 2015.

[11-14] Section 23 of S.B. 521 allows the Fleet Services Division of the Department of Administration to use revenues from intergovernmental transfers to the State General Fund for the repayment of $2.5 million that was appropriated to the Division for the purchase of a building in Las Vegas. The legislatively approved repayment from the Division to the State General Fund is $83,332 in FY 2014 and $125,000 in FY 2015, with an annual repayment of $125,000 each year through FY 2035.

[12-14] A.B. 491 requires the proceeds from the commission retained by the Department of Motor Vehicles from the amount of Governmental Services Tax (GST) collected and any penalties for delinquent payment of the GST to be transferred to the State General Fund in FY 2015 only. A.B. 491 specifies that the amount transferred shall not exceed $20,813,716 from commissions and $4,097,964 from penalties in FY 2015.

[13-14] Estimated portion of the revenue generated from Court Administrative Assessment Fees to be deposited in the State General Fund (pursuant to subsection 9 of NRS 176.059), based on the legislatively approved budget for the Court Administrative Assessment Fee revenues (pursuant to subsection 8 of NRS 176.059).

[14-14] Adjustment to the Statewide Cost Allocation amount included in the Legislature Approves budget after the May 1, 2013, approval of the General Fund revenue forecast by the Economic Forum.

FY 2016: Note 1 represents legislative actions approved during the 28th Special Session in September 2014.

[1-16] Assembly Bill 3 (28th S.S.) limits the amount of the home office credit that may be taken against the Insurance Premium Tax to an annual limit of $5 million, effective January 1, 2016. The home office credit is eliminated pursuant to this bill, effective January 1, 2021.

FY 2016: Note 2 represents legislative actions approved during the 2015 Legislative Session.

[2-16] A.B. 165 allows businesses who pay the Modified Business Tax to receive credits from the Department of Taxation equal to the amount of eligible donations to certain educational scholarship programs, which may be used against that taxpayer's MBT liability. The amount of credits that may be issued by the Department may not exceed $5.0 million in FY 2016, $5.5 million in FY 2017, and an amount equal to 110 percent of the amount authorized in the prior fiscal year, for each subsequent fiscal year.

TABLE 5

Technical Advisory Committee Forecasts for Selected Revenues: FY 2015, FY 2016, and FY 2017

Actual and Forecast Revenues are in Millions of Dollars

Economic Forum May 1, 2015, Meeting: 4/27/15 4:00 PM

	FY 2014[1] Actual: Millions $'s	FY 2015 Forecast: Millions $'s	FY 2015 $ Change	FY 2015 % Change	FY 2016 Forecast: Millions $'s	FY 2016 $ Change	FY 2016 % Change	FY 2017 Forecast: Millions $'s	FY 2017 $ Change	FY 2017 % Change	2015-2017 Biennium Forecast: Millions $'s	2015-2017 Biennium $ Change[1]	2015-2017 Biennium % Change
Cigarette Tax	$79.629												
Technical Advisory Committee[2]		$79.678	$0.049	0.1%	$78.484	-$1.194	-1.5%	$77.284	-$1.200	-1.5%	$155.768	-$3.539	-2.2%
Agency		$79.524	-$0.105	-0.1%	$78.189	-$1.335	-1.7%	$76.854	-$1.335	-1.7%	$155.043	-$4.110	-2.6%
Fiscal Division		$79.986	$0.357	0.4%	$79.073	-$0.913	-1.1%	$78.143	-$0.930	-1.2%	$157.216	-$2.399	-1.5%
Budget Division		$79.524	-$0.105	-0.1%	$78.189	-$1.335	-1.7%	$76.854	-$1.335	-1.7%	$155.043	-$4.110	-2.6%
SOS - Commercial Filings	$66.662												
Technical Advisory Committee[2]		$67.665	$1.003	1.5%	$68.678	$1.013	1.5%	$69.601	$0.923	1.3%	$138.279	$3.952	2.9%
Agency		$67.877	$1.215	1.8%	$69.175	$1.298	1.9%	$70.498	$1.323	1.9%	$139.673	$5.134	3.8%
Fiscal Division		$67.255	$0.593	0.9%	$67.779	$0.524	0.8%	$68.385	$0.606	0.9%	$136.164	$2.247	1.7%
Budget Division		$67.862	$1.200	1.8%	$69.080	$1.218	1.8%	$69.920	$0.840	1.2%	$139.000	$4.476	3.3%
SOS - Securities	$25.947												
Technical Advisory Committee[2]		$26.900	$0.953	3.7%	$27.707	$0.807	3.0%	$28.538	$0.831	3.0%	$56.245	$3.398	6.4%
Agency		$26.900	$0.953	3.7%	$27.707	$0.807	3.0%	$28.538	$0.831	3.0%	$56.245	$3.398	6.4%
Fiscal Division		$26.900	$0.953	3.7%	$27.707	$0.807	3.0%	$28.538	$0.831	3.0%	$56.245	$3.398	6.4%
Budget Division		$26.900	$0.953	3.7%	$27.707	$0.807	3.0%	$28.538	$0.831	3.0%	$56.245	$3.398	6.4%
Governmental Services Tax	$62.267												
Technical Advisory Committee[2]		$62.828	$0.560	0.9%							$0.000	-$125.095	-100.0%
Agency		$61.813	-$0.454	-0.7%							$0.000	-$124.080	-100.0%
Fiscal Division		$62.783	$0.516	0.8%							$0.000	-$125.050	-100.0%
Budget Division		$62.828	$0.561	0.9%							$0.000	-$125.095	-100.0%
Unclaimed Property	$17.466												
Technical Advisory Committee[2]		$11.823	-$5.643	-32.3%	$14.438	$2.615	22.1%	$15.875	$1.437	10.0%	$30.313	$1.024	3.5%
Agency		$10.011	-$7.455	-42.7%	$13.522	$3.511	35.1%	$15.361	$1.839	13.6%	$28.883	$1.406	5.1%
Fiscal Division		$15.381	-$2.085	-11.9%	$15.909	$0.528	3.4%	$16.386	$0.477	3.0%	$32.295	-$0.552	-1.7%
Budget Division		$10.075	-$7.391	-42.3%	$13.884	$3.809	37.8%	$15.878	$1.994	14.4%	$29.762	$2.221	8.1%
Net Proceeds of Minerals Tax	$26.222												
Technical Advisory Committee[2]		$50.756	$24.534	93.6%				$34.642	$34.642		$34.642	-$42.336	-55.0%
Agency		$50.756	$24.534	93.6%				$30.148	$30.148		$30.148	-$46.830	-60.8%
Fiscal Division		$50.756	$24.534	93.6%				$40.577	$40.577		$40.577	-$36.401	-47.3%
Budget Division		$50.756	$24.534	93.6%				$33.201	$33.201		$33.201	-$43.777	-56.9%
Liquor Tax	$41.839												
Technical Advisory Committee[2]		$43.525	$1.686	4.0%	$44.411	$0.886	2.0%	$45.346	$0.935	2.1%	$89.757	$4.393	5.1%
Agency		$43.515	$1.676	4.0%	$44.630	$1.115	2.6%	$45.745	$1.115	2.5%	$90.375	$5.021	5.9%
Fiscal Division		$43.336	$1.497	3.6%	$43.828	$0.492	1.1%	$44.400	$0.572	1.3%	$88.228	$3.053	3.6%
Budget Division		$43.725	$1.886	4.5%	$44.774	$1.049	2.4%	$45.894	$1.120	2.5%	$90.668	$5.104	6.0%

