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MEETING MINUTES

Name of Organization: Economic Forum: Technical Advisory Committee on Future State Revenues
Nevada Revised Statutes (NRS) 353.229

Date and Time: Friday, April 21, 2023
2:00 p.m.

Location: Legislative Building, Room 3137
401 South Carson Street
Carson City, Nevada 89701

MEMBERS PRESENT:
David Schmidt, Chief Economist, Department of Employment, Training and Rehabilitation (Chair)
Amy Stephenson, Director, Governor's Finance Office (Vice Chair)
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
Mary Walker, Local Government Finance

STAFF PRESENT:
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, Economist, Governor's Finance Office
Frances Lincoln, Committee Secretary, Governor's Finance Office

OTHERS PRESENT:
Mike Lawton, Senior Economic Analyst, Gaming Control Board
Zach Conine, Treasurer, Treasurer's Office

1. Call to Order/ Roll Call.

David Schmidt: Good afternoon. I'd like to call to order the April 21, 2023, meeting of the Technical Advisory Committee on Future State Revenues. Mr. Nakamoto, can you please call the roll?

Michael Nakamoto: Mr. Clinger?

Andrew Clinger: Here

Michael Nakamoto: Ms. Coffman?

Sarah Coffman: Here.

Michael Nakamoto: Ms. Stephenson?

Amy Stephenson: Here.

Michael Nakamoto: Mr. Thorley?

Wayne Thorley: Here.

Michael Nakamoto: Ms. Walker?

Mary Walker: Here.

Michael Nakamoto: Chair Schmidt?

David Schmidt: Here. Thank you.

2. Public 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 April 21, 2023, dial (669) 900-6833. When prompted to provide the Meeting ID, please enter 857 5214 2853 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: Moving to Agenda Item No. 2, we have our first opportunity for public comment. Public testimony on this agenda item may be presented in person or 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 three minutes. Is there anyone here in Carson City that would like to offer public comment? Seeing none, do we have anyone on the phone or online that would like to offer public comment?

Broadcast Service: The public line is open and working, but there are no callers at this time.

David Schmidt: Thank you very much.

3. Approval of November 4, 2022, and November 29, 2022, Meeting Minutes (For Possible Action).

David Schmidt: Moving to Agenda Item No. 3, we have approval of the November 4, 2022, and November 29, 2022 meeting minutes. Ms. Coffman.

Sarah Coffman: Mr. Chairman, I just like to point out a couple of discrepancies in the minutes. On the minutes for November 4, my name is actually spelled incorrectly. It's S-A-R-A-H on the second page. And then there is another discrepancy down below where it says Russell Guindon, Mary Walker, as the designee for Margaret Leavitt. I believe that should say Marvin Leavitt. And then on the minutes for the November 29 meeting, it indicates that members present were Andrew Clinger. However, on the second page, it also notes him as being absent.

David Schmidt: Would someone like to make a motion to approve the minutes with those adjustments?

Sarah Coffman: Mr. Chairman, I would make a motion to approve those minutes with the noted adjustments.

David Schmidt: Do I have a second?

Mary Walker: Second.

David Schmidt: We have a motion by Ms. Coffman, second by Ms. Walker. All in favor, please say aye.

Mary Walker: Aye.

Andrew Clinger: Aye.

Wayne Thorley: Aye.

David Schmidt: Aye. Any opposed? The motion passes unanimously.

4. Review and Approval of Revenue Forecasts for Selected General Fund Sources, including Taxes, Licenses, Fees, Fines, and Other Revenue along with Forecasts for Various Tax Credit Programs that May be Taken Against Certain General Fund Sources for Presentation to the Economic Forum at the Economic Forum's May 1, 2023, Meeting (For Possible Action).

David Schmidt: Moving on, Agenda Item No. 4, review and approval of revenue forecast for selected general fund revenue sources including taxes, licenses, fees, fines, and other revenue along with forecast for various tax credit programs that may be taken against certain general fund revenue sources. For presentation to the forum at the Economic Forum's May 1, 2023, meeting. Mr. Nakamoto, would you please walk us through that.

Michael Nakamoto: Certainly. Thank you, Mr. Chair, members of the Technical Advisory Committee for the record, my name is Michael Nakamoto, Chief Principal Deputy Fiscal Analyst with the Fiscal Analysis Division of the Legislative Counsel Bureau. And I will be going through this agenda item today. For your reference and for those people who are watching over the internet, there are five tables that were prepared by staff for this meeting today. The members of the committee do have paper copies in front of them. Anybody who is watching the meeting online can go to budget.nv.gov/meetings/budget division, and they will be able to get PDF copies of all five of these documents there. I'll walk through them and just give a brief overview of the documents that you have in front of you.

