Steve Sisolak
Governor

Amy Stephenson
Director

Robin Hager
Deputy Director

Jim Rodriguez
Administrator

STATE OF NEVADA
GOVERNOR'S FINANCE OFFICE
Budget Division

209 E. Musser Street, Room 200 / Carson City, NV 89701-4298
Phone: (775) 684-0222 / Fax: (775) 684-0260
http://budget.nv.gov/Meetings

MEETING MINUTES

Name of Organization:	Economic Forum: Technical Advisory Committee on Future State Revenues
Date and Time:	Friday, November 4, 2022 2:00 p.m.
Location:	Legislative Building, Room 3138 401 South Carson Street Carson City, Nevada 89701

MEMBERS PRESENT:
Amy Stephenson, Director, Governor's Finance Office
Andrew Clinger, Chief Financial Officer, Nevada System of Higher Education
Sarah Coffman, Assembly Fiscal Analyst, Legislative Counsel Bureau
Wayne Thorley, Senate Fiscal Analyst, Legislative Counsel Bureau
Matt Lawton, State Demographer, Department of Taxation
David Schmidt, Chief Economist, Department of Employment, Training and Rehabilitation
Mary Walker, Local Government Finance

STAFF PRESENT:
Russell Guindon, Chief Principal Deputy Fiscal Analyst, Legislative Counsel Bureau
Michael Nakamoto, Chief Principal Deputy Fiscal Analyst, Legislative Counsel Bureau
Susanna Powers, Deputy Fiscal Analyst, Legislative Counsel Bureau
Christian Thauer, Deputy Fiscal Analyst, Legislative Counsel Bureau
Jason Gortari, Executive Branch Economist, Governor's Finance Office

OTHERS PRESENT:
Mike Lawton, Senior Economic Analyst, Gaming Control Board

1. Call to Order/ Roll Call.

Sarah Coffman: Good afternoon, everyone. Welcome to the Economic Forum's Technical Advisory Committee on Future State Revenues (TAC). As many of you are aware, the immediately preceding Chair has retired. As Vice-Chair of the proceeding Technical Advisory Committee, I will be presiding over the Committee for a portion of the meeting, up through Agenda Item 3, in which a new Committee Chair will be selected. With that, Mr. Guindon, would you please call the roll.

Russell Guindon: Thank you, Madam Acting Chair. For the record, Russell Guindon with the Fiscal Analysis Division, Legislative Counsel Bureau. Just since there's no perception of preference, I'm just going to call the role as they are listed in statute.

Wayne Thorley.

Wayne Thorley: Here.

Russell Guindon: Sarah Coffman.

Sarah Coffman: Here.

Russell Guindon: Amy Stephenson.

Amy Stephenson: Here.

Russell Guindon: David Schmidt.

David Schmidt: Here.

Russell Guindon: Andrew Clinger.

Andrew Clinger: Here.

Russell Guindon: Matt Lawton.

Matt Lawton: Here.

Russell Guindon: Mary Walker as the designee from Marvin Leavitt, who is the chair of the local government finance. That's the statutory position.

Mary Walker: Here.

Russell Guindon: Madam Acting Chair, let the record show that all members are in attendance with Andrew Clinger attending virtually through the Zoom link.

2. Public Comment.

Because there is no physical location for this meeting, public testimony under this agenda item may be presented by phone or written comment. Because of time considerations, each caller offering testimony during this period for public comment will be limited to not more than 3 minutes. To call in to provide testimony during this period of public comment in the meeting any time after 1:30 pm on November 25, 2020, dial 669-900-6833. When prompted to provide the Meeting ID, please enter 868 3536 5642 and then press #. When prompted for a Participant ID, please press #. To resolve any issues related to dialing in to provide public comment for this meeting, please call (775) 684-6990. 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 electronically before, during, or after the meeting by email to daluzzi@finance.nv.gov. You may also mail written documents to the Governor's Finance Office, Budget Division, 209 E Musser Street, Suite 200, Carson City, NV 89701, or fax them to (775) 684-0260.

Sarah Coffman: Thank you, Mr. Guindon. The next item on our agenda is *Public Comment*. Public testimony under this agenda item can be made either in-person, by phone, or in writing. Due to time constraints, each person offering testimony during this period of public comment will be limited to not more than three minutes. There are instructions on the agenda for calling in as well as emailing written testimony. With that, is there any public comment in Carson City? Seeing none. Is there any public comment on the phone lines?

Broadcast Services: Thank you, Chair. If you would like to make public comment on today's meeting, please press *9 now to take your place in the queue.

Thank you, Chair. It appears there are no callers wishing to make public comment at this time.

Sarah Coffman: Thank you very much.

3. Election of Chair and Vice-Chair (For Possible Action).

Sarah Coffman: Moving on to Agenda Item 3, *Election of Chair and Vice-Chair*. Is there anyone who would like to nominate a member of the Technical Advisory Committee for chairmanship?

Wayne Thorley: Madam Acting Chair, I would nominate David Schmidt as Chair of the TAC.

Sarah Coffman: Thank you. Do I have a second?

Amy Stephenson: I'll second.

Sarah Coffman: Is there any discussion on the motion? Hearing none, all those in favor say aye. Aye.

Mary Walker: Aye.

Wayne Thorley: Aye.

Matt Lawton: Aye.

David Schmidt: Aye.

Andrew Clinger: Aye.

Amy Stephenson: Aye.

Sarah Coffman: Is anyone opposed? The motion carries. I will go ahead and hand the gavel to Chairman Schmidt.

David Schmidt: Thank you. The next item is the election of a Vice-Chair. Is there someone that would like to make a motion to elect a Vice-Chair?

Wayne Thorley: Mr. Chair, I would nominate Amy Stephenson as Vice-Chair of the TAC and move that in form of a motion.

David Schmidt: Second?

Sarah Coffman: I would second that.

David Schmidt: We have a motion from Mr. Thorley, second from Ms. Coffman. Is there any discussion? All in favor, please say aye. Aye.

Amy Stephenson: Aye

Sarah Coffman: Aye.

Wayne Thorley: Aye.

Matt Lawton: Aye.

Mary Walker: Aye.

Andrew Clinger: Aye.

David Schmidt: Are any opposed? The motion carries.

4. Approval of the April 28, 2021 Meeting Minutes (For Possible Action).

David Schmidt: Agenda Item 4 is the *Approval of the April 28, 2021 Meeting Minutes*. Do we have a motion?

Sarah Coffman: Mr. Chair, I would make a motion to accept the meeting minutes for the April 28, 2021 meeting.

David Schmidt: Do we have a second?

Mary Walker: I'll second it.

David Schmidt: We have a motion from Ms. Coffman and a second from Ms. Walker. Is there any discussion? Hearing none. All in favor, please say aye? Aye.

Amy Stephenson: Aye.

Sarah Coffman: Aye.

Mary Walker: Aye.

Wayne Thorley: Aye.

Matt Lawton: Aye.

Andrew Clinger: Aye.

David Schmidt: Are any opposed? The motion passes.

5. Review and Approval of Revenue Forecasts for Selected General Fund Sources, including Taxes, Licenses, Fees, Fines and other Revenue for Presentation to the Economic Forum at the Economic Forum's November 14, 2022, Meeting (For Possible Action).

David Schmidt: Next on the agenda, we have *Review and Approval of Revenue Forecasts for Selected General Fund Sources, including Taxes, Licenses, Fees, Fines and other Revenue for Presentation to the Economic Forum at the Economic Forum's November 14, 2022, Meeting.*

Mr. Guindon, if you would like, and with the pleasure of the Committee, we could take agenda items five and six together, just to hear all of the numbers first, and then, go forward with motions, as appropriate.

Russell Guindon: Thank you, Chair Schmidt. We would do that in terms of going through the information that would be under Agenda Item 5 and after addressing any questions, we could move on to Agenda Item 6, which is the tax credits.