TABLE 5

Technical Advisory Committee Forecasts for Selected Revenues: FY 2015, FY 2016, and FY 2017

Actual and Forecast Revenues are in Millions of Dollars

Economic Forum May 1, 2015, Meeting: 4/27/15 4:00 PM

	FY 2014[1]	FY 2015			FY 2016			FY 2017			2015-2017 Biennium		
	Actual: Millions $'s	Forecast: Millions $'s	$ Change	% Change	Forecast: Millions $'s	$ Change	% Change	Forecast: Millions $'s	$ Change	% Change	Forecast: Millions $'s	$ Change[1]	% Change
Short-Term Car Lease	$46.151												
Technical Advisory Committee[2]		$47.538	$1.387	3.0%	$48.868	$1.330	2.8%	$50.242	$1.374	2.8%	$99.111	$5.421	5.8%
Agency		$48.407	$2.256	4.9%	$50.170	$1.763	3.6%	$51.932	$1.762	3.5%	$102.102	$7.544	8.0%
Fiscal Division		$46.671	$0.520	1.1%	$47.474	$0.803	1.7%	$48.364	$0.890	1.9%	$95.838	$3.016	3.2%
Budget Division		$47.536	$1.385	3.0%	$48.962	$1.426	3.0%	$50.431	$1.469	3.0%	$99.393	$5.706	6.1%
Business License Fee	$72.166												
Technical Advisory Committee[2]		$74.078	$1.912	2.6%	$39.947	-$34.131	-46.1%	$40.660	$0.713	1.8%	$80.607	-$65.637	-44.9%
Agency		$74.408	$2.242	3.1%	$39.536	-$34.872	-46.9%	$40.260	$0.724	1.8%	$79.796	-$66.778	-45.6%
Fiscal Division		$73.859	$1.693	2.3%	$40.012	-$33.847	-45.8%	$40.718	$0.706	1.8%	$80.730	-$65.295	-44.7%
Budget Division		$73.967	$1.801	2.5%	$40.294	-$33.673	-45.5%	$41.001	$0.707	1.8%	$81.295	-$64.838	-44.4%
Live Entertainment Tax-Nongaming	$14.980												
Technical Advisory Committee[2]		$15.168	$0.188	1.3%	$15.825	$0.657	4.3%	$16.506	$0.681	4.3%	$32.331	$2.183	7.2%
Agency		$14.722	-$0.258	-1.7%	$15.794	$1.072	7.3%	$16.866	$1.072	6.8%	$32.660	$2.958	10.0%
Fiscal Division		$15.369	$0.389	2.6%	$15.805	$0.436	2.8%	$16.284	$0.479	3.0%	$32.089	$1.740	5.7%
Budget Division		$15.414	$0.434	2.9%	$15.877	$0.463	3.0%	$16.369	$0.492	3.1%	$32.246	$1.852	6.1%
Other Tobacco Tax	$11.620												
Technical Advisory Committee[2]		$11.296	-$0.324	-2.8%	$12.455	$1.159	10.3%	$12.907	$0.452	3.6%	$25.362	$2.446	10.7%
Agency		$11.283	-$0.337	-2.9%	$12.327	$1.044	9.3%	$12.762	$0.435	3.5%	$25.089	$2.186	9.5%
Fiscal Division		$11.321	-$0.299	-2.6%	$12.710	$1.389	12.3%	$13.196	$0.486	3.8%	$25.906	$2.965	12.9%
Budget Division		$11.283	-$0.337	-2.9%	$12.327	$1.044	9.3%	$12.762	$0.435	3.5%	$25.089	$2.186	9.5%
TOTAL - 11 Selected Revenues	$464.950												
Technical Advisory Committee[2]		$491.255	$26.304	5.7%	$350.813	-$140.441	-28.6%	$391.601	$40.788	11.6%	$742.415	-$213.790	-22.4%
Agency		$489.216	$24.266	5.2%	$351.050	-$138.166	-28.2%	$388.964	$37.914	10.8%	$740.014	-$214.152	-22.4%
Fiscal Division		$493.617	$28.667	6.2%	$350.297	-$143.320	-29.0%	$394.991	$44.694	12.8%	$745.288	-$213.279	-22.2%
Budget Division		$489.870	$24.920	5.4%	$351.094	-$138.776	-28.3%	$390.848	$39.754	11.3%	$741.942	-$212.878	-22.3%

[1] Represents the difference between the total for the 2015-17 biennium (FY 2016 and FY 2017 forecasts) and the total for the 2013-15 biennium (FY 2014 actual and FY 2015 forecast).

[2] Technical Advisory Committee April 27, 2015, Forecast.

TABLE 6
ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 27, 2015, MEETING
FY 2015, FY 2016 and FY 2017