The first one called Table 1 is General Fund Revenues year-to-date actuals for both FY'22 and FY'23 through the end of March. For a lot of the revenue sources, it's kind of different based on when they are collected. For example, for the Department of Taxation, their monthly tax revenues, it's through January just because of the way that they are collected. So, it's seven months' worth of information for their quarterly taxes. It's through the first two quarters. The Department of Taxation will not release information on quarterly taxes such as the Modified Business Tax or the Sales and Use Tax until the end of May. At the end of March, we only have the first two quarters. For the Gaming Control Board, they have different schedules as well, as well as the Secretary of State and so on. Then for many of the others, it's just based on the information that we're able to get out of the controller's system through March 31 of both 2022 and 2023.

You also have Table 3 which are the General Fund Revenue Forecast for each of the forecasters. The agency who's responsible for collecting those taxes or fees that are part of the forecast process. Fiscal refers to the Fiscal Analysis Division of LCB, and Budget is the Budget Division of the Governor's Finance Office. Table 3 lists all of the forecasts that are part of the consideration for today's meeting. There's also Table 3-Difference which is essentially those forecasts that were prepared for each of the forecasters compared to the forecast that were presented to this body at the meeting back in late November in advance of the December Economic Forum. We'll go through all of those and show what the differences are in those forecasts by forecasters. Then the last two -- and these are the two that are probably going to have the most attention paid to them as part of this agenda item. The first is Technical Advisory Committee General Fund Revenue Forecast May 1, 2023.

This is the consensus forecast that was developed in evaluating all of the forecasts from the agency as well as the Fiscal Division and the Budget Office. The staff from the Fiscal Analysis Division and the Budget Office met earlier this week to consider all of these. Then, based on our consideration of all of those forecasts, this is the consensus forecasts that is being presented to you for your consideration today, and then the last one that says, "Difference Technical Advisory Committee Forecast April 21, 2023 versus November 29, 2022," is again, simply, the difference between this consensus forecast compared to the consensus forecast that was presented to this body back on November 29 in advance of that meeting for the Economic Forum on December 5.

So, having gone through that, Mr. Chair, I will basically walk you through the Technical Advisory Committee Consensus Forecast and go through some of the highlights of the forecast as it were. And at your direction, I can stop for questions or if we want to do it after every page, we can do that as well.

David Schmidt: I think doing it after every page makes sense to me.

Michael Nakamoto: Thank you, Mr. Chair. Again, Michael Nakamoto with the Fiscal Analysis Division for the record. We'll start with Mining Tax. And if you look at the net proceeds of minerals, and especially, when you're looking at the Difference Table, you can see a significant downward revision to both and especially to the net proceeds of Minerals Tax. The reason why the forecast has gone down by just over $70.3 million is due to legislative action that was approved very early in this session. Senate Bill 126 was approved by the Legislature and signed by Governor Lombardo. Basically, what it did is it undid the pre-payment provisions that were originally established by the Legislature in Senate Bill 3 of the 31st Special Session. Basically, what that said is for FY'21, '22, and '23, mining companies were required to pre-pay their State General Fund portion of their tax based on their estimates of the current calendar year activity, and those provisions were supposed to expire at the end of this year, meaning they would have made those payments. Their estimate payment for calendar year 2023 at which was reflected on the Economic Forum sheets for FY'23, but the legislature chose to end those provisions early, thereby, not requiring the mines to make that pre-payment.

We have reduced the forecast because that pre-payment was not made. The mines will still be required to pay their tax, but they will be paying it under the current law which says they'll make it as an actual payment in FY'24 against their actual activity in 2023 which is to be deposited into the State Education Fund rather than State General Fund. As a result, then, the forecast for the General Fund portion of the net proceeds of Minerals Tax remain at zero in FY'24 because that money is now going to the State Education Fund under current law.

Next under GL 3074, the Mining Gross Revenue Tax, Gold and Silver, you can see a downward revision of approximately $9.8 million compared to the November 29 forecast. This is based on information that was provided to us by the Department of Taxation. The tax returns for this tax have come in, and they are analyzing the information and what should be reported and what has actually been collected. Based on the information that they have; they feel that the downward revision was appropriate here based on those returns that they are seeing.

Moving next to the Gaming Taxes, as the normal practice, the Gaming Taxes in this block that are being provided to you today were done by Mr. Lawton from the Gaming Control Board. We had conversations in our office with him on some of the information that he provided. He answered some questions for us. We felt comfortable with going with that. Mr. Gortari at GFO concurred with that, and so, the forecast that we have presented here for the Gaming Control Board's -- with a downward revision of approximately $719,000 in FY'23 and upward revision of approximately $1.5 million in FY'24 and a downward revision of $191,700 in FY'25.

The Transportation Connection Excise Tax, this has an upward revision of approximately $2.3 million in FY'23, $1.8 million in FY'24, and about $1.2 million in FY'25. Right now, if you were to go back and look at Table 1, you would see that the actual year-to-date collections are up 74.7 percent. It is performing very well with the increased tourism in Clark County and elsewhere. While we don't see it necessarily keeping at that plus-74.7 percent, you can see that this resulted in an upward revision just mostly because those year-to-date collections have increased, and then that goes through the forecast horizon.