Before doing that, Mr. Chair, I just want to put one piece of information on the record which is the meeting materials for this meeting. If you're going to email us from the Legislature's website for the information, this meeting is listed there, and you can click and view the meeting, but to be able to get the supporting materials that have been made available to you here, and are also available for the public online, and for anybody that's listening and wants copies, they can contact the Governor's Finance Office (GFO) and they can get copies of the material. Because the staffing of this body, as well as Economic Forum, is, by statute, jointly shared by staff in the Governor's Finance Office, Budget Division, and staff from the Legislative Counsel Bureau, the Fiscal Analysis Division, because of that sharing, the GFO is principally more responsible for the TAC, and the Fiscal Analysis Division is principally more responsible for the Economic Forum. I'll add up front, I'll keep saying "GFO" meaning the Governor's Finance Office, Budget Division and when I say "Fiscal," I'm referring to the Fiscal Analysis Division. So, the material for today's meeting is available at budget.nv.gov/meetings/budget_division. There, you'll see the TAC listed as a meeting and you can get the agenda there, as well as the documents that we'll be discussing here for this meeting. Thank you, Mr. Chair, for allowing me to put that information on the record.

With that, I can proceed into Agenda Item 5. What you should have are three documents available to you this afternoon, the first one is *Table 1*. That's just for your benefit that it shows you all of the General Fund revenue sources, but the Technical Advisory Committee is only responsible for what we call the minor General Fund revenue sources. That shows you the last three years of actual collections, and then, it shows you the year-to-date collections for fiscal year (FY) 2022, the preceding fiscal year; then, the year-to-date for the current fiscal year, FY 2023.

It's important to keep in mind when you're looking at the year-to-date information that for some of these revenue sources, they have a well-defined date in which the taxes or fee is due. It's required to be reported to the agency that administers that. It's actually reported in the Controller's Office. Other ones are dependent upon when the person may pay it to the agency, and then it gets posted in the system. I just wanted to put that out there that this early in the fiscal year, it can be somewhat tenuous to look for the smaller revenue sources when you look at FY 2023 compared to FY 2022, year-to-date. The thing to keep in mind for some of these, even though we're having this meeting here in early November, for some of the revenue sources, they may only show two months' worth of collections because of the nature of the tax. I just wanted to get that out there for this table. As we go through this, if there are questions, then staff may make reference to this table about where we are tracking year-to-date when we do think it's a better apples-to-apples comparison, there is information content in that statistic.

Then what you have is the *Table 3*, which is what we call the agency/Fiscal/Budget table. What it does is it shows you the forecast for each of the three fiscal years that are in consideration here for this forecast cycle. Which is FY 2023, the current fiscal year, or what we sort of call the base year, or current year forecast. Then the first year ahead forecast, FY 2024, and the second year ahead forecast, FY 2025, for the next biennium, the 2023-2025 biennium.

What you see here is the forecast presented for each fiscal year by the agency. That is the forecast that was provided to staff in GFO and Fiscal. That is the agency responsible for administering that revenue source. Then you have *Fiscal*, the Fiscal Analysis Division's forecast for that revenue source and then, *Budget* would be Governor's Finance Office, Budget Division forecast.

The last table is what we call the *Technical Advisory Committee – General Fund Revenue Forecast*. I'll now explain the process. What GFO and Fiscal have historically done and continued for this forecast cycle, which is, for each one of the General Fund revenue sources, all of them, and for the minor ones that the TAC is considering this afternoon, we ask each of the agencies for their forecast for each of those three years. When that's submitted to us, GFO and Fiscal have a chance to look at that and interact with each agency if we think there are questions, to make sure we understand it because some of them, there could be a law change from the prior session or if we see something going on. We interact with the agency to get a comfort level with understanding their forecast and in terms of what GFO and Fiscal may be thinking. That's what you see in table three is that process. In the TAC table, GFO and Fiscal get together and decide what we think is where the comfort is to bring forward for this body's consideration as GFO and Fiscal's consensus to present to this body and for your deliberation and consideration. That is the information that's available. If there are no question on the process or the tables, Mr. Chair, I can just then proceed, and I don't plan on going through every revenue source, for those of you who've been through this process. We just mainly try and go through the ones that we think additional information should be provided to the Technical Advisory Committee Members for their consideration on that revenue source.

David Schmidt: Are there any questions? Seeing none.

Russell Guindon: Thank you very much, Mr. Chair. This is one of those times where if you can sort of lay the table side-by-side or if, depending upon your orientation, above each other, so that you can sometimes look across and see the agency/Fiscal/Budget and then look at the TAC table. You can see the first one, at the top of the table, is the Net Proceeds of Minerals and the Mining Gross Revenue Tax on Gold and Silver. For those two, you can see there's only a forecast in the table for FY 2023. So, what I need to get right out of the gate here is, based on AB 495 from the 2021 Session, this was the bill that created what you see listed there as the Mining Gross Revenue Tax on Gold and Silver. That is the new excise tax that's on mining operators that are in the business of extracting gold and silver. They're required to annually file a return for the proceeding calendar year and pay the tax on the gross revenue from their business of extracting gold and silver.

The tax is set up so the first $20 million of that calendar year period is exempt. The amount, over $20 million to up to $150 million, is taxed at 0.75 percent. Anything over $150 million is taxed at 1.1 percent. That's the structure of the tax. In the Net Proceeds of Minerals Tax, this is the tax, and some of you have familiarity with from prior meetings, this is a net tax. The Gold and Silver Excise Tax, as we call it, is on gross revenue. The Net Proceeds of Minerals Tax, is on the net proceeds so it's their gross proceeds and allowable deductions. It's even more complicated because the portion that belongs to the state, there's a calculation that takes place in terms of what is the actual tax rate that they're required to pay on their net proceeds and then, what is the combined property tax rate in the tax district in which the mine is located. If the actual tax rate that they have to pay is higher than that combined property tax rate, that delta, or difference, is the state's tax rate for the General Fund portion. That's the nature of the tax. You can see on the table there, the three forecast for FY 2023, and then, the forecast presented to you is the average of the three as we looked at them. So, that is the FY 2023 forecast.

There is no forecast for FY 2024 and FY 2025 because under the provisions of AB 495 from the 2021 Session, both the proceeds from the new tax, the Gold and Silver Excise

Tax, and the Net Proceeds of Minerals Tax, beginning with FY 2024, are required to be deposited in the State Education Fund, which is the fund for the Pupil Centered Funding Plan. Thus, that's no longer an unrestricted General Fund revenue source, which by statute, is what the Economic Forum is responsible for and thus, the TAC is the supporting body to the Forum, it's responsible for. So, this body and the Forum no longer have to approve a forecast for the Net Proceeds of Minerals Tax and the Gold and Silver Excise Tax for FY 2024 and FY 2025. That's the information that I wanted to present on that revenue source.

Mr. Chair, I didn't know if you wanted me to just go through everything or if you just want to pause for those revenue sources I decide to itemize out.

David Schmidt: I think probably taking a look at each page and just pausing before we turn the page to see if Members have any questions before we move on then, we're not having to go back and forth.

Russell Guindon: That works well. Thank you.

Then you can see the next block under *Gaming - State* is the various fees or devices or licensing fees that gaming operators are required to pay to the Gaming Control Board (GCB). That could be either as a restricted or nonrestricted casino or gaming operator, as well as manufacturers, distributors, and slot route operators.

We have Mike Lawton from the Gaming Control Board, who's virtually attending. If there are questions from the Members that we think would be better addressed by Gaming Control Board, versus the staff from Fiscal or GFO, that can occur. Mr. Lawton has a good finger on the pulse of what's going on and he's able to talk to industry and see what's happening. He shares that information with staff in GFO and Fiscal so that we can have the same information set, but principally, he prepares his forecast, and then we look through them based on the information he provides to us. The forecast you see here for each of these revenue sources is the Gaming Control Board's forecast prepared by Mike Lawton.