Economic Forum May 1, 2015, Meeting - 4/27/15 4:00 PM

G.L.			ECONOMIC FORUM FORECAST					
NO.	DESCRIPTION	FY 2014 ACTUAL	FY 2015	%	FY 2016	%	FY 2017	%
	TAXES							
	PROPERTY/MINE							
3064	Net Proceeds of Minerals [19-10][1-12][2-12][1-14][2-14]	$26,221,970	$50,756,000	93.6%			$34,642,000	
3241	Net Proceeds Penalty							
3245	Centrally Assessed Penalties		$45,000		$45,000		$45,000	
	TOTAL PROPERTY/MINE TAX	$26,221,970	$50,801,000	93.7%	$45,000		$34,687,000	
	SALES AND USE							
3001	Sales and Use Tax [1-10]	$931,319,687						
3002	State Share - LSST [1-10][4-12][3-14]	$9,194,669						
3003	State Share - BCCRT [1-10]	$4,088,755						
3004	State Share - SCCRT [1-10]	$14,305,300						
3005	State Share - PTT [1-10]	$8,797,760						
	TOTAL SALES AND USE	$967,706,171						
	GAMING - STATE							
3032	Pari-mutuel Tax	$2,758	$2,964	7.5%	$3,000	1.2%	$3,150	5.0%
3181	Racing Fees	$9,258	$7,456	-19.5%	$7,600	1.9%	$7,600	
3247	Racing Fines/Forfeitures		$500					
3041	Percent Fees - Gross Revenue	$682,311,672						
3042	Gaming Penalties	$7,862,472	$350,000	-95.5%	$600,000	71.4%	$600,000	
3043	Flat Fees-Restricted Slots [5-12]	$8,305,289	$8,271,700	-0.4%	$8,249,400	-0.3%	$8,312,000	0.8%
3044	Non-Restricted Slots [5-12]	$11,383,000	$11,195,300	-1.6%	$10,984,100	-1.9%	$10,931,900	-0.5%
3045	Quarterly Fees-Games	$6,410,111	$6,482,800	1.1%	$6,483,100	0.0%	$6,632,100	2.3%
3046	Advance License Fees	$672,263	$1,625,000	141.7%	$500,000	-69.2%	$650,000	30.0%
3048	Slot Machine Route Operator	$37,000	$35,000	-5.4%	$36,000	2.9%	$36,500	1.4%
3049	Gaming Info Systems Annual	$18,000	$42,000	133.3%	$30,000	-28.6%	$30,000	
3028	Interactive Gaming Fee - Operator	$604,167	$500,000		$500,000		$500,000	
3029	Interactive Gaming Fee - Service Provider	$75,000	$60,300	-19.6%	$52,000	-13.8%	$45,000	-13.5%
3030	Interactive Gaming Fee - Manufacturer	$700,000	$200,000	-71.4%	$225,000	12.5%	$225,000	
3033	Equip Mfg. License	$290,000	$280,100	-3.4%	$279,500	-0.2%	$282,500	1.1%
3034	Race Wire License	$29,736	$31,800	6.9%	$33,000	3.8%	$34,000	3.0%
3035	Annual Fees on Games	$105,341	$120,600	14.5%	$124,400	3.2%	$126,900	2.0%
	TOTAL GAMING - STATE	$718,816,067	$29,205,520	-95.9%	$28,107,100	-3.8%	$28,416,650	1.1%
	LIVE ENTERTAINMENT TAX							
3031G	Live Entertainment Tax-Gaming	$139,156,240						
3031NG	Live Entertainment Tax-Nongaming	$14,979,978	$15,168,000	1.3%	$15,825,000	4.3%	$16,506,000	4.3%
	Total Casino/Live Entertainment Tax	$154,136,218	$15,168,000	-90.2%	$15,825,000	4.3%	$16,506,000	4.3%
	INSURANCE TAXES							
3061	Insurance Premium Tax [21-10][1-16]	$263,531,578						
3062	Insurance Retaliatory Tax	$234,807	$302,000	28.6%	$223,000	-26.2%	$223,000	
3067	Captive Insurer Premium Tax	$755,517	$878,000	16.2%	$824,000	-6.2%	$831,000	0.8%
	TOTAL INSURANCE TAXES	$264,521,903	$1,180,000	-99.6%	$1,047,000	-11.3%	$1,054,000	0.7%
	MODIFIED BUSINESS TAX							
3069NF	Modified Business Tax - Nonfinancial [2-10][6-12][4-14][2-16]	$361,095,880						
3069F	Modified Business Tax - Financial [2-16]	$23,789,898						
	Total Modified Business Tax	$384,885,778						
	CIGARETTE TAX							
3052	Cigarette Tax [3-10]	$79,628,983	$79,678,000	0.1%	$78,484,000	-1.5%	$77,284,000	-1.5%
	REAL PROPERTY TRANSFER TAX							
3055	Real Property Transfer Tax	$60,047,457						
	GOVERNMENTAL SERVICES TAX (GST)							
3051	Governmental Services Tax [5-10][5-14]	$62,267,322	$62,827,700	0.9%				

TABLE 6
ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 27, 2015, MEETING
FY 2015, FY 2016 and FY 2017

Economic Forum May 1, 2015, Meeting - 4/27/15 4:00 PM

G.L.			ECONOMIC FORUM FORECAST					
NO.	DESCRIPTION	FY 2014 ACTUAL	FY 2015	%	FY 2016	%	FY 2017	%
	TAXES - CONTINUED							
	OTHER TAXES							
3113	Business License Fee [6-10][7-12][6-14]	$72,166,482	$74,078,000	2.6%	$39,947,000	-46.1%	$40,660,000	1.8%
3050	Liquor Tax [7-10]	$41,838,536	$43,525,000	4.0%	$44,411,000	2.0%	$45,346,000	2.1%
3053	Other Tobacco Tax [8-10]	$11,620,286	$11,296,000	-2.8%	$12,455,000	10.3%	$12,907,000	3.6%
4862	HECC Transfer	$5,000,000	$5,000,000		$5,000,000		$5,000,000	
3065	Business License Tax	$2,814	$2,000	-28.9%				
3068	Branch Bank Excise Tax	$2,788,166	$3,074,400	10.3%	$3,009,800	-2.1%	$3,017,900	0.3%
	TOTAL TAXES	$2,851,648,150	$375,835,620	-86.8%	$228,330,900	-39.2%	$264,878,550	16.0%
	LICENSES							
3101	Insurance Licenses	$17,925,429	$18,463,000	3.0%	$19,017,000	3.0%	$19,588,000	3.0%
3120	Marriage Licenses	$371,684	$369,000	-0.7%	$369,700	0.2%	$370,400	0.2%
	SECRETARY OF STATE							
3105	UCC [23-10]	$1,714,724	$1,692,200	-1.3%	$1,695,600	0.2%	$1,699,600	0.2%
3129	Notary Fees [23-10]	$544,060	$536,300	-1.4%	$541,700	1.0%	$547,100	1.0%
3130	Commercial Recordings [9-10][23-10]	$66,661,943	$67,665,000	1.5%	$68,678,000	1.5%	$69,601,000	1.3%
3131	Video Service Franchise	$3,525	$1,500					
3121	Domestic Partnership Registry Fee [23-10]	$51,621	$40,300		$26,900	-33.3%	$13,400	-50.2%
3152	Securities [23-10]	$25,947,110	$26,900,000	3.7%	$27,707,000	3.0%	$28,538,000	3.0%
	TOTAL SECRETARY OF STATE	$94,922,982	$96,835,300	2.0%	$98,649,200	1.9%	$100,399,100	1.8%
3172	Private School Licenses [7-14]	$284,569	$260,000	-8.6%	$270,000	3.8%	$280,000	3.7%
3173	Private Employment Agency	$11,400	$11,400		$11,400		$11,400	
	REAL ESTATE							
3161	Real Estate Licenses	$1,372,080	$1,364,800	-0.5%	$3,645,600	167.1%	$3,531,500	-3.1%
3162	Real Estate Fees	$4,820	$6,000	24.5%	$4,000	-33.3%	$4,000	
	TOTAL REAL ESTATE	$1,376,900	$1,370,800	-0.4%	$3,649,600	166.2%	$3,535,500	-3.1%
3102	Athletic Commission Fees [24-10]	$5,334,498	$5,027,000	-5.8%	$4,599,000	-8.5%	$4,599,000	
	TOTAL LICENSES	$120,227,462	$122,336,500	1.8%	$126,565,900	3.5%	$128,783,400	1.8%
	FEES AND FINES							
3203	Divorce Fees	$174,376	$174,200	-0.1%	$175,500	0.7%	$177,000	0.9%
3204	Civil Action Fees	$1,325,805	$1,275,400	-3.8%	$1,275,200	0.0%	$1,275,800	0.0%
3242	Insurance Fines	$723,272	$766,700	6.0%	$826,700	7.8%	$826,700	
	REAL ESTATE FEES							
3107IOS	IOS Application Fees	$7,840	$5,700	-27.3%	$7,300	28.1%	$7,300	
3165	Land Co Filing Fees	$167,495	$170,000	1.5%	$174,000	2.4%	$174,700	0.4%
3167	Real Estate Adver Fees	$590	$300	-49.2%				
3169	Real Estate Reg Fees	$15,700	$16,400	4.5%	$17,000	3.7%	$17,600	3.5%
4741	Real Estate Exam Fees	$174,117	$220,200	26.5%	$172,000	-21.9%	$174,000	1.2%
3178	Real Estate Accred Fees	$86,475	$92,300	6.7%	$83,000	-10.1%	$86,000	3.6%
3254	Real Estate Penalties	$36,835	$27,100	-26.4%	$32,700	20.7%	$32,000	-2.1%
3190	A.B. 165, Real Estate Inspectors	$60,150	$52,400	-12.9%	$58,800	12.2%	$61,500	4.6%
	TOTAL REAL ESTATE FEES	$549,202	$584,400	6.4%	$544,800	-6.8%	$553,100	1.5%
3066	Short Term Car Lease [10-10][8-12]	$46,151,238	$47,538,000	3.0%	$48,868,400	2.8%	$50,242,200	2.8%
3103AC	Athletic Commission Licenses/Fines	$234,245	$231,500	-1.2%	$231,500		$231,500	
3206	Supreme Court Fees	$216,785	$197,000	-9.1%	$197,000		$197,000	
3115	Notice of Default Fee [26-10]	$1,706,387	$1,584,200	-7.2%	$1,435,100	-9.4%	$1,300,500	-9.4%
3271	Misc Fines/Fort	$3,125,839	$8,878,000	184.0%	$2,400,000	-73.0%	$2,400,000	
	TOTAL FEES AND FINES	$54,207,150	$61,229,400	13.0%	$55,954,200	-8.6%	$57,203,800	2.2%