On the flipside of that, though, is the Cigarette Tax which, right now, year-to-date, is down 7.7 percent, and as we've looked at the information and just some of the other things that we've gotten our eyes on, this resulted in a downward revision of this forecast of about $9.3 million in FY'23, about $8.4 million in FY'24, and about almost $8.3 million in FY'25. Again, I think we've looked at it, and people are just not smoking as much. This is a not-uncommon thing. This has been going on for years. But for whatever reason, the year-to-date in FY'23, the collections have really fallen off in terms of the stamps that have been purchased that would go onto the packs that are sold for retail. So, at this point, I will stop to see if there are any questions. Thank you.

David Schmidt: Any questions? Ms. Walker?

Mary Walker: Thank you, Mr. Chairman. So, the question I have is -- and it deals with the Flat Fees-Restricted Slots, Non-restricted Slots, and Quarterly Fees-Games. In the actuals for the current year, they're down pretty significantly, 21 percent for the Flat Fees, 17 percent non-restricted, and 18.6 percent on Quarterly Fees, but yet, when you look at the forecast, it's pretty flat. Is there a reason for that?

Michael Nakamoto: Mr. Chair, through you to Member Walker, Michael Nakamoto for the record. We have Mr. Lawton from the Gaming Control Board available on the Zoom. I think I would like him to address that particular question. Thank you.

Mary Walker: Thank you.

David Schmidt: Please go ahead.

Mike Lawton: Can you see and hear me?

David Schmidt: Yes, we can.

Mike Lawton: Good afternoon. For the record, Mike Lawton, Senior Economic Analyst for the Nevada Gaming Control Board. I would imagine that the tables that Mr. Mike Nakamoto had mentioned are updated through March 31. There's a lag there, and the percentage that you're showing that are down significantly, I don't believe that's the case right now. I'm going to pull up something and just read that to you. Give me a moment. Sorry for the delay. For the Restricted Slot Flat Fees through June 2022 through April 15, 2023, the Restricted Flat Fees are actually up .08 percent. The Non-restricted Flat Fees are up 1.01 percent. And then the Quarterly Games Fees are down .8 percent. So, I just think there's a timing issue there with what you have on your sheets compared to what's actually in the Controller's Office through the middle of April.

Mary Walker: Thank you very much, appreciate that.

Mike Lawton: You're welcome.

David Schmidt: Any other questions? Please go on.

Michael Nakamoto: Thank you, Mr. Chair. Again, Michael Nakamoto with the Fiscal Analysis Division for the record. I will have you turn to Page 3 of each of the tables just because Page 2 is the Modified Business Tax, and all of those will be blank because those will be revenues that are discussed by the Economic Forum at their meeting on May 1. On Page 3, I think the ones that are worth pointing out are under "Other Taxes." The first one would be the Business License Fee, which you can see downward revisions in all three fiscal years. Year-to-date right now, if you were to look at Table 1, the Business License Fee is actually up 0.7 percent, but there are some pretty strong months that we're comparing against. Then the early information that we've got, that we would be reflecting in an April update for the actuals shows a pretty significant decline year over year. This is, I think, resulted in all of the forecasters reducing their forecast, and not necessarily by significant amounts. The reduction is about $1.3 million in FY'23 and about $1.4 million in FY'24 with the largest reduction of about $2.6 million in FY'25, and this is just trying to mostly calibrating against what they're seeing year to date.

Similarly, with the Liquor Tax and the other Tobacco Tax, those are actually down year-to-date. Right now, the Liquor Tax is down 3.9 percent; to actually have it come back to a minus 2.4 percent for FY'23 has some growth in it. But because this tax has been relatively weak in FY'23, I believe the forecasters all looked at it and were a little more cautious going forward. It was mostly just an adjustment of the path based on the information that we've seen so far. Then with the other Tobacco Tax, it's down 1.5 percent right now, and then we'll actually be declining a little bit more than that to a minus 3.6 percent in FY'23. So, the results impact when you take those two excise taxes together is a reduction of approximately $2.8 million in FY'23, about $1.9 million in FY'24, and approximately $2.8 million in FY'25. And again, this is just because these taxes seem not to have been performing to the level that we had anticipated back in November. We can go through the tax credits, I believe, at the end if that is your preference, Mr. Chair. Otherwise, I will see if there any questions about those three taxes or anything else on this page.

David Schmidt: Any questions? Ms. Walker?

Mary Walker: Sorry, I'm the newbie. On the HECC Transfer, and it's a flat $5 million, is that something that comes in at the end of the year or what is that?

Michael Nakamoto: Mr. Chair, through you to Ms. Walker, Michael Nakamoto for the record. That is a portion of Gaming Taxes. It's an annual Slot Tax. I believe that is collected by the Gaming Control Board, and there's a statutory distribution of that, and the first $5 million of the proceeds go to the Higher Education Capital Construction Fund, and that does occur at the end of the fiscal year. So, that's why you don't see any money in there, but that's also why you don't see any revision to the forecast is because it's statutorily going to be distributed at $5 million.

Mary Walker: Great. Thank you so much.

David Schmidt: Other questions? I think we can go on.