The only observations I would add here, as you look at it, is you can see Advance License Fee, which is General Ledger (GL) 3046, goes up to about $7.8 million in 2024. Otherwise, it's fairly de minimus. The Advance License Fee is actually a statutory requirement. Generally, there are some exceptions, but when a new property is going to open, then they're required, under law, to pay three times their liability based on their first full month of business. The font in blue is a new property that's back under construction, and based on the information set that we have, the expectation is they'll be coming on sometime a year from now, approximately, plus or minus. Thus, that would be in FY 2024 that they'll be opening, and thus, still trigger the Advance License Fee.

This is the estimate that Mr. Lawton prepared, and it's hard for us in that it's not that we couldn't do an estimate, but we believe this is a reasonable amount of debt he has put in here for this property. You can understand the nature of trying to forecast a new casino's first full month and then the tax is different then. You'll see in FY 2024 for the Non-

Restricted Slots and the Quarterly Fee on Games, that compared to the flat fees on the Restricted Slots, there's a little bit more growth in FY 2024, and then it falls back. Again, when a new casino opens and they bring on their slot machines and their table games, there's the Quarterly License Fee. It can get tricky, but when they bring them on, they're required to pay the full amount due for that month, then, they'll have to pay again at the end of the quarter for those fees. In a sense, depending on when they open, you can get two full payments on those devices in that quarter, even though it's new devices in and of themselves but have the potential to drive that fiscal year's collections up. You have the potential to get the additional payment. When we saw that pattern in the GCB's forecast, that made sense to us knowing that we're having a new casino opening. With that, that was the information that I thought to present to the TAC for these revenue sources tied to fees and our taxes assessed against gaming companies that are administered by the Gaming Control Board.

The next revenue source, Mr. Chairman, Members of the TAC, is GL 3073, Transportation Connection Excise Tax. Again, for better reference, this is the tax that was passed to pick up Uber and Lyft type operations, but it's not just applicable to Uber and Lyft. It's also other motor carriers of passengers, such as taxicabs, buses, other motor carriers of passengers. This is a 3 percent tax on the fare. The reason why you see the pattern of $28 million, actual, $36 million, $33 million, $39 million, is the first $5 million of the biennium goes to the Highway Fund. Then, you can see the even-numbered years will be $5 million less. If you want to see what it looks like at $5 million to get to $38 million in FY 2024, you can see that it's growing. Probably, one of the things that you should put on here, as forecaster that is in our minds as we're looking at some of these revenue sources, is that in FY 2024, we know we'll have the Formula 1 race in November 2023. We'll also have the Super Bowl in February 2024. The expectation is that those two events are going to bring people. Those people will need to get around. They probably will be using Uber and Lyft. As we get down to short-term car rentals, sort of the same theory or logic is applying in terms of when, the forecasters, we're thinking about these revenue sources.

Then with the Cigarette Tax, you can see the collections for the first two months, and that tax is posted monthly, we have two months against two months, it is down. You can see if you look across the forecasters there, they all assume that there's going to continue to be degradation in this revenue source. Sort of the basis is that this revenue source, except for tax increases, tends to go down because of the behavior by people on a per capita basis. The smoking is going down. We think when we took this forecast, there's a consensus it sort of moderates a little, the growth that you see, over the three separate forecasts and puts in, what we call, the Goldilocks place on the forecast. Mr. Chairman, that was the information that I wanted to present on the revenues on the first page. If there are no questions, I can proceed to the next pages.

David Schmidt: Ms. Walker.

Mary Walker: Thank you, Mr. Guindon, for those explanations. That was very good. I just had a question on the Cigarette Tax because in the past, we've had a higher decline than what we projected. It makes sense about what's happening in FY 2023 and FY 2024. One thing I noticed, though, is that on this line item, we didn't use the average of the three departments, which would have made it, I think, lower, and I was wondering why it wasn't an average of the three. It just seemed low to me.

Russell Guindon: Thank you. That's a very good question, Ms. Walker. We did do the average of all three. We look at sort of the permutations that you can do. We thought when including the agency's forecast, which you can see has the bigger declines compared to the others. In looking at year-to-date and then when you plot it and look at how does GFO and Fiscal felt more comfortable with taking the agency out of the averaging, just averaging Fiscal and Budget. Clearly, that's not to imply that the agency's forecast doesn't have more or less validity than the others. Just when we were looking at the different averages and what they looked like, there was more comfort level between Budget for Fiscal to bring forward what you see in the table before you. It is one of the things that, you know, as a forecaster, we'll get one more month of actual data and each forecaster has a chance to do a forecast so it is quite possible that we might bring a different scenario back for your consideration at the meeting later in this month.

Mary Walker: Thank you.

David Schmidt: Any other questions? Mr. Thorley.

Wayne Thorley: Thank you, Mr. Chair. This might be a question better answered by Mr. Lawton than Mr. Guindon, but I'm looking at the FY 2022 actuals for Advance License Fees. And it's more than double what the highest forecast that we have in FY 2024. I was just curious what properties came online that year that maybe drove that up?

Russell Guindon: Mr. Lawton, maybe it would be better if you would address that. I think I know the answer, but I think it would be better if you could. Thank you.

Mike Lawton: The Advance License Fees that we had in FY 2022 were the result of Resorts World opening. The other contributing factor to that $16 million in collections were the Venetian, that transaction. The Sands sold the Venetian to Apollo, and that resulted in a substantial increase in collection in the Advance License Fees. Obviously, these types of transactions are very difficult to forecast. That's not something we were aware of when we prepared these forecasts two years ago. So, those were the two drivers in FY 2022.

Wayne Thorley: Thank you.

David Schmidt: Are there any other questions? I just have one question before we go on. It's sort of a broader question. As we're thinking about the upcoming biennium, obviously, the economy is in kind of an interesting place right now and I would be curious to know as we go on, what, if any, sorts of business cycle impacts are affecting the projections in any of these specific revenue amounts. Maybe if you can address what's on Page 1 there and then as it comes up on future pages if there are any implications.

Russell Guindon: I can specifically talk for the staff in the Fiscal Analysis Division, and then if you want, we can have a representative from the Department of Taxation, the Gaming Control Board, and GFO come up.

I'll answer your question this way, and then you can tell me if all I've done is danced around your question or not. I think as we've been interacting, as staff, I don't think any of us explicitly have in our minds when we're forecasting for any of these revenue sources, or as we are working on the majors, that a recession will be occurring over the forecast period. We all know that the probability of such an event is getting more and more statically greater than zero as the Federal Reserve (Fed) is attempting to engineer this so-called soft landing with the interest rate adjustments they're doing to try and bring inflation back under control. But I don't think any of us are explicitly putting that there will be a downturn in employment, and thus, we may have unemployment going back up or that the visitors will retract. That is, I think, the general answer for us forecasters, that we're not explicitly putting a turning point in the forecast for any kind of recession scenario. Could such an event occur? Yes, and a lot of us here are economists and we watch the news daily as to what the Fed is doing and what's going on. There may be a different answer to that question at the late November meeting, Mr. Chair, but right now, that's the answer to your question.

David Schmidt: Thank you. You can go on to the next page.

Russell Guindon: You can just skip Page 2 because that's the page for the Modified Business Tax. Because of the three pieces in the Modified Business Tax and all the various tax cut programs, it takes a whole page to be able to list the Modified Business Tax. That revenue source is handled by the Economic Forum and thus, you'll see the preliminary forecast for that revenue source at their meeting on November 14.

On the third page, both Table 3 and the TAC Table, again, you'll see the top block is the Insurance Premium Tax is a major.