TABLE 6
ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 27, 2015, MEETING
FY 2015, FY 2016 and FY 2017

Economic Forum May 1, 2015, Meeting - 4/27/15 4:00 PM

G.L. NO.	DESCRIPTION	FY 2014 ACTUAL	ECONOMIC FORUM FORECAST FY 2015	%	FY 2016	%	FY 2017	%
	USE OF MONEY AND PROPERTY							
	OTHER REPAYMENTS							
4403	Forestry Nurseries Fund Repayment (05-M27)	$20,670	$20,670		$20,670		$20,670	
4408	Comp/Fac Repayment	$23,744	$23,744		$23,744		$23,744	
4408	CIP 95-M1, Security Alarm	$2,998	$2,998		$2,998		$2,998	
4408	CIP 95-M5, Facility Generator	$6,874	$6,874		$6,874		$6,874	
4408	CIP 95-S4F, Advance Planning	$1,000	$1,000		$1,000		$1,000	
4408	CIP 97-C26, Capitol Complex Conduit System, Phase I	$62,542	$62,542		$62,542		$62,542	
4408	CIP 97-S4H, Advance Planning Addition to Computer Facility	$9,107	$9,107		$9,107		$9,107	
4409	Motor Pool Repay - LV [10-14]	$62,500	$125,000		$125,000		$125,000	
4402	State Personnel IFS Repayment; S.B. 201, 1997 Legislature	$202,987	$202,988					
	TOTAL OTHER REPAYMENTS	$392,422	$454,923	15.9%	$251,935	-44.6%	$251,935	
	INTEREST INCOME							
3290	Treasurer [9-12]	$589,930	$1,242,000	110.5%	$2,570,000	106.9%	$4,069,000	58.3%
3291	Other	$4,156	$5,300	27.5%	$5,300		$5,300	
	TOTAL INTEREST INCOME	$594,086	$1,247,300	110.0%	$2,575,300	106.5%	$4,074,300	58.2%
	TOTAL USE OF MONEY AND PROPERTY	$986,508	$1,702,223	72.6%	$2,827,235	66.1%	$4,326,235	53.0%
	OTHER REVENUE							
3059	Hoover Dam Revenue	$300,000	$300,000		$300,000		$300,000	
	MISC SALES AND REFUNDS							
4794	GST Commissions and Penalties / DMV [10-12][11-14]		$24,911,680					
3047	Expired Slot Machine Wagering Vouchers [11-12]	$7,486,068	$8,054,000	7.6%	$8,228,900	2.2%	$8,426,900	2.4%
3107	Misc Fees	$298,822	$300,000	0.4%	$300,000		$300,000	
3109	Court Administrative Assessments [16-10][13-12][12-14]	$2,511,100	$2,258,200	-10.1%				
3114	Court Administrative Assessment Fee [29-10]	$2,335,123	$2,119,100		$2,127,000		$2,149,500	
3168	Declare of Candidacy Filing Fee	$92,200	$11,000	-88.1%	$40,000	263.6%	$16,700	-58.3%
3202	Fees and Writs of Garnishments	$2,535	$2,400	-5.3%	$2,400		$2,400	
3220	Nevada Report Sales	$3,480	$7,200	106.9%	$2,100	-70.8%	$5,900	181.0%
3222	Excess Property Sales	$46,603	$85,700	83.9%	$40,100	-53.2%	$37,900	-5.5%
3240	Sale of Trust Property	$3,447	$3,500	1.5%	$3,500		$3,500	
3243	Insurance - Misc	$416,576	$437,400	5.0%	$450,500	3.0%	$464,000	3.0%
3274	Misc Refunds	$30,729	$30,300	-1.4%	$29,500	-2.6%	$31,000	5.1%
3276	Cost Recovery Plan [13-14]	$8,883,972	$8,590,000	-3.3%	$11,534,000	34.3%	$10,770,000	-6.6%
	TOTAL MISC SALES AND REFUNDS	$22,110,653	$46,810,480	111.7%	$22,758,000	-51.4%	$22,207,800	-2.4%
3255	Unclaimed Property [12-10][30-10][31-10][1-11][14-12]	$17,466,436	$11,823,000	-32.3%	$14,438,000	22.1%	$15,875,000	10.0%
	TOTAL OTHER REVENUE	$39,877,089	$58,933,480	47.8%	$37,496,000	-36.4%	$38,382,800	2.4%
	TOTAL GENERAL FUND REVENUE	$3,066,946,360	$620,037,223	-79.8%	$451,174,235	-27.2%	$493,574,785	9.4%

TABLE 6
ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 27, 2015, MEETING
FY 2015, FY 2016 and FY 2017

Economic Forum May 1, 2015, Meeting - 4/27/15 4:00 PM

G.L.			ECONOMIC FORUM FORECAST					
NO.	DESCRIPTION	FY 2014 ACTUAL	FY 2015	%	FY 2016	%	FY 2017	%

NOTES:

FY 2010 - Notes 1 to 18 represent legislative actions approved during the 2009 Regular Session.

[1-10] A.B. 552 lowered the collection allowance provided to a taxpayer for collecting and remitting sales and use taxes from 0.5% to 0.25%, effective July 1, 2009. A.B. 552 also increased the General Fund commission retained by the Department of Taxation for collecting and distributing the sales and use taxes generated by the BCCRT, SCCRT, and local option taxes (did not apply to the LSST) from 0.75% to 1.75%, effective July 1, 2009. Collectively, these changes are estimated to generate an additional $16,031,800 in FY 2010 and $16,679,000 in FY 2011. [FY 2010 - State 2%: $2,007,000 (TCA); LSST: $1,037,700 (TCA); BCCRT: $1,946,000 (GFC) + $3,700 (TCA); SCCRT: $6,806,700 (GFC) + $12,800 (TCA); LOPT: $4,210,000 (GFC) + $7,900 (TCA) and FY 2011 - State 2%: $2,049,700 (TCA); LSST: $1,081,400 (TCA); BCCRT: $2,028,000 (GFC) + $3,800 (TCA); SCCRT: $7,093,600 (GFC) + $13,300 (TCA); LOPT: $4,400,900 (GFC) + $8,300 (TCA) where GFC represents amount due to General Fund Commission rate change and TCA represents amount due to Taxpayer Collection Allowance change.]