Michael Nakamoto: Thank you, Mr. Chair. Again, Michael Nakamoto for the record. On Page 4 of the tables under, "Licenses," there are a few that I think I will highlight here of some notable revisions. The first is under, "Secretary of State," the UCC filings which even though right now is up, year-to-date. This is another revenue source where there's pretty strong comparison, and the early information that we're getting from the Secretary of State Office suggests that the revenues are decreasing through March and into April. So, while we're up 1.9 percent year-to-date, you can see the forecast is actually for a minus 1.3 percent, and it results in downward revisions of around $200,000 per fiscal year. Basically, I think one of the things that we observed is during the pandemic, there was an increase in the UCC filings through the Secretary of State because there was a condition for a lot of the federal stimulus, the PPP loans, and so on that, a lot of business had to actually do certain filings in this area to get that. So, it's not something that's necessarily repeating now that a lot of those federal stimulus programs have gone away.

Next, under GL3130, Commercial Recordings, this is the Secretary of State registering businesses, corporations, and other entities, the annual lists and so on. Year-to-date, that is down 2.2 percent. So, that was certainly weaker than I think many of us thought at the beginning of the fiscal year, earlier in the fiscal year. The forecast right now is for a 1.9 percent decrease. So, little bit of growth back, but not that much. As that goes through the forecast horizon, it's just under a million dollars a year in FY'23 and '24 that would be reduced, and then a reduction of close to $1.6 million in FY'25. Under the last line for the Secretary of State is GL3152, Securities, which right now is up 5.3 percent year-to-date. But this is again another one where there's some fairly strong comparisons going into the last several months of the fiscal year. So, the end result is an increased forecast of only 1.7 percent. Nonetheless, I think that the forecast before were actually slightly negative to this. So, we're not going to pick up that entire 5.3 percent, but there is an increase in the forecast here of approximately $1.7 million per year in FY'23 and '24 and, for that matter, in FY'25 as well. It's just taking that and kind of growing it into the base.

The last one that I think is worth pointing out under Licenses is the Athletic Commission Fees. It's the very last line under, "Total Licenses GL3102." These are the fees for unarmed combat that are collected by the Athletic Commission on things like boxing, mixed martial arts, and so on, right now, which are down about 30.5 percent. This is one that is event dependent. Every time that there is a UFC card down in Las Vegas or a boxing match or some other kind of event of this magnitude, we receive money based on the admission price of those. So, right now, it does not seem that they have been performing. Not that the events aren't happening, but just based on my quick observation, UFC events happen all over the world. They might be choosing to have them in London or Dubai or Hong Kong or somewhere else that's not Las Vegas. So, I think the collections are reflecting that, and then we had a little bit of a downward revision of the forecast going out just because of the uncertainty. Not that the events aren't going to occur, but it's just a matter of where they're going to occur, and there's not a lot of predictability. They don't release the schedules that far in advance that we get a really good handle on what's happening into 2024 or 2025. There are, as you can see, revisions to all three fiscal years in a negative fashion.

Moving to Fees and Fines, I'll point out Divorce Fees, GL3023, that there are downward revisions to those through the first eight months. This is a monthly fee that's collected when a divorce is filed in any of the 17 counties, and then those proceeds are remitted to the state and deposited in the State General Fund. For whatever reason, and whether this is a good thing or not, in general, divorce filings are down. People are just not getting divorced right now, so it has caused, I think everybody, to reduce their forecast going through the horizon. Whether things change and people start getting divorced, we don't know, but right now, the trend seems to be that they are going down. Civil Action Fees is kind of the same story. Right now, year-to-date, those are down 8.1 percent, and I guess with people not getting divorced, maybe, they're suing each other less also because those filings -- it's the same thing with those fees, they are collected at the county level, and they're remitted to the state. And so, the activity is just down. It caused, I believe, the forecasters to reevaluate that.

Going down underneath the Total Real Estate Fees as GL3066, which is Short-Term Car Lease, which year-to-date is up 14.4 percent, with the increase in visitors, a lot of them flying in and many of them choose Uber and Lyft, which helped the Transportation Connection Network Tax that we talked about on the first page. But a lot of them are still choosing to simply rent a vehicle. And so, we're seeing those collections increase, and year-to-date, they are fairly strong. That resulted in most of the forecasters having an increase in their forecast for this revenue source just a true up with that. This GL also includes the proceeds from the Peer-to-Peer Tax. It's a similar tax except instead of being on rental car companies, it's through the peer-to-peer rental companies, such as Turo. It's kind of an Airbnb for a car. You can actually rent somebody else's car and drive that around as if it were Hertz or Avis. But instead, it belongs to somebody else. Those collections are combined in there, and the activity on that is included as well. You can see revisions of that of more than $2 million in the positive direction in each fiscal year.