Really, I think the only revenue source here, Mr. Chairman and Members of the TAC, of the few that I wanted to address, is the Governmental Services Tax (GST). You see the forecast there and when you look at the forecast for each forecaster, they're all sort of in that range except for the Budget forecast and so that was excluded from the forecast. We're up about 2.4 percent and again, this is another revenue source that is a fairly good apples-to-apples comparison, in terms of the first few months of the fiscal year, compared to a year ago.

Remember, this is the tax that is on when you register your vehicle. It's based on the value of the manufacturer's suggested retail price of your vehicle when it's first available for sale in the state of Nevada, times 35 percent, then it's run through a depreciation schedule based on the age of the vehicle, and then it's 4 percent of that amount in 15 counties, and Churchill and Clark have an additional 1 percent. So, the important thing here for this portion that you're looking at, it's 10 percent of that manufacturer's suggested retail price, times 35 percent that is the value to which we then attribute 10 percent of that on the 4 percent rate. So, that's a distinction worth making because for a new vehicle when it's first sold and registered, the state portion generates new revenue. It's when the vehicle is registered for the second time that it will generate revenue for the state portion. Then, clearly, cars coming into the state from out-of-state and being registered, they'll generate revenue. So, I just wanted to point that out because anybody that follows the taxable sales for autos reported by Taxation can see during the pandemic, and at the heart of pandemic, and coming out of it, that taxable sales were very strong and you say, wow, that's really going to help the GST. Which it does, it's just that, new cars don't help the state's portion until they get re-registered. It's just an important thing. So, as forecasters, we have to think through that dynamic of not reacting to what we see here, but thinking to a year later, as well as the in-migration and out-migration of vehicles that generate this tax.

The other important element to point out here is that under the statute, 25 percent of the state's portion goes to the State General Fund and 75 percent goes to the State Highway Fund. What you see here is 25 percent. Thus, it's the 2022 actual that you're looking at, the $26.4 million, that was also 25 percent. So, just to let you know, when you're looking across it, you do have more of an apples-to-apples comparison. For those that have been through this process, this is a revenue source that would get allocated and reallocated between the Highway Fund and the General Fund. So, sometimes, it made looking at the history compared to the forecast a more difficult exercise. Here, it's becoming less difficult. It's the 25 percent.

With that, Mr. Chairman, that's really when I looked at these revenue sources because with the Liquor Tax and the Other Tobacco Tax, which are two larger ones that you see, and the other in the Business License Fee, again, we're not driving a recession scenario through the revenue sources.

You can see the Business License Fee is expected to be relatively flat. Looking here at what was going on in FY 2022 and in the early part of FY 2023, we think that it's reasonable to be somewhat flat. What we have to keep in mind for this Business License Fee is, it's $500 for a corporation, and it's $200 for non-corporations. When you look at the data, there has been a little bit of degradation in the corporations' area. If you think about it, if you lose a corporation, you need two-and-a-half non-corporations to be standing in place, revenue-wise. Then, when we looked at what was going on, and the Secretary of State was able to provide that information on the filings, both renewals as well as new filings, looking at that and looking at what the Secretary of State had gotten, we came to the forecast that we have in here, the average of the agency and Fiscal's, given the growth we saw in that, compared to what we were seeing year-to-date. Again, it will be revisited and brought back at the next meeting.

Then, you can see the tax credits are all compiled there at the bottom, but we'll save that for the Agenda Item 6 after we're done. Those were the comments that I wanted to make on this table, Mr. Chairman. If they're any questions, I can attempt to answer them.

David Schmidt: Ms. Walker?

Mary Walker: I just wanted to compliment you because particularly, the Government Services Tax and with the whole supply/demand, and not being able to get the chips for new cars, and all the other issues, I was really surprised how close you all came to that. So, great job. That was difficult.

David Schmidt: Are there any other questions? Please go on.

Russell Guindon: Moving to the next page, which starts with Licenses, you see the two blocks of revenues here. On this one, there wasn't a lot here that jumped out as staff. Most of the revenue sources are the average of all three forecasters except for Insurance Licenses, where we excluded Budget where, when you look at it, we just thought that was a little too strong of growth. This is a series that, year in and year out, generally, keeps going up but year-to-date to the first three months, it's actually tracking slightly below last year. We think it's probably going to come back a little bit because it's a series that we have several years' worth of history that we chart and looking at it, it just looks like a ladder in that the years keep going up, but this year, it's tracking much closer and slightly below. That was the reason when we looked at Budget today, when we looked to average all three, we thought it was just a little too optimistic, given the information set that we have available to us at this point in time.

Then, the Uniform Commercial Code fees, the Budget forecast was excluded there. When we're looking at where we are year-to-date, it's up some. When we looked at the average of all three, we thought that was pulling down the scenario that we were comfortable with when Budget and Fiscal got together and talked through this. Again, every one of these forecasts probably has an equal chance of being right, just as staff, we try and get to what we think we're comfortable bringing forward to this body's consideration.

For the Video Service Franchise fee, it's the average of Agency and Fiscal, but you can pick Agency or Fiscal, they're the same. This is, we got $300 and the expectation is we'll have $300 going forward as it's not too much money that comes in on this. We also try not to spend more than what we're forecasting in wages when we're forecasting. So, for $300, I don't think we'll get beat up too badly, whatever we put on the sheets.

The Athletic Commission Fee is just one of the larger ones on this side after the Secretary of State fees, and there, that's the average of all three. Staff from the Athletic Commission provides us their forecast and the related information. This is principally driven by Ultimate Fighting Championship (UFC) events. It's unarmed combat. Primarily, it's from the 8 percent tax that's on the gross receipts from admissions fees to the event, and of that 6 percent comes to this revenue source for deposit in the State General Fund, 2 percent is retained by the agency in their budget.

So, with that, that was the first block. Given the Chair's direction, I'll just move on to the next block and when I'm finished with that, we will see if there are any questions on the page.

Again, you look at those. There's the Real Estate Fees. All of those are the average of all three forecasters.

For the Divorce Fees, we took the agency's forecasts out. It just seemed like it was a little too low. Again, not that it couldn't occur, but it just seemed that the average did not leave us comfortable leaving it in.

Then, the Short-Term Car Lease fee, I just wanted to pause on for a second. As I'd already stated, sort of the story that we're driving through it with the two big special events going to occur in FY 2024. The state portion is 10 percent, and Clark and Washoe have an additional 2 percent that doesn't belong to the state, it belongs to specific dedicated purposes in Clark and Washoe. Then, what's probably more important in pointing out here is that in the 2021 Session, SB 389 was passed. Some people refer to it as the Turo Bill. It's actually called the Peer-to-Peer Car Sharing Tax. Turo is one of the taxpayers in this new tax. I don't know if you're familiar with Turo, it's like Airbnb for cars is about the best way I can say it. Private sector people can rent their vehicles to other people. The decision was made by Senator Neal to bring forward this bill that the peer-to-peer car sharing don't have to be recognized as short-term car rental companies like Hertz, and all of those and be registered with Department of Motor Vehicles and subject to those requirements. Now, the person who's providing the platform to allow people to rent their car has to collect the Short-Term Car Rental Tax. So, a person renting their car in every county is required to collect the 10 percent tax on those rentals and remit it to the Department of Taxation. In Clark and Washoe, the additional 2 percent attaches there also. Then the intent there is to try to create some equality with regard to people who are conducting very similarly situated businesses are taxed the same.