[2-10] S.B. 429 changed the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) by creating a two-tiered tax rate in lieu of the single rate of 0.63%, effective July 1, 2009. Under S.B. 429, a nonfinancial business pays a tax rate of 0.5% on all taxable wages (gross wages less allowable health care expenses) up to $62,500 per quarter, and a rate of 1.17% on taxable wages exceeding $62,500 per quarter. Estimated to generate an additional $173,330,000 in FY 2010 and $172,393,400 in FY 2011. The change to the MBT-General Business sunsets effective June 30, 2011.

[3-10] A.B. 552 lowered the collection allowance provided to a taxpayer for collecting and remitting cigarette taxes from 0.5% to 0.25%, effective July 1, 2009. This change is estimated to generate an additional $236,200 in FY 2010 and $237,300 in FY 2011.

[4-10] Initiative Petition 1 (IP1) approved by the 2009 Legislature and allowed to become law by the Governor imposes up to an additional 3% room tax in Clark and Washoe counties but not to exceed a total combined rate of 13% in any area of each county, effective July 1, 2009. Under IP1, the revenue from the room tax is deposited in the State General Fund for FY 2010 and FY 2011 and is dedicated to K-12 education beginning in FY 2012.

[5-10] S.B. 429 increases the depreciation rates for autos and trucks by 10% in the schedules used to determine the value of a vehicle for the purposes of calculating the Governmental Services Tax (GST) due, effective September 1, 2009. The portion of the GST tax generated from the depreciation schedule change is allocated to the State General Fund, which is estimated to generate $42,842,800 in FY 2010 and $51,411,300 in FY 2011. Under S.B. 429, additional revenue generated from the GST is deposited in the General Fund until FY 2013 and is then deposited in the State Highway Fund beginning in FY 2014.

[6-10] S.B. 429 increases the Business License Fee (BLF) by $100 to $200 for the initial and annual renewal, effective July 1, 2009. Effective October 1, 2009, A.B. 146 transfers the BLF to the Secretary of State from the Department of Taxation as part of the business portal program and requires all entities filing with the Secretary of State under Title 7 to pay the initial and annual renewal $200 BLF. It is estimated to generate an additional $38,254,800 in FY 2010 and $44,802,600 in FY 2011. Under S.B. 429, the $100 increase in the BLF sunsets effective June 30, 2011.

[7-10] A.B. 552 lowered the collection allowance provided to a taxpayer for collecting and remitting liquor taxes from 0.5% to 0.25%, effective July 1, 2009. Estimated to generate an additional $100,400 in FY 2010 and $102,800 in FY 2011.

[8-10] A.B. 552 lowered the collection allowance provided to a taxpayer for collecting and remitting other tobacco taxes from 0.5% to 0.25%, effective July 1, 2009. Estimated to generate an additional $23,560 in FY 2010 and $24,270 in FY 2011.

[9-10] Effective July 1, 2009, S.B. 53 requires fees collected for expedite services provided by the Secretary of State to business entities to be deposited in the State General Fund. Estimated to generate $2,272,569 in FY 2010 and $1,818,056 in FY 2011.

[10-10] Effective October 1, 2009, S.B. 234 increases the state rate imposed on the short-term rental of a vehicle from 6.0% to 10.0% with the proceeds equivalent to 9.0% deposited in the State General Fund and 1.0% deposited in the State Highway Fund (maintains provisions of A.B. 595 from the 2007 Session). S.B. 234 eliminates the 4.0% recovery surcharge and allows short-term car rental companies to impose a surcharge to recover their vehicle licensing and registration costs. Estimated to generate an additional $9,883,900 in FY 2010 and $13,565,000 in FY 2011.

[11-10] A.B. 480 increases various fees collected by the State Engineer for examining and filing applications and issuing and recording permits, effective July 1, 2009. Estimated to generate an additional $900,000 in FY 2010 and FY 2011.

[12-10] A.B. 562 redirects $3,800,000 to the General Fund of the Unclaimed Property revenues collected by the State Treasurer to the Millennium Scholarship Trust Fund in FY 2010 and FY 2011.

[13-10] A.B. 543 requires Clark County and Washoe County to allocate the equivalent of 4-cents worth of property tax generated from their operating rate to the State General Fund in FY 2010 and FY 2011. Estimated to generate $36,010,800 in FY 2010 and $32,446,600 in FY 2011. (Clark County: $30,380,500 - FY 2010 and $27,329,100 - FY 2011) (Washoe County: $5,630,300 - FY 2010 and $5,117,500 - FY 2011)

[14-10] A.B. 543 requires Clark County and Washoe County to allocate the equivalent of 3.8 cents in FY 2010 and 3.2 cents in FY 2011 worth of property tax generated from the capital rate imposed pursuant to NRS 354.59815 to the State General Fund in FY 2010 and FY 2011. Estimated to generate $34,210,300 in FY 2010 and $25,957,300 in FY 2011. (Clark County: $28,861,500 - FY 2010 and $21,863,300 - FY 2011) (Washoe County: $5,348,800 - FY 2010 and $4,094,000 - FY 2011)

[15-10] S.B. 431 requires a portion of the revenue generated from the state 3/8 of 1% room tax revenue provided to the Nevada Commission on Tourism to be allocated to the State General Fund in FY 2010 and FY 2011. Estimated to generate $2,334,563 in FY 2010 and $3,265,434 in FY 2011.

[16-10] A.B. 531 requires the deposit of the portion of the revenue generated from Court Administrative Assessment Fees to be deposited in the state General Fund, effective July 1, 2009. Estimated to generate $4,763,532 in FY 2010 and $6,133,023 in FY 2011.

[17-10] S.B. 431 requires the transfer of the estimated residual amount of revenue generated from Insurance Verification Fees to the State General Fund in FY 2010 and FY 2011. Estimated to generate $7,000,000 in FY 2010 and $6,000,000 in FY 2011.

[18-10] S.B. 431 requires the transfer of $25,199,365 in FY 2010 and $22,970,977 in FY 2011 from the Supplemental Account for Medical Assistance to Indigent Persons created in the Fund for Hospital Care to Indigent Persons to the State General Fund.

TABLE 6
ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 27, 2015, MEETING
FY 2015, FY 2016 and FY 2017

Economic Forum May 1, 2015, Meeting - 4/27/15 4:00 PM

G.L. NO.	DESCRIPTION	FY 2014 ACTUAL	ECONOMIC FORUM FORECAST FY 2015	%	FY 2016	%	FY 2017	%

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

[19-10] Based on information provided to the Fiscal Analysis Division regarding the amount of net proceeds that would be reported to the Department of Taxation on March 1, 2010, pursuant to NRS 362.115 for calendar year 2009 for FY 2010 and information on estimated mining operations for calendar year 2010 and 2011, the Fiscal Analysis Division produced a revised estimate for FY 2010 and FY 2011 for net proceeds of minerals tax of $71,700,000 and $62,100,000, respectively. These revised estimates were $31,700,000 and $27,100,000 higher than the consensus forecast prepared by the Budget Division/Fiscal Analysis Division on February 1, 2010 of $40,000,000 for FY 2010 and $35,000,000 for FY 2011.