And then the last one that is worth pointing out is GL3071, Miscellaneous Fines and Forfeitures. There are about eight or nine different agencies that just collect fees, fines, anything that weren't necessarily categorized, and they get put into this bucket here. The Economic Forum's forecasted growth back in December was at 11.9 percent. Year-to-date, we're only at 5.2 percent. So, while this is actually still doing better than what the actuals were in FY'22, it resulted in a downward revision just to kind of true up to that, that it's not performing to the level that we had anticipated, but you can see at the bottom on the difference, it's approximately $165,000 in FY'23 and $250,000 in FY'24 and just over $200,000 in FY'25. And with that, Mr. Chair, I would be glad to answer any questions on this page. Thank you.

David Schmidt: Questions? I had just one question. Looking at 3161, the Real Estate License, especially with the housing market shifting, it looks like that's a fairly flat forecast. Just wondering if there was any thought given to what might be changing in the real estate market there and if that forecast seems reasonable in light of those changes.

Michael Nakamoto: Thank you, Mr. Chair. Michael Nakamoto for the record. I am not going to speak for the Real Estate Division because they did the agency forecast, or for Mr. Gortari. But in the eyes of the Fiscal Analysis Division, when we did our forecast back in December or back in late November as well as now, we kind of took that into account kind of tying in -- "Well, okay, what is the real estate market doing?" We actually make a request to the Real Estate Division based on just on the licenses that they're issuing because they've got 10 or 12 different licenses that they issue for brokers and real estate offices and things like that and kind of evaluated that just to look at where we were. I think if you were to go look at Table 3, the Difference for the Fiscal Analysis Division, we actually pulled our forecast down to take that into account, but I think when you look at this, what we have is the consensus that was the average of the agency fiscal and budget just kind of to smooth out that. The end result ended up being that there was not really a significant change to the forecast.

David Schmidt: Thank you. If there's no other questions, think you can go on.

Michael Nakamoto: Thank you, Mr. Chair. Again, Michael Nakamoto for the record. On the last page of the forecast under use of money and property, you can see the other repayments listed there. Again, this is the legislature or there's been various legislative activity that has essentially given loans to various agencies from the State General Fund with the schedule for the repayment of those proceeds. The numbers that you see in here for the Consensus Forecast are identical to what was presented at the previous meeting. There have been no changes to the schedules on any of these.

The next is Interest Income, and the big change that is worth talking about here is under GL3290, Treasurer's Interest Income. The forecast that is being presented for your consideration today is from the Treasurer's Office. Based on the information that they had with respect to the investable balance, interest rates and yields have presented these forecasts. We had conversations, the Fiscal Analysis Division and GFO met with the Treasurer's Office staffer later this week, to go through their assumptions and the methodology and everything. And we were comfortable with what they are presenting. However, we do acknowledge that it is a significant upward revision, and it is the bulk of the upward revision to the forecast that is being presented to you today. We do have representatives from the Treasurer's Office. I believe Treasurer Conine is on the Zoom. In fact, there he is. If there are any questions about that forecast, we would request that they be directed to him. If this is a good time to stop and do that, we can do that, otherwise, we can go through just a couple of things under the other revenue category.

David Schmidt: I think let's go ahead and hear about that forecast. Treasurer, whenever you're ready.

Zach Conine: Hello, everyone. Thanks so much for having us today. For the record, I'm Treasurer Zach Conine. Just talk a little bit about the interest forecast expectations on our end. It's really a tale of two things. One, assets under management continue to be higher than were expected. Some of that is the delay in getting ARPA spend out the door, ARPA spend unlike most other federal spend, when we make interest earnings off of it, we can use them for other purposes as opposed to the underlying source or purpose of the federal dollars. So, that's helpful. Obviously, we want to get those dollars out the door so they can help people. But in the interim, we're using them to make quite a bit of money. Additionally, most of what we invest in, as you all know, is pretty boring, right? It's treasuries and agencies, things that are directly impacted by the recent hikes in the Federal Reserve. As you know, Federal Reserve has been in a period of pretty rapid hiking, 75 basis points, excuse me, .75 of a percent in September. The same in November, 50 basis points in December, two more 25 basis point increases in February and March, and at least, based on what we see in the markets, an expectation at the beginning of May, they'll be another increase.

We've had rapidly rising interest rates, which is the thing we can buy. We are spending a lot more time being prepared than say, you know, ten years ago in the sole office for those increases and are able to invest the funds that we have, which are larger, more effectively. For FY'23, we can see the impact of the first and second quarter Fed rate increases on returns are already generated. Second quarter earnings of $29.7 million surpasses he total earnings for each of the prior three fiscal year totals and was about two and a half times the first quarter results of $11.9 million. We expect the third and fourth quarter will continue that trend, although with a bit less of a jump. To scope it for you, much of the paper that we see providing returns in the portfolio right now is in the 4 and 5 percent range versus a year ago or a little bit more than a year ago when we were in a sub 1 percent range with a lot of the portfolio. Overnight rates are exceeding 4 and a half percent versus about a year and half ago when we were in the .08 percent, right, 8 basis points versus 450 basis points. Happy to answer any other questions, but we are simply in a different world. And so, using the same methodology that we've used in the past produces these results, and we feel pretty comfortable about them.

David Schmidt: Any questions? Ms. Coffman?