It's somewhat treated as a separate tax by the Department of Taxation and statutorily but it's the same as the Short-Term Car Lease Tax. What we would run into is we can't break it out, as in, you can ask me, but I can't tell you how much it is because we would run into disclosure problems here as staff. We know what that number is because we're allowed to get it as staff but we're required to keep it confidential. We just want to let you know that we are taking account of the impact of that bill and including it in the Short-Term Car Lease Tax but we can't disclose those amounts to this body or anybody publicly because we would be putting Department of Taxation in jeopardy of reporting statistics that they're not allowed to and then, we would be violating our confidentiality and understanding within the Department of Taxation. I just wanted to get that out there that that is in there. If anybody goes and looks at it compared to the recent history, you might say, wow, you all are really assuming short-term car rentals are going up which might be counterintuitive given Uber and Lyft, probably more people may be migrating to that and a degradation to short-term car rental business perhaps but it's now including the peer-to-peer. It sits somewhere in the in-between, as I try and think about it as an economist, somewhere between Uber/Lyft and Hertz in terms of somebody's not driving you around in their car, you're driving yourself around in their car, but you're getting it online in terms of arranging it. So, that's what I wanted to go through for that revenue source. With that, Mr. Chair, I can answer any questions that the Members might have on this page.

David Schmidt: Any questions? Ms. Walker.

Mary Walker: I'm sorry, you all know these state revenues a lot better than I do. Going back to your discussion as far as what we have actual to-date so far, this fiscal year, there are a couple of line items in here that I was wondering what the difference between the first couple of months versus what we're projecting. For example, under Secretary of State, Securities, so far, we're up by 3.4 percent this first couple of months, but yet, we see a decrease of 3.2 percent.

Russell Guindon: What you don't have available to you, and that's a good point, and we could possibly have for the next meeting, this is reported monthly by the Secretary of State, and it can have variance to what occurs in each 12-month. So, yes, we're up year-to-date through, I believe, is the first three months but when you look at the last nine months of last year and then, what we would have to do to keep growing at this level, we wouldn't be comfortable there and that's why. So that's a very good observation and maybe for some of these revenue sources, we can have in our back pocket as staff, in addition to the two to four months when we come back here next time for some of the revenue sources, and what were the last eight months compared to the primary months, just to give you I think what you're asking as you're seeing what we are up year-to-date. You're not getting to see what the last part of last year was up against the last part of the year before that and that's a good point.

Mary Walker: That's a good point. Thank you. The other one was the Athletic Commission Fees. We're down by 12 percent year-to-date, yet, we only have a 3.3 percent decline.

Russell Guindon: Another good observation. This one is clearly being driven by the events, and we don't have the list of all the events that will occur, but we do research. So, for example, you could have a UFC fight in July of last year, and you didn't have a UFC fight in July or August for this year, and thus, this is one of those revenue sources we rarely read too much into the year-to-date because it's not regular, daily, monthly economic activity. It's much like what we have to go to in the Live Entertainment Tax, as a major. It's driven by, was there a concert this year or a big even this year, versus last year. It's not until the year-to-date you get in that 10th, 11th, and 12th months does the comparison get easier. So, out of the gate, early in the fiscal year, this is one of those that it's hard to read too much into the year-to-date.

Mary Walker: Thank you.

David Schmidt: Thank you for asking questions. They've all been wonderful. Are there any other questions?

Russell Guindon: With that, Mr. Chair, I'll turn to the last page. The top block there for Use of Money and Property. This has been the title since 1994 and don't ask me why it's called that, but it is. What you see is Other Repayments. These amounts are set. What these are, is when the legislature approves a General Fund appropriation being given to an agency, or agencies, for a project, and then, it's required that the appropriation be paid back to the General Fund. So, those repayment provisions are put into law, and it's just like a loan which might be, you'll pay annually 25 percent of the cost until it's paid off. With these, we work with the agency, the assigned program analysts in Fiscal, as well as, the analysts assigned to the accounts in GFO. So, these are the amounts that are set and it's one of the easier forecasts for us to do because there's really no forecasting.

The only thing that we note is that, depending on how they're structured, it can be the appropriated amount, or if there's a $1 million appropriation, but they only spend $800,000 of the million, and it’s with some of the older programs this affects, but we’re trying to see, what was the actual cost, and that’s what is paid back instead. You can see when, if they have to pay the appropriation back, and it costs less, then, there’s a true-up that occurs on that last payment. So, that’s what going on with these, they’re fixed. I just will note, you can see, GL 4408, EITS has several of them, and you can see beginning in FY 2024, there is the $446,125 and FY 2025, $439,124. That is a new one based on a General Fund loan that was granted to a project and the repayments are required to begin in FY 2024. That’s why you see that getting added to the sheet here.

Then with regard to Interest Income, GL 3290 that you see there, the numbers in that forecast. You can see, and for those that have familiarity with this revenue source, if you look at Table 1, you can see more of the history, that the forecasts are somewhat higher than what we’ve traditionally seen. We have staff from the Treasurer’s Office available in the Zoom meeting if there are questions or if they feel they want to go through it. I will go through it from staff in GFO and Fiscal’s perspective to explain what the process was, the information that was being considered, and how we got to the forecast that you see here.

As I explained it at the beginning, we ask the Treasurer’s Office for an interest forecast. They provided us a preliminary forecast so that GFO and Fiscal staff could consider that. Then we had a meeting with them to discuss it, and just discuss the parameters that were at play for interest because I’ll be honest with you, GFO and Fiscal have historically deferred to the Treasurer’s Office because while they are all sort of difficult, this one is especially difficult. The Treasurer is the constitutional officer responsible for managing and investing the state’s funds to earn interest on them. You can see here that we’re having to forecast FY 2023, 2024, and 2025 but they don’t even have a forecast for the General Fund for FY 2023, 2024, and 2025. So, implicitly, as forecasters, we’re having to think about that.

At least with the November 14 meeting of the Economic Forum, there will be a preliminary forecast presented for the majors and then, both staff from the Treasurer’s Office, as well as staff from GFO and Fiscal will start to have some idea of what, maybe, the General Fund may look like for 2023, 2024, and 2025. Thus, I just wanted to get that out in front that this is the preliminary forecast. As we look at new information, there may be a different forecast, or not, brought back to this body for the next meeting.

What I would point out is, the things that the Treasurer’s Office staff, as well as GFO and Fiscal, had to take into consideration and discuss to see that we had the same understanding, is, clearly, the most obvious one is the interest rates scenario. We have the Fed significantly raising rates. What’s that doing is, that’s raising short-term rates. Well, the Treasurer has to maintain a certain amount of liquidity in their investment portfolio because this is money coming in to all the different funds, not just the General Fund, there’s the Highway Fund, there are other funds, but there are also checks being written against those funds. So, they’re trying to look at what’s coming in as the amount that they can go invest, both short-term or maybe a little longer term. With the Feds raising the short-term interest rate then, clearly, that part of the yield curve is shifting up as well as intermediate, the longer rates are shifting up somewhat also. That’s one of the big factors that what can you potentially earn now for $1 invested versus what we could earn prior to the Fed taking the actions that it has and with trying to check inflation.

On the other side of the mathematics is that we have things on funds that are available to be invested and earn interest such as we have the American Rescue Plan Act (ARPA), the Federal stimulus funds. Those have been provided to the state, and the state is getting those allocated and spent. But they're able to sit there, and under the guidance by the U.S. Treasury and federal law, the interest that's earned on that is deposited in this GL. Also, you probably heard at the October meeting of the Economic Forum that the actual collections for FY 2022 were a billion dollars over the forecast. If you think about that, that is money that really doesn't have an appropriation tied to it because the budget was built on the $4.5 billion revenue estimate, and we collected $5.5 billion so, the appropriations were down there. For FY 2023, the General Fund forecast from May 2021 was $4.7 billion. Well, if we're at $5.5 billion, we'd have to have quite a bit of degradation to get back to $4.7 billion. So, we're going to continue to see actuals come in. That's additional money that's in play for the Treasurer and as the forecasters would be thinking about in this forecasting exercise, clearly, it can have an impact on FY 2022. All that should be beneficial to FY 2023. Even some of this actual over the forecast, over budgeted amount, it will get transferred to the Rainy Day Fund either through the statutory provision requiring 1 percent of the Economic Forum forecast to be transferred, or 40 percent of anything over a 7 percent ending fund balance must be transferred. Clearly, the Governor can recommend and the legislature can approve some of this money be allocated during the 2023 Session to be allocated in 2023, 2024, and 2025. So clearly the expectation would be that some of this excess that we're talking about now will be spent down over the next biennium. The ARPA money will be spent down over the next biennium, compared to the levels that we have now. As staff from GFO, Fiscal, and the Treasurer's Office have been interacting over this week on those elements and working through it, out of that, all of that information is what is presented to you in the forecast that the Treasurer's Office provided to us.