[20-10] Section 47 of A.B. 6 (26th S.S.) creates a new annual mining claim fee based on a progressive graduated fee per mining claim associated with the total number of mining claims held by an enity in Nevada. This new mining claims fee is estimated to generate $25,700,000 in FY 2011 only as the fee is scheduled to sunset effective June 30, 2011.

[21-10] The Division of Insurance of the Department of Business and Industry is required to implement a program to perform desk audits of tax returns submitted by insurance companies when filing for the insurance premium tax. This program is estimated to generate an additional $10,000,000 in insurance premium tax collections in FY 2011.

[22-10] Section 64 of A.B. 6 (26th S.S.) requires the Department of Taxation to conduct a tax amnesty program from July 1, 2010 to September 30, 2010 for all taxes that are required to be reported and paid to the Department. It is estimated that the tax amnesty program will generate $10,000,000 in FY 2011 from all the different applicable taxes, but an estimate of additional revenue expected from each individual revenue source was not prepared.

[23-10] A.B. 6 (26th S.S.) increased various fees authorized or imposed in NRS associated with activities of the Secretary of State's Office related to securities, commercial recordings, and UCC filing requirements as well as changed the allocation of the portion to the State General Fund for fees associated with notary training and domestic partnerships. The changes were estimated to generate the following amounts in FY 2010 and FY 2011: UCC: $155,200 - FY 2010 and $465,600 - FY 2011; Commercial Recordings: $354,342 - FY 2010 and $1,063,027 - FY 2011; Notary Fees: $0 - FY 2010 and $153,600 - FY 2011; Securities: $855,314 - FY 2010 and $4,860,193 - FY 2011; and Domestic Partnerships: $0 - FY 2010 and $50,000 - FY 2011.

[24-10] Section 45 of A.B. 6 (26th S.S.) increases the license fee from 4% to 6% on the gross receipts from admission fees to a live contest or exhibition of unarmed combat, effective July 1, 2010. This fee increase is estimated to generate $1,250,000 in additional revenue for FY 2011.

[25-10] A.B. 6 (26th S.S.) requires the current fees specified in NRS 440.700 associated with birth and death certificates to continue to be collected by the State Registrar until the State Registrar establishes new higher fees through regulation. The higher fees imposed through regulation are expected to be effective July 1, 2010, and are estimated to generate an additional $368,511 in revenue for FY 2011.

[26-10] Section 31 of A.B. 6 (26th S.S.) imposes a new fee of $150 per notice of default or election to sell with the proceeds deposited in the State General Fund, effective April 1, 2010. This new notice of default fee is estimated to generate additional General Fund revenue of $2,760,000 in FY 2010 and $11,040,000 in FY 2011.

[27-10] Section 36 of A.B. 6 (26th S.S.) requires the Legislative Commission to transfer the first $100,000 in revenue collected from lobbyist registration fees imposed pursuant to NRS 218H.500 to the State General Fund. The $100,000 transfer to the General Fund is for FY 2011 only as the provisions sunset on June 30, 2011.

[28-10] Section 34 of A.B. 6 (26th S.S.) increases the adminstrative assessment amount associated with misdemeanor violation fines by $5 effective upon passage and approval of A.B. 6 (March 12, 2010). The proceeds from the additional $5 adminstrative assessment as part of the sentence for a violation of a misdemeanor are deposited in the State General Fund and is estimated to generate an additional $192,544 in FY 2010 and $2,310,530 in FY 2011.

[29-10] Based on information provided by the Treasurer's Office, the Fiscal Analysis Division revised the estimate for unclaimed property collections to be deposited in the State General Fund to $52,000,000 in FY 2010 and $58,081,000 in FY 2011. This revised forecast for unclaimed property proceeds yields an additional $4,018,000 in FY 2010 and $15,000,000 in FY 2011 above the February 1, 2010, consensus forecast of $47,919,000 for FY 2010 and $43,081,000 for FY 2011 prepared by the Budget Division/Fiscal Division based on information provided by the Treasurer's Office.

[30-10] Section 1 of A.B. 3 (26th S.S.) redirects the full $7,600,000 to the General Fund of the Unclaimed Property revenues collected by the State Treasurer from the Millennium Scholarship Trust Fund in FY 2010 and FY 2011. A.B. 562 (75th Session) redirected $3,800,000 to the General Fund of the Unclaimed Property revenues collected by the State Treasurer to the Millennium Scholarship Trust Fund in FY 2010 and FY 2011. The net effect of the provisions of A.B 3 is an additional $3,800,000 in General Fund revenue in FY 2010 and FY 2011 from unclaimed property proceeds.

FY 2011

[1-11] The Treasurer's Office provided the Budget Division of the Department of Administration and the Fiscal Analysis Division of the Legislative Counsel Bureau with information on additional unclaimed property for FY 2011, based on more complete information that became available after the Economic Forum May 2, 2011, meeting on actual unclaimed property remitted to the

FY 2012

[1-12] S.B. 493 clarifies and eliminates certain deductions allowed against gross proceeds to determine net proceeds for the purpose of calculating the Net Proceeds of Minerals tax liability. All of the deduction changes are effective beginning with the NPM tax payments due in FY 2012 based on calendar year 2012 mining activity and are permanent, except for the elimination of the deduction for health and industrial insurance expenses, which are effective for FY 2012 and FY 2013 only. Deduction changes are estimated to generate $11,919,643 in addtional revenue in both FY 2012 and FY 2013.

[2-12] A.B. 561 extends the June 30, 2011, sunset (approved in S.B. 429 (2009)) to June 30, 2013, on the Net Proceeds of Minerals tax, which continues the payment of taxes in the current fiscal year based on the estimated net proceeds for the current calendar year with a true-up against actual net proceeds for the calendar year in the next fiscal year. The two-year extension of the sunset is estimated to yield $69,000,000 in FY 2012 only as tax payments are required in FY 2013 with or without the extension of the sunset.

[3-12] S.B 493 repeals the Mining Claims Fee, approved in A.B. 6 (26th Special Session), requiring payment of the fee in FY 2011 only with the June 30, 2011, sunset. S.B. 493 establishes provisions for entities that paid the mining claims fee to apply to the Department of Taxation for a credit against their Modified Business Tax (MBT) liability or for a refund. No estimate of the impact in FY 2012 and FY 2013 from Mining Claims Fee credits was prepared so no adjustment was made to the Economic Forum May 2, 2011 forecast for MBT - Nonfinancial tax collections.

[4-12] Extension of the sunset on the 0.35% increase in the Local School Support Tax (LSST) in A.B. 561 from June 30, 2011, to June 30, 2013 generates additional revenue from the 0.75% General Fund Commission assessed against LSST proceeds before distribution to school districts in each county. Estimated to generate $1,052,720 in FY 2012 and $1,084,301 in FY 2013.

[5-12] A.B. 500 reduces the portion of the quarterly licensing fees imposed on restricted and non-restricted slot machines from $2 to $1 per slot machine that is dedicated to the Account to Support Programs for the Prevention and Treatment of Problem Gambling. The other $1 is deposited in the State General Fund in FY 2012 and FY 2013, due to the June 30, 2013, sunset in A.B. 500. Estimated to generate $682,982 in FY 2012 and $692,929 in FY 2013 from non-restricted slot machines and $75,970 in FY 2012 and $77,175 in FY 2013 from restricted slot machines.