Sarah Coffman: Thank you, Mr. Chairman. In terms of the American Rescue Plan Act dollars that are currently incurring interest, what factors did you take into consideration in terms that starting to be utilized by the state agencies? And did you take into consideration at what percentage this would be fully expended by fiscal year 2025ish?

Zach Conine: Thank you for the question. Treasurer Conine for the record. We're using projections that were coming out of the Governor Finance Office as far as their intended spend and then sort of pushing those projections back when the spend didn't occur in the quarter that originally was projected to. And so, of course, the plan is, from a State perspective, to spend down all those dollars. For the most part, ARPA dollars need to be obligated by December 31 of 2024 and spent by December 31 of 2026. And the assumption in this model is that we're spending effectively on a straight line between here and there which is what GFO, the Governor Finance Office, excuse me, is currently planning. There's some adjustment in that number, but that's pretty fair summation.

Sarah Coffman: Thank you.

David Schmidt: Is there questions? I think I just have one question. Given that statement about the spend-down of the ARPA dollars is we're looking at the out-year, the forecast, FY2025. Would the mix of dollars that the forecast is based on then be more heavily weighted toward a normal state, dollars being in the bank, or is that still mostly ARPA dollars that'll be getting spent out towards the end of that period?

Zach Conine: Treasurer Conine for the record. That's a good question. It is a closer mix of ARPA and state dollars than, say, in the current expectation. But a lot of the ARPA dollars are revenue-loss dollars which effectively get co-mingled with the rest of the General Fund. As a lot of the other revenue lines in the state continue to perform, unless there's some massive increase in spending, which is not planned for, we expect the balance to remain high. The other thing that is going to happen is that we are still dealing with is a part of the portfolio that was invested in prior to interest rates rising tremendously. That is still burning off. The average yield of the portfolio will continue to rise as everything is invested at the current levels as opposed to partially invested at the current levels.

David Schmidt: Thank you very much. If there's no other questions, I think we could say thank you for your time, and we can move on.

Zach Conine: It's a pleasure. Thanks for having us.

Michael Nakamoto: Thank you, Mr. Chair. Again, Michael Nakamoto with the Fiscal Analysis Division for the record. Lastly, under Other Revenue, they're only a couple that I think are worth pointing out in this block. And the first is the Expired Slot Wagering Vouchers. That is the Gaming Control Board's forecast under GL3047. And just based on the year-to-date activity, that revenue source is up 19.7 percent year-to-date. The Gaming Control Board thought it worthwhile to increase their forecast by about $1.7 million in FY'23, about $2.1 million in FY'24, and approximately $2.4 million in FY'25, and that was reasonable to, at least, Fiscal staff as well as to GFO. The forecast that you see there is the agency's forecast.

Lastly, under Unclaimed Property at the very bottom, the last revenue source under Other Revenue, GL3255, this is an average of the agency's budget -- forecast as well the Fiscal Analysis Division. And so, basically, what you'll see, especially if you were to look at the Table 3 Difference, is that there were revisions by all of the forecasters relating to unclaimed property. This, again, we had the tables and things that Mr. Guindon did at the last meeting regarding unclaimed property. This is all of the unclaimed securities, bank accounts, gift certificates, whatever. They get turned over under state law to the Treasurer's Office. Then the Treasurer and his staff evaluate that, and they do what they are doing. And then they have their campaigns to get people to come claim their funds. And so, you have the inflows of this money coming in. Plus, you have the outflows of people who are claiming their proceeds that are being held by the state. And as we've looked at where we were year-to-date through the middle of April, it looks, based on, at least, for Fiscal, our forecasts were that the amount of obligations that were being paid out were a little bit higher than what they had been anticipated to be.

That is, the Treasurer is successful through campaigns or public information of getting people to come claim their money. But on the other side, the receipts that are coming in, those seems to be a little bit down. And so, the end result, I believe, is the forecast that you see here which is a reduction of about $5 million in FY'23 and then reducing by approximately $2.2 million in FY'24 and about $1.7 million in FY'25. I think what is suggesting, at least, as a forecaster looking at this is that the heavy activity in terms of the obligations coming in FY'22 were perhaps more of an exception than when we get to '23 and '24 and '25, it gets into a little bit more of a normal pattern in terms of the inflows and outflows with respect to unclaimed property. That results in that those negative revision into a range of around $42 million a year which is still, I think, a little higher than what we have seen historically going back in FY'21 and then even before the pandemic. But it's certainly lower than the $56 million that was on the sheets as the actuals in FY'22. This might be a good point to stop and see if there are any questions about anything on this page and the Other Revenue before I move onto the Tax Credits, if that is your desire, Mr. Chair.

David Schmidt: Any questions? Ms. Coffman.

Sarah Coffman: Thank you, Mr. Chairman. For the Court Administrative Assessments, there's $0 amounts, and in the Executive Budget, the governor was recommending that

Court Administrative Assessment no longer go to the specific agencies that were identified in that statute and were going to be put back to the Unrestricted General Fund Appropriation -- or excuse me, the Unrestricted General Fund. Where would that be accounted for?