With GFO and Fiscal looking at it, given the information that's available to all of us, and again, saying that we're still sort of guessing to what the General Fund could be over the next biennium, GFO and Fiscal were comfortable bringing forward this as the consensus as the Treasurer's primary forecast here because, again, it sort of has the pattern that GFO and Fiscal would think about as we were interacting and discussing with the Treasurer's staff on this information set and also thinking that the Feds are probably going to start backing off interest rates, we hope, if they can get inflation curbed.

So, that's what you have here is interest rates higher, the amount of money that you have higher, and that's going to benefit FY 2023, probably benefiting the FY 2024 but if they start to bring rates down and then we're spending the ARPA money and we're spending some of the excess, then you should see FY 2025 coming back down, compared to FY 2024. When we looked at this, we were comfortable.

Clearly things are fairly dynamic here, and we will, as staff with GFO and Fiscal, continue to interact with the Treasurer's Office following the November 14 meeting because we might have some idea where the revenues could be mid, max, or average and/or where things may be interest rate-wise and/or economically.

With that, that was the information that I wanted to present. Again, we do have staff from the Treasurer's Office if they feel that they want to put anything on the record and/or if there's questions from the Members, then it may be better addressed by staff in the Treasurer's Office and hopefully, I didn't misstate anything from the Treasurer's Office's perspective on what we've been working on this week to work to this out. It's always complicated but even more complicated right now given the current context in environment.

With that revenue source to go through, I'll continue, Mr. Chair to Expired Slot Machine Wagering Vouchers at the top of the next page under the Miscellaneous Sales and Refunds. This is the revenue source where it's sometimes referred to as TITO which is Ticket-in/Ticket-out for your gaming devices. This is when you cash out, if you don't redeem that voucher, then after 180 days, it's deemed expired, then, 75 percent of the value of that is required to be remitted by the gaming licensee to the Gaming Control Board to be deposited in the State General Fund in this GL. If you go look at Table 1 and you can see, it went up in FY 2022, and it's forecasting up. Well, you can see year-to-date, we've got about $9.7 million. This is remitted quarterly so, that $9.7 million is two quarters, so, the expectation is, we probably should be in that $18 million range or thereabouts. When the Gaming Control Board provided these forecasts to GFO and Fiscal, we were comfortable with them.

Talking again, us thinking through it, but also in talking with Mr. Lawton, the reasons lying behind why we saw the increase in FY 2022 well, if any of you go look at the charts that we put together for the Economic Forum that are available on the Nevada Legislature's website for the Economic Forum and look at the gaming charts, the one for slots is very big in terms of what we've been seeing. Clearly, that means there's more slot play. There is an expectation that there might be more unredeemed slot vouchers in proportion because the slot win goes up, that means that people are playing more. Remember the slot win that I'm referring to is from the casino's perspective, not the patron's perspective. So, you have more activity on that.

Also, there's an interesting phenomenon that is sort of pandemic related, that there's a coin shortage. Some of the properties have, if you win $3.37, you go to the machine, they'll pay you $3.00, but they'll leave the 37 cents on the voucher and you need to go to the cage to get your 37 cents. So, as an economist, and you don't even have to be an economist to see, perhaps, the opportunity cost of walking to the cage to get your 37 cents is bigger than the 37 cents. Some of these tickets end up getting unredeemed. So, that's what driving this, and we think the expectation is that it's perfectly reasonable to expect that it would stay up in this range over the forecast horizon given what we're seeing going on and expect to probably continue throughout the forecast horizon.

Then, finally on this page, the Unclaimed Property, we also have, staff from the Treasurer's Office here for the Unclaimed Property if there are questions. This is sort of like the Expired Slot Machine Wagering Vouchers, but they are different types of property. They have, under the NRS, different time periods for which they are deemed to be unclaimed. They are a longer horizon than the 180 days for expired slots.

So, the State Treasurer, when they're putting information in the Controller's system, we can see the different components of this and what's getting posted and look at that. Both GFO and Fiscal have that information forecast and clearly, the Treasurer's Office has that as well as additional information. You can see the three forecasts in Table 3 that are presented to you, and Budget's are a little higher in the first year. But when we looked at the average of all of them, we're seeing, it's sort of like trying to split the baby. Again, this is a tough one because it's a net. People are required to return unclaimed property over to the Treasurer's Office, but it's a perpetual claim against the state. Then you can go out and find your stuff and claim it. What this is, is at the end of the fiscal year, the net that's there from the inflows and the outflows is transferred. That's really what we're forecasting here is that net of what you think is going to come in and what you think is going to go out. That's sort of what you see here.

Then, as you get out in the FY 2024 and FY 2025, the variance is much less across the three forecasts. But when we look at the average of all of them for all three years, even the first year, that $47 million puts you sort of, what you may call, the slot. It's somewhere in between there. Mr. Chair, that was the information I wanted to present on revenues on this page. With that, I can answer any questions. Again, if there are any questions on interest or unclaimed property, that would be better addressed by staff from the Treasurer's Office. I believe that they are available to us in the Zoom meeting.

David Schmidt: Ms. Walker.

Mary Walker: Thank you, Mr. Chairman. Just on the Treasurer's Office and the Unclaimed Property, we don't have any year-to-date figures. Can we get that, and if not now, maybe at the next meeting.

Russell Guindon: The first quarter interest distribution, we may have by the end of the November meeting because it's a quarterly distribution that the Treasurer does and I realized the quarter ended in September, but there's the calculation that the Treasurer's Office has to do to do the interest allocation earned and that just hasn't been posted to the Controller's system. Generally, it can be in this November period. It just wasn't before this meeting.

Treasurer's Office staff is hearing it here, and we can see that if it hasn't been officially calculated and posted, if there's at least a preliminary number that they can provide to us, that will help. But I'll be honest with you, Ms. Walker, it will help us see the first quarter, but it may not help us much for the future because of what I discussed about the interest rates going up and with all this money, but we can attempt to get that.

On Unclaimed Property, again, we'll talk to the Treasurer's Office about what we can bring forward here and present publicly because there is information getting posted in the Controller system on both the inflows and the outflows and we're able to see that in the Controller system. It's just, it's in flux because there are postings daily. So, I would just reserve the right to have a conversation with staff in the Treasurer's Office about the pros and cons of bringing that information forward to this body to help explain the forecast, but it is a valid request, and we will just, as staff discuss it with the Treasurer's Office.

Mary Walker: Thank you very much.

David Schmidt: Mr. Thorley.

Wayne Thorley: Thank you, Mr. Chair. Mr. Guindon, up on the General Fund, Other Repayments section, so, last legislative session, in 2021, there was a $50 million loan from the General Fund made to the K-12 Education Stabilization Account, which is like a Rainy Day Fund for K-12 education. Now, there wasn't any set repayment schedule for that. It would be repaid to the General Fund based off of transfers from the State Education Fund to the K-12 Education Stabilization Account. So, is that why it's not on here as a forecast?

Russell Guindon: That is my understanding, it is not processed like this type of repayment. If that's not true, then we would have to pick that up but the way we were looking at the information set that we had is that there are provisions with regard to requirement for it to be repaid and the structure of it is different than we see for these types of repayments that you see before you here. So, it's a valid thing that we'll have to take into consideration and that staff, again, GFO and Fiscal, can look into because we are aware of it, but our thinking was that it's just not part of these and it will be handled outside of the Unrestricted General Fund Revenue tables. If that's an incorrect assumption, then we will bring that adjustment back for the next meeting.