TABLE 6
ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 27, 2015, MEETING
FY 2015, FY 2016 and FY 2017

Economic Forum May 1, 2015, Meeting - 4/27/15 4:00 PM

G.L. NO.	DESCRIPTION	FY 2014 ACTUAL	ECONOMIC FORUM FORECAST FY 2015	%	FY 2016	%	FY 2017	%

FY 2012-Continued

[6-12] A.B. 561 changes the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) for FY 2012 and FY 2013 by exempting taxable wages (gross wages less allowable health care expenses) paid by an employer to employees up to and including $62,500 per quarter and taxable wages exceeding $62,500 per quarter are taxed at 1.17%, effective July 1, 2011. These provisions for the MBT-General Business sunset effective June 30, 2013, at which time the tax rate will be 0.63% on all taxable wages per quarter. Estimated to generate an additional $117,981,497 in FY 2012 and $119,161,117 in FY 2013.

[7-12] A.B. 561 extends the sunset from June 30, 2011, (approved in S.B. 429 (2009 Session)) to June 30, 2013, on the $100 increase in the Business License Fee (BLF) from $100 to $200 for the initial and annual renewal. Estimated to generate an additional $29,949,000 in FY 2012 and $30,100,000 in FY 2013.

[8-12] A.B. 561 requires the 1% portion of the 10% Short-term Car Rental Tax, currently dedicated to the state Highway Fund based on A.B. 595 (2007 Session), to be deposited in the State General Fund along with the other 9%. This change is effective July 1, 2011, and is permanent. Estimated to generate $4,402,222 in FY 2012 and $4,457,778 in FY 2013.

[9-12] The Legislature approved funding for the State Treasurer's Office to use a subscription rating service to allow for more effective investment in corporate securities, which is anticipated to generate additional interest income from the Treasurer's Office investment of the State General Fund. Estimated to generate $105,313 in FY 2012 and $244,750 in FY 2013.

[10-12] S.B. 503 requires the proceeds from the commission retained by the Department of Motor Vehicles from the amount of Governmental Services Tax (GST) collected and any penalties for delinquent payment of the GST to be transferred to the State General Fund in FY 2012 and FY 2013. S.B. 503 specifies that the amount transferred shall not exceed $20,894,228 from commissions and $4,672,213 from penalties in both FY 2012 and FY 2013.

[11-12] A.B. 219 requires 75 percent of the value of expired slot machine wagering vouchers retained by nonrestricted gaming licensees to be remitted to the Gaming Commission for deposit in the State General Fund on a quarterly basis. Based on the expiration period of 180 days for slot machine wagering vouchers and the effective date of July 1, 2011, only one quarterly payment will be made in FY 2012 with four quarterly payments made in FY 2013 and going forward. Estimated to generate $3,332,750 in FY 2012 and $13,331,000 in FY 2013.

[12-12] A.B. 529 requires transfer of $19,112,621 in FY 2012 and $19,218,718 in FY 2013 from the Supplemental Account for Medical Assistance to Indigent Persons in the Fund for Hospital Care to Indigent Persons to the State General Fund.

[13-12] A.B. 531 (2009 Session) requires the deposit of the portion of the revenue generated from Court Administrative Assessment Fees to be deposited in the State General Fund.

[14-12] S.B. 136 reduces the period from 3 to 2 years after which certain types of unclaimed property is presumed to be abandoned if the holder of the property reported holding more than $10 million in property presumed to be abandoned for the most recent report filed with the Treasurer's Office. Based on the Treasurer's Office analysis of the entities subject to this change, it was estimated that there would be net gain in unclaimed property receipts in FY 2012 of $30,594,750, but a net loss in FY 2013 of $33,669,923.

FY 2014: Represents legislative actions approved during the 2013 Legislative Session.

[1-14] S.B. 475 extends the June 30, 2013, sunset (approved in A.B. 561 (2011)) to June 30, 2015, on the Net Proceeds of Minerals Tax, which continues the payment of taxes in the current fiscal year based on the estimated net proceeds for the current calendar year with a true-up against actual net proceeds for the calendar year in the next fiscal year. The two-year extension of the sunset is estimated to yield $88,295,000 in FY 2014 as tax payments are required in FY 2015 with or without the extension of the sunset. The extension of the sunset is also estimated to generate an additional $2,936,000 in FY 2015 as the difference between Economic Forum forecast for FY 2015, based on elimination of the sunset, and the estimate based on the extension of the sunset approved in S.B. 475.

[2-14] S.B. 475 extends the June 30, 2013, sunset (approved in S.B. 493 (2011)) to June 30, 2015, that eliminates health and industrial insurance deductions allowed against gross proceeds to determine net proceeds for the purpose of calculating the Net Proceeds of Minerals (NPM) tax liability. These deduction changes are effective for the NPM tax payments due in FY 2014 and FY 2015. The health and industrial insurance deduction changes are estimated to generate $7,393,000 in addtional revenue in FY 2014 and $9,741,000 in FY 2015.

[3-14] Extension of the sunset on the 0.35% increase in the Local School Support Tax (LSST) in S.B. 475 from June 30, 2013, to June 30, 2015, generates additional revenue from the 0.75% General Fund Commission assessed against LSST proceeds before distribution to school districts in each county. Estimated to generate $1,226,600 in FY 2014 and $1,294,100 in FY 2015.

[4-14] S.B. 475 changes the structure and tax rate for the Modified Business Tax on General Business (nonfinancial institutions) for FY 2014 and FY 2015 by exempting taxable wages (gross wages less allowable health care expenses) paid by an employer to employees up to and including $85,000 per quarter and taxable wages exceeding $85,000 per quarter are taxed at 1.17%, effective July 1, 2013. The taxable wages exemption threshold was $62,500 per quarter for FY 2012 and FY 2013, based on A.B. 561 (2011). These provisions in S.B. 475 for the MBT-General Business sunset effective June 30, 2015, at which time the tax rate will be 0.63% on all taxable wages per quarter. Estimated to generate an additional $113,501,000 in FY 2014 and $120,572,000 in FY 2015.

[5-14] A.B. 491 requires the portion of the Governmental Services Tax (GST) generated from the 10% depreciation schedule change, approved in S.B. 429 (2009), to continue to be allocated to the State General Fund for FY 2014 and FY 2015, instead of the State Highway Fund as approved in S.B. 429 (2009). Under A.B. 491, the additional revenue generated from the GST depreciation schedule change is required to be deposited in the State Highway Fund beginning in FY 2016. The GST depreciation schedule change is estimated to generate $64,224,000 in FY 2014 and $65,134,000 in FY 2015.

[6-14] S.B. 475 extends the sunset from June 30, 2013, (approved in A.B. 561 (2011)) to June 30, 2015, on the $100 increase in the Business License Fee (BLF) from $100 to $200 for the initial and annual renewal. Estimated to generate an additional $31,273,000 in FY 2014 and $31,587,000 in FY 2015.