Michael Nakamoto: Thank you, Mr. Chair, through you to Ms. Coffman. If that action were approved by the legislature, they would go into GL3109 under the Court Administrative Assessments. This is the one where you have this fee that is collected or the assessment that's collected. And a certain percentage goes to certain programs, and then another percentage goes to other programs. And then anything that is above what is legislatively approved is supposed to go to the State General Fund. This is something that we usually handle as a legislative adjustment after the conclusion of session. Once all of those budgets have been closed and we know how much, if any, of this revenue would be coming back to the State General Fund. If that action were approved, then we would be adding that to this section here, but until a budget is closed, that forecast remains at zero.

Sarah Coffman: Ok, Thank you.

David Schmidt: Any other questions? Then you can proceed.

Michael Nakamoto: Thank you, Mr. Chair. Again, for the record, Michael Nakamoto with the Fiscal Analysis Division. The last thing that is for your consideration is under Tax Credit Programs. I'll go through each one of them individually. There is one that is listed on the sheet that we are going to ask for a revision based on some information that we just received. I'll go through that when we get to it. The first one is the Film Transferable Tax Credits. The Film Office within the Governor's Office of Economic Development is allowed to issue transferrable tax credits for qualifying productions of motion pictures, television, and so on. The forecast that you see in the sheet here of minus-$6 million in '23, minus-$8.5 million in FY'24, and minus-$8 million in FY'25. This is based on information that we received from the Film Office themselves as the administrators of the credits. So, this is what they believe the credits will be worth. And so, this is an increase in the amount of -- actually, it's a decrease in the amount of credits in FY'23 of approximately almost $2.8 million which results in a net positive. So, we're issuing fewer credits. There's more money that is available for the general fund. And then it is an increase in the amount of credits of $500,000 in FY'24 which results in a decrease on the table in the amount of revenue.

The Economic Development Transferable Tax Credits, these were colloquially known as the Tesla and Faraday credits going back several years ago. You'll note that under these, there are credits eligible to be awarded in FY'24 and FY'25. This is as a result of actions taken by the Interim Finance Committee at their meeting on January 31. There was an application by Redwood Materials for transferable tax credits under the provisions allowing for transferable tax credits to be issued to eligible projects with the capital investment of at least $1 billion. The GOED Board approved that application. But under the provisions and statute, the Interim Finance Committee has to approve the issuance of the abatement or the tax credits which they did at their meeting on January 31. This $950,000 in FY'24 and $475,000 in FY'25 is based on the estimates that were provided to us by GOED on the application from Redwood Materials. And so, we thought that that was reasonable based on the total. It was about $2.1 million in credits that could be awarded under the application. The remaining portion of that would be shown on the sheets in FY'26. But that is the adjustment that results here is that we're now accounting for these tax credits that were approved by the Interim Finance Committee at the end of January.

Under Catalyst Account Transferable Tax Credits, this is the item or the tax credit that we are going to request the adjustment to what is listed here. We had previously had zero credits in FY'23, '24, and '25. The information that we were receiving from the Department of Taxation indicated that there been some of these credits that were taken, In FY'23 against one of the taxes, the Insurance Premium Tax, it turns out that that was a reporting error and that these were not actually taken by a taxpayer against that tax. Our request is when this item and the forecasts are being approved that it be approved instead of being at minus-$475,000 that it be approved at zero, that there will be no credits taken against this program at any point during the forecast horizon.

Under Nevada New Markets Job Tax Credits, this is the program by which insurance companies can make qualified investments that go into certain community investments in eligible areas. This was originally approved by the legislature in the 2013 session. It was reauthorized with an additional amount of credits in the 2019 session. The forecast that you see here, the minus-$24 million in FY'23 and '24 and then minus-$22 million in FY'25. This is based on the statutory authority. It's $200 million of investments that can be taken at a 58 percent tax credit against the Insurance Premium Tax. There's an allocation of that 58 percent of 12 percent, 12 percent, 12 percent, 11 percent, and 11 percent. So, what you're seeing here is the last two years of the 12 percent and the first year of the 11 percent to get to $24, $24, and $22 million. This is unchanged from the last forecast. And the actuals as we've observed this program over the years that it's been in play, they hold fairly close to this.

Under Education Choice Scholarship Tax Credits, this is the program by which businesses can make donations to education scholarship organizations who then provide grants for private schools and so forth. The forecast that you see here, it's based on information that the Department of Taxation has provided us with respect to the amount of credits that have been awarded or issued and awarded and taken every year. The statutory authority right now is for $6,655,000 in credits to be issued every year. The legislature has approved additional allocations in FY'20, '21, and '22 of $4,745,000 every fiscal year, and because they don't have to be used all at once, the recipient of the credit has five years to use the credit. They don't all get used at the same time. So, as we work through information last time, we had a forecast of minus-$12 million in FY'23 and then minus-$9,910,000 in FY'24 and then $6.655 in FY'25. We worked with the Department of Taxation. They've given us information that suggests that more of those unused credits from previous fiscal years were being used in FY'23. So, the revision to the forecast is to increase the amount of credits taken in FY'23 by $1 million and then reduced it by $1 million in FY'24, just try and true that amount up, because it's a fixed amount that's still remaining. It's just trying to determine when those credits would be used. And so, this is based on the information that we have is where we're at in terms of how that remaining bucket is going to be used.