Wayne Thorley: I think you're right, Mr. Guindon, that it's different than these where there's not a set repayment schedule. It's based off of excess revenue collected in the State Education Fund. So, that makes sense to me. I just wanted to confirm that.

Russell Guindon: Yes, it's a good question. We will circle back with our GFO colleagues just to make sure that both offices are on the same page as to how to interpret those statutory provisions as they exist and whether or not they should be placed on the repayment schedule that we see here for Unrestricted General Fund Revenue.

David Schmidt: Any other questions? I had just one question. I think it might be better answered by Mr. Lawton, but thinking about the Expired Slot Machine Wagering Vouchers and the increase in slot play, my understanding from prior conversations is the virtual table games, such as roulette or other table-like games that are automated and not run with an actual person at the table, are classified under 'slot machines' instead of different types of revenue and just confirming if that's true and if that might be having an impact on some of the increases in slot play that we're seeing, especially since that number is carried forward into fiscal years 2024 and 2025.

Mike Lawton: For the record, Mike Lawton, Nevada Gaming Control Board. Great question. You know, we haven't really seen a huge shift from a table games count into an increase the number of slot devices. They've both been relatively flat. I know there is a goal with customers, when the price point is too high at some certain types of table games, customers will feel more comfortable, less intimidated, by playing these electronic versions of table games which, you are correct, are considered slot machines because the types you're referring to do not have a live dealer, and a random number generator determines the outcome so, it is a slot machine.

The reason why maybe slot win is outperforming table games win, and table-games win is performing outstanding as well, is there's a huge international baccarat component that's still kind of, not there. It's there but it's not like it used to be four and five years ago. So, that's why the slot revenue is setting these all-time records whereas, table games is lagging a little bit, although at record levels as well. I don't think it's necessarily because of the shift from table games into these electronic table games.

Unfortunately, we don't get data on if the slot machine is an electronic table game. We get information based on whether it's a nickel, penny, multi-denomination, and 25 cents. Our slot counts haven't risen, and table games decreased where there might be some kind of seismic shift on a casino floor. There are more of them, but I don't know if that's necessarily the reason why slot win is off the charts like it is. There are many other reasons why. I don't know that I could really pin it on that scenario.

David Schmidt: Yes, thank you.

Russell Guindon: Mr. Chair, your question reminded me there's an element that I should probably add since you asked about Expired Slot Machine Wagering Vouchers, and we may have to change the titling here as there was a bill passed last session that was brought forward by the Gaming Control Board to sort of change the statutory definition of these expired wagering vouchers to lose the slot machine construct and add digital representations, which is a hard concept for me in that it's one thing to throw a piece of paper on the ground, but I don't know how one would lose a digital representation of a voucher, but I guess it can happen and thus, the law was amended.

It was our understanding, as the Gaming Control Board was testifying on that bill, that there is interest within the industry, like many things, to move away from the paper construct and move into digital. It's our understanding from talking with Mr. Lawton that it probably hasn't become a big part of the market yet but it is one of the things that we would have to keep in mind if it does because if you move away from the paper to the digital, my null hypothesis would be that it would be a degradation to the number of expired vouchers because I would hope a person maybe could sent a reminder in their phone to cash that in before it expires, but you could see where it happens. If somebody leaves it on and they leave Las Vegas and they don't come back and so, that would be the whole thing is that you have to be here to cash it in or you can cash it digitally and all that.

So, your question made me realize that there was a piece of legislation to sort of move it away from a pure slot machine construct to a digital construct. Even that, if they wanted to start doing the vouchers at table games and then using the digital construct, then the statutory construct would encompass that.

David Schmidt: Thank you. Mr. Lawton.

Mike Lawton: To that point, the two driving factors of why this tax is where it is, is slot revenue and then, the change in customer behavior with the coin shortage was an eye opener for us and we had to make some phone calls to verify and that is indeed the case.

There's a coin shortage and these casinos can't order enough change. They are limited on the amount of change that they can order to fill their banks. So, they will fill up the change bank and the casino cage, but they won't be able to fill all the imprest banks, these kiosks, where customers go and exchange these vouchers. So, it's a change in consumer behavior as well. There are vouchers for sport books and table games that don't get cashed, but those are the two reasons why this tax is where it is, or this collection piece is going like it is.

Russell Guindon: Mr. Chair, if there are no other questions, then staff can conclude with Agenda Item 5 and can move on to Agenda Item 6 which is the tax credits.

David Schmidt: Yes, please.

6. Review and Approval of Forecasts for Various Tax Credit Programs that May be Taken Against Certain General Fund Sources for Presentation to the Economic Forum at the November 14, 2022, Meeting (For Possible Action).

- Film Transferrable Tax Credits
- Catalyst Account Transferrable Tax Credits
- Nevada New Market Jobs Act Tax Credits
- Education Choice Scholarship Tax Credits
- College Savings Plan Tax Credits
- Affordable Housing Transferrable Tax Credits

Russell Guindon: Thank you. You'll see the tax credits at the bottom of the last page there, you see it several times, and it's not because we want to keep showing you tax credits, it's just, that's how we have to set up the tables to account for them. So, I'm not going to spend a lot of time on this, unless there may be questions to answer. These are the tax credit programs that are in play.

The Film Transferrable Tax Credits, the staff from the Nevada Film Office provides us a forecast for the credits. They're able to tell us the projects that have applied, been approved, that have been issued credits but not taken, or issued and taken. So, there are projects that have applied and they're in the approval process, or they have been approved, and then approved for a certain amount of tax credits but they don't actually get issued an amount of tax credits until the audit is completed. So, they could get approved for, say, $3 million, but only get awarded $2 million because it's based on what you're doing in terms of your expenditures, as well as, the wages paid to employees, above the line, below line, and all that. This is the forecast based on the information that was provided to us by the Nevada Film Office. We were comfortable based on the information, as a forecast, of what could be taken.

Again, because of the nature of this, for the timing of it all, I know more about this than I ever thought I would, about key grips and such, the pre-production, post-production, the scouting, shooting, and all the kind of thing that has to occur while they're doing the production. Then, they could come into Nevada and shoot portions of it here, shoot portions elsewhere, then go to Hollywood and put it all together and cut and edit it and all of that. So, there you have that forecast.

Then, for the Economic Development Transferrable Tax Credits, the line is just there at zero dollars. These were the ones that were for Tesla-Panasonic Gigafactory project and we sort of have to leave them on there because to the left of this are hidden columns with data in it. We could hide the row, but we leave it on there to remind ourselves don't delete the row.

For the Catalyst Account Transferrable Tax Credits, this is the one where there is an amount authorized in statute to which they can issue credits for economic development type projects. Based on the information from the Governor's Office of Economic Development, it's a program that's just not getting used. It has, I believe, around $5 million a year in tax credits that now are available to be used and granted. So, based on that information, we're forecasting zero dollars.

The Nevada New Market Jobs Act Tax Credits. This is the program that if you would go look at the history, you'll see this is the second iteration of this program that was approved. The way it works is insurance companies could make $200 million worth of contributions to qualified economic development entities. Then, they go out and try to invest that. The insurance companies can get a 58 percent credit against their contribution. So, $200 million times 58 percent is $116 million. But the way it actually works out is, you start taking them two years after you make the contribution. It was effective for them to take it beginning with FY 2022 and it goes 12 percent, 12 percent, 12 percent, 11 percent, 11 percent to get to the 58 percent. So, you can see 12 percent of $200 million is pretty close to $24 million and by gosh, we were pretty close to $24 million. Thus, we believe the correct amount is to put the full 12 percent, 12 percent, then, 11 percent on the sheets. It can start to vary a little because of the timing, but you can see it was pretty close to $24 million in FY 2022.