[7-14] S.B. 470 increases certain existing fees and imposes a new fee collected by the Commission on Postsecondary Education from certain private postsecondary educational institutions. The fee changes are estimated to generate an additional $86,675 in FY 2014 and $80,700 in FY 2015.

[8-14] A.B. 449 requires revenue from fees for vital statistics collected by the Health Division of the Department of Health and Human Services to be retained by the division and not deposited in the State General Fund, beginning in FY 2014. Estimated to result in a reduction of General Fund revenue of $1,027,500 in FY 2014 and $1,007,300 in FY 2015.

[9-14] S.B. 468 increases various fees and requires the revenue from the fees collected by the State Water Engineer of the Department of Conservation and Natural Resources (DCNR) to be deposited in the Water Distribution Revolving Account for use by the Division of Water Resources of DCNR and not deposited in the State General Fund, beginning in FY 2014. Estimated to

[10-14] Section 23 of S.B. 521 allows the Fleet Services Division of the Department of Administration to use revenues from intergovernmental transfers to the State General Fund for the repayment of $2.5 million that was appropriated to the Division for the purchase of a building in Las Vegas. The legislatively approved repayment from the Division to the State General Fund is $83,332 in FY 2014 and $125,000 in FY 2015, with an annual repayment of $125,000 each year through FY 2035.

TABLE 6
ECONOMIC FORUM - GENERAL FUND REVENUE FORECAST
TECHNICAL ADVISORY COMMITTEE FORECAST BASED ON APRIL 27, 2015, MEETING
FY 2015, FY 2016 and FY 2017

Economic Forum May 1, 2015, Meeting - 4/27/15 4:00 PM

G.L. NO.	DESCRIPTION	FY 2014 ACTUAL	ECONOMIC FORUM FORECAST					
			FY 2015	%	FY 2016	%	FY 2017	%

FY 2014-Continued

[11-14] A.B. 491 requires the proceeds from the commission retained by the Department of Motor Vehicles from the amount of Governmental Services Tax (GST) collected and any penalties for delinquent payment of the GST to be transferred to the State General Fund in FY 2015 only. A.B. 491 specifies that the amount transferred shall not exceed $20,813,716 from commissions and $4,097,964 from penalties in FY 2015.

[12-14] Estimated portion of the revenue generated from Court Administrative Assessment Fees to be deposited in the State General Fund (pursuant to subsection 9 of NRS 176.059), based on the legislatively approved budget for the Court Administrative Assessment Fee revenues (pursuant to subsection 8 of NRS 176.059).

[13-14] Adjustment to the Statewide Cost Allocation amount included in the Legislature Approves budget after the May 1, 2013, approval of the General Fund revenue forecast by the Economic Forum.

FY 2016: Note 1 represents legislative actions approved during the 28th Special Session in September 2014.

[1-16] Assembly Bill 3 (28th S.S.) limits the amount of the home office credit that may be taken against the Insurance Premium Tax to an annual limit of $5 million, effective January 1, 2016. The home office credit is eliminated pursuant to this bill, effective January 1, 2021.

FY 2016: Note 2 represents legislative actions approved during the 2015 Legislative Session.

[2-16] A.B. 165 allows businesses who pay the Modified Business Tax to receive credits from the Department of Taxation equal to the amount of eligible donations to certain educational scholarship programs, which may be used against that taxpayer's MBT liability. The amount of credits that may be issued by the Department may not exceed $5.0 million in FY 2016, $5.5 million in FY 2017, and an amount equal to 110 percent of the amount authorized in the prior fiscal year, for each subsequent fiscal year.

TABLE 7

SUMMARY OF THE TECHNICAL ADVISORY COMMITTEE (TAC) FORECAST FOR SELECT GENERAL FUND REVENUE SOURCES

TAC April 27, 2015, Forecast for FY 2015, FY 2016, and FY 2017 Based on Current Statute

	2013-15 Biennium		2015-17 Biennium		Biennium Comparison		
	FY 2014 Actual	FY 2015 TAC April 27 Forecast	FY 2016 TAC April 27 Forecast	FY 2017 TAC April 27 Forecast	2013-15 Biennium: Actual/Forecast	2015-17 Biennium: Forecast	Biennium Difference
Total of All General Fund Revenue Sources Forecast by the TAC							
Total Revenue Sources Forecast by the TAC	$569,307,465	$620,037,223	$451,174,235	$493,574,785	$1,189,344,688	$944,749,020	-$244,595,668
General Fund Revenue Sources Forecast by the TAC that are Subject to Sunset Provisions based on Actions from the 2013 Legislative Session							
Net Proceeds of Minerals	$26,221,970	$50,756,000	$0	$34,642,000	$76,977,970	$34,642,000	-$42,335,970
Governmental Services Tax	$62,267,322	$62,827,700	$0	$0	$125,095,022	$0	-$125,095,022
Business License Fee	$72,166,482	$74,078,000	$39,947,000	$40,660,000	$146,244,482	$80,607,000	-$65,637,482
GST Commissions and Penalites	$0	$24,911,680	$0	$0	$24,911,680	$0	-$24,911,680
Total-Revenue Sources Subject to Sunset	$160,655,773	$212,573,380	$39,947,000	$75,302,000	$373,229,153	$115,249,000	-$257,980,153
All Other General Fund Revenue Sources Forecast by the TAC							
Quarterly Fees-Restricted Slots	$8,305,289	$8,271,700	$8,249,400	$8,312,000	$16,576,989	$16,561,400	-$15,589
Quarterly Fees- Non-Restricted Slots	$11,383,000	$11,195,300	$10,984,100	$10,931,900	$22,578,300	$21,916,000	-$662,300
All Other Gaming Taxes and Fees	$16,816,105	$9,738,520	$8,873,600	$9,172,750	$26,554,625	$18,046,350	-$8,508,275
LET-Nongaming	$14,979,978	$15,168,000	$15,825,000	$16,506,000	$30,147,978	$32,331,000	$2,183,022
Cigarette	$79,628,983	$79,678,000	$78,484,000	$77,284,000	$159,306,983	$155,768,000	-$3,538,983
Liquor Tax	$41,838,536	$43,525,000	$44,411,000	$45,346,000	$85,363,536	$89,757,000	$4,393,464
Other Tobacco	$11,620,286	$11,296,000	$12,455,000	$12,907,000	$22,916,286	$25,362,000	$2,445,714
Total Secretary of State Revenues	$94,922,982	$96,835,300	$98,649,200	$100,399,100	$191,758,282	$199,048,300	$7,290,018
Short-Term Car Rental Fee	$46,151,238	$47,538,000	$48,868,400	$50,242,200	$93,689,238	$99,110,600	$5,421,362
Expired Slot Machine Wagers	$7,486,068	$8,054,000	$8,228,900	$8,426,900	$15,540,068	$16,655,800	$1,115,732
Court Administrative Assessments	$2,511,100	$2,258,200	$0	$0	$4,769,300	$0	-$4,769,300
Unclaimed Property	$17,466,436	$11,823,000	$14,438,000	$15,875,000	$29,289,436	$30,313,000	$1,023,564
All Others	$55,541,690	$62,082,823	$61,760,635	$62,869,935	$117,624,513	$124,630,570	$7,006,057
Total-All Other Sources Forecast by the TAC	$408,651,692	$407,463,843	$411,227,235	$418,272,785	$816,115,535	$829,500,020	$13,384,485