Under the College Savings Plan Tax Credits, this is administered by the Treasurer's Office. It allows for credits to be made for employers who make contributions to 529 College Savings Accounts. It's a 50 percent match or a 50-percent credit against that contribution. And the forecast that are in the sheets are unchanged. They're provided to us by the Treasurer's Office. Lastly, the Affordable Housing Transferable Tax Credits, This was originally put into place in the 2019 session, and it allows for credits to be issued against eligible affordable housing projects. It's administered by the Housing Division at the Department of Business and Industry. And the forecast that you see here are provided to us by Mr. Aichroth at the Housing Division. And it's basically an update of where they're at with the program year-to-date. And so, the result of that forecast is that they believe that $7 million fewer credits will be awarded, issued, and used in FY'23. It was previously at $13 million, and it is now at $6 million. At this point, I think I can stop and see if there are any questions about the tax credits, and then we can go to the bottom line after that, Mr. Chair.

David Schmidt: Any questions? I just had one question about that last time, the Affordable Housing Transferable Credits and some of these others. When there's a reduction in the credit in one year, we see it show up in future years. Is this limited in a way that doesn't allow that to happen or is there a reason that it doesn't carry forward into future years?

Michael Nakamoto: Thank you, Mr. Chair. Michael Nakamoto with the Fiscal Analysis Division for the record. There are actually statutory provisions that limit the amount of credits to $10 million in one year. But you can actually exceed $10 million in a fiscal year, but then you have to reduce it in the next fiscal year. At this point, based on the information that we were given by the Housing Division, they don't see any point where they're going to be increasing the amount of credits above the $10-million-per-year maximum that they'd have to increase in another fiscal year.

David Schmidt: Thank you. I think we can go on to the bottom line.

Michael Nakamoto: Thank you, Mr. Chair. Again, for the record, Michael Nakamoto with the Fiscal Analysis Division. The bottom line in terms of the forecast that you're being presented here, before Tax Credits, and we can use the table for that since we have the request for the change to the Tax Credit forecast which would then affect the total After Tax Credits. So, the forecast before Tax Credits for total minor General Fund revenue of $952,241,322 in FY'23, $950,208,561 in FY'24 and $931,734,343 in FY'25 would be a $37,192,135 decrease compared to what this body approved at the November 29 meeting in FY'23, an increase of $55,453,279 in FY'24, and an increase of $53,015,454 in FY'25. And that's, again, primarily resulting from the increases to the Treasurer's Interest Income forecast.

After Tax Credits, once you remove that $475,000 tax credit from the Catalyst Account Transferable Tax Credit program, a resultant total tax credits for FY'23 of minus-$49,010,663, And so, then the Total General Fund Revenue after tax credits would be $903,230,659. The totals in the tables for FY'24 and '25 are still correct because there are no requested revisions. The tax credit requested revision only affects FY'23. So, you have a negative-$52,360,550 in tax credits in FY'24, minus-$47,130,605 in FY'25 which would result in total General Fund Revenue after tax credits of $897,848,011 in FY'24 and $884,603,738 in FY'25. So, the resulting changes to the forecast after tax credits are approximately $29.3 million in FY'23. I can get you the exact amount here in a second and increases of $55,003,279 in FY'24 and $52,540,454 above the November forecast after tax credits for FY'25. And with that, I'll answer any questions while I'm trying to calculate the net change for FY'23.

David Schmidt: Any questions? I think if there's no questions, we're just waiting for the final numbers that we can put that into the Form for Motion to approve the revenue forecast.

Michael Nakamoto: Mr. Chair, Michael Nakamoto for the record. The revised forecast of After-Tax Credits of $903,230,659, I actually went the wrong direction in terms of the difference. It is minus-$28,420,101 compared to the November 29 forecast. I was subtracting it. I should have been adding that amount back because we're actually gaining revenue in that aspect. This forecast of the $903,230,659 that we would -- that is part of the Consensus, is a reduction of $28,420,101. Thank you.

David Schmidt: Thank you. With that, would someone like to make a motion? I think I heard Ms. Coffman with a motion and Mr. Thorley with the second. All in favor, please say aye.

Sarah Coffman: Aye.

Wayne Thorley: Aye.

Mary Walker: Aye.

David Schmidt: Any opposed? Motion passes.

5. Public 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 April 21, 2023, dial (669) 900-6833. When prompted to provide the Meeting ID, please enter 857 5214 2853 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 have our second opportunity for public comment. Would anyone here in Carson City like to make some public comment? (There was none.) Anybody online or on the phone?

Broadcast Service: The public line is open and working, but there are no callers at this time.

David Schmidt: Thank you very much.

6. Adjournment (For Possible Action).

David Schmidt: With that, we will adjourn this meeting.