Then the Education Choice Scholarship Tax Credits. Those amounts there are us thinking through it and then, getting information from the Department of Taxation. This is the one that there were statutory changes made to the program in 2019 to take the 10 percent escalator off and cap the amount off at $6.655 million. But also in that session, they added an additional $4.745 million for two years. Then, they came in last session, AB 495, and added $4.745 for the one year again, only. So, the $6.655 and $4.745 is the $11.4 million but the thing we had to think through is that the $6.655 million, if the total amount is not awarded within the fiscal year, then they are gone. So, if they did only $5 million of the $6.65 million, the additional doesn't carry forward. Whereas the $4.745 million, they can be carried forward. Clearly the pandemic put distortions in everything, including this tax credit program in terms of people making contributions and then getting the tax credits. So, we're looking at it. You have, basically, the $11.4 million, finally, in FY 2022, and with the $4.745 million, that's still out there from the last two additions, that we'll see that show up in FY

2023 and FY 2024 because it can be carried forward and stacked on top of the $6.655 million, and then we go back down to the $6.655 million in FY 2025 because we'll be through those three $4.745 allotments.

Then, the College Savings Plan Tax Credits. You can see the actual amount and thus, the forecasts that are there.

The Affordable Housing Transferrable Tax Credits, this is the program that was approved in 2019 as a $40 million four-year pilot program with $10 million a year authorized. But they can do $3 million more if needed to make a project pencil out. In 2021, the sunset was taken off, but the $40 million was left. Thus, the Housing Division can use until they exhaust the $40 million. There's no sunset. This information was provided to us by staff from the Housing Division. The $13 million is actually $3 million that they approved from the $10 million the year before. Then the $10 million is what they think they'll be able to get out the door, being able to bundle it with other federal programs and the Federal Stimulus programs. And then similarly for 2024 and 2025. And we think since it's somewhat of a new program and what the Housing Division is telling us with the affordable housing need and being able to bundle our state tax credit program with federal program, that it's probably prudent to put the full amount of the tax credits on for each of the three years while they're still learning about this program.

With that, Mr. Chair, those were the statements I wanted to make with regard to tax credit programs. That would conclude my testimony under Agenda Item 6.

David Schmidt: Any questions on the tax credits? Ms. Walker.

Mary Walker: On the Affordable Housing Transferrable Tax Credits, there was $0 in 2021 and $0 in 2022. So, it was available, but they just didn't take advantage of it or it was a new program and it needed startup time or?

Russell Guindon: The answer would be yes to both of those because it was passed in 2019. It was a new program. The Housing Division had to get the implementation of it and then we had the COVID-19 pandemic. It was our understanding that they were getting things lined up and then that sort of evaporated a little bit, then, they got it back. Also, under the law coming out of 2019, the credits were more on the back end which is that you had to do your project, and the Housing Division staff, if you ever want to know, they do a great job of explaining this, but it's like many things, you have to apply, then get approved and you're trying to get your state and federal requirements, and your own financing deals to get the affordable housing, get the approval to build it, the permitting, and all of that. So, they can take all that time but then, the credits would have been on the back end of the project. But what they realized is, when they were out there trying to work this program in the real world, that it made it difficult because there is the present discounted value of a dollar. Then in the 2021 Session, working with Senator Ratti, who was the original sponsor of the 2019 bill, we moved the state tax credits up to more of the front end of the process, which then, the Housing Division believes that makes them much more viable to be able to get out there and work with the other programs to make projects pencil out and get them breaking ground and going.

So, that's really the answer to your question, that it's yes to the points that you made about implementing a new program then, having a pandemic, and realizing that we needed to make some adjustments to the program to make it more viable for the agency to be able to administer in the real world.

Mary Walker: Thank you so much.

David Schmidt: Any other questions? I think with that, we're ready for a motion to approve the revenue forecast and tax credits for Agenda Items 5 and 6.

Wayne Thorley: Mr. Chair, I'd make that motion.

David Schmidt: Do we have a second?

Mary Walker: I second.

David Schmidt: We have a motion from Mr. Thorley and a second from Ms. Walker. Any further discussion? All in favor, please say aye. Aye.

Amy Stephenson: Aye.

Wayne Thorley: Aye.

Matt Lawton: Aye

Sarah Coffman: Aye.

Mary Walker: Aye.

Andrew Clinger: Aye.

David Schmidt: Are any opposed? The motion passes unanimously.

Russell Guindon: Mr. Chairman, if you don't mind, just before you proceed to public comment and then adjourn, I just thought I have a few numbers here that might be of interest, too, because when you're looking at this for the FY 2022 actual, you have all the revenue sources there.

Just for consideration, the actual amount for the revenue sources listed in this table was about $887.9 million. If you take that and you add it to the $930.8 million, which is the forecast shown on the table for these, then that's about $1.818 billion. So, that's $149.5 million less than what you see is the forecast for FY 2024 and FY 2025, the bottom line, Total General Fund After Credits. Then, what we need to keep in mind, is the Net Proceeds of Minerals (NPM) and the Mining Gross Revenue - Gold and Silver are coming off the sheets which, if you look up above, it's probably around $150 million a year or $300 million. If you back that out, everything excluding the NPM and Gold and Silver, the 2023-

2025 biennium forecast, that is the forecast for FY 2024 and FY 2025 here, compared to the actual for FY 2022 and the forecast that you approved for FY 2023, it would have been $105.7 million higher.

I just wanted to get that out there. Any of the people or the press who are listening, that they may look at this and say, all the minors are going down – well, they are, but it's not because of the forecasting per se. It's because there's a law requirement that $300 million over the biennium is required to come off of these sheets and go over to another set of sheets. Mr. Chair, I just wanted to get that information out there and for the consideration of this body.

David Schmidt: Thank you.

7. Public Comment.

Public testimony under this agenda item may be presented in person, by phone or by written comment.

Because of time considerations, each person offering testimony during this period for public comment will be limited to not more than 3 minutes. To call in to provide testimony during this period of public comment in the meeting any time after 1:30 p.m. on November 4, 2022, dial (669) 900-6833. When prompted to provide the Meeting ID, please enter 823-1377-0963 and then press #. When prompted for a Participant ID, please press #. To resolve any issues related to dialing in to provide public comment for this meeting, please call (775) 684-6990.

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 electronically before, during, or after the meeting by email to dcastillo@finance.nv.gov. You may also mail written documents to the Governor's Finance Office 209 East Musser Street, Room 200, Carson City, Nevada 89701 or fax them to (775) 684-0260.

David Schmidt: With that, we can go to Agenda Item 7, which is one more opportunity for public comment. Do we have any public comment here in Carson City? Do we have public comment on the phone?

Broadcast Services: There are no callers on the phone to offer public comment at this time.

David Schmidt: Thank you very much.

Russell Guindon: If you don't mind, sorry. As you know, we've been interacting with you and tentatively looking at the November 29 as probably the date for the next TAC meeting. I realize this is going to be a pretty tight turnaround for our meeting on November 14 of the Economic Forum. We will be getting additional information as we discussed and then, as necessary, interacting with state agencies or constitutional officers and their staff and bring back, as necessary, a revised forecast for your consideration at that next meeting.

Staff will just be working with you in terms of those schedules, but I think just logistically, Thanksgiving always causes a problem. But we think that's the day that's probably most viable, Mr. Chair, to have the meeting. And again, some of the comments and questions that were here, we will give consideration to in terms of what we could bring as additional information back. I just wanted to get that out there here in the meeting on the record as to where we're at. If any of the Members do have things that come up, please let us know. As staff, we can attempt to try and entertain those and then, as necessary, handle them at the next meeting, and clearly, we will work with Chair Schmidt on setting up the meeting, the agenda, and all that we do as staff working with the Chair.

8. Adjournment (For Possible Action).

David Schmidt: Thank you very much. With that, we are adjourned.