

MINUTES OF THE MEETING OF THE TECHNICAL ADVISORY COMMITTEE

The Technical Advisory Committee (TAC) met on Tuesday, April 26, 2011 at the Nevada Legislative Building, 401 South Carson St., Room 3137, Carson City, Nevada, at 3:30 pm. Present were:

Members:

Rick Combs, Legislative Counsel Bureau, Fiscal Division
Mark Krmptic, Legislative Counsel Bureau, Fiscal Division
Andrew Clinger, Department of Administration, Budget Division
Bill Anderson, Department of Employment, Training, and Rehabilitation, Research and Analysis Division
Marvin Leavitt
Jeff Hardcastle – State Demographer (by phone)

Others Present:

Janet Rogers, Department of Administration, Budget Division (by phone)
Russell Guindon, Legislative Counsel Bureau, Fiscal Division
Michael Nakamoto, Legislative Counsel Bureau, Fiscal Division
Joe Reel, Legislative Counsel Bureau, Fiscal Division
Mark Winebarger, Treasurer's Office
Cy Ryan, Las Vegas Sun
Geoff Dornan, Nevada Appeal
Bruce Breslow, Nuclear Projects
Brody Leiser, Department of Taxation
Suzanne Kilgore, Nevada Taxpayers Association
Chris Sansom, State Board of Nursing

I. ROLL CALL

All TAC members were present, with the exception of Mr. Leavitt.

Russell Guindon: Mr. Chairman, I think we've got the five members that will be attending up here in Carson. And it's my understanding that Marvin Leavitt could not make it, so I think with you, that makes the six members that will be in attendance for today's meeting. So, I think, if you'd like, we can have you get this meeting initiated.

Bill Anderson: Thanks, Russ. For the record, this is Bill Anderson, chairperson of the Technical Advisory Committee on Future Revenues. It's approximately 3:40 in the afternoon, on April 26, 2011. And I'd like to call this meeting of the Technical Advisory Committee to order. I'll be chairing the meeting, obviously, from down south in Las Vegas, but I would certainly offer, especially to Mr. Combs, to go ahead and feel free to direct traffic up north during the meat of this meeting, when we go over the various handouts that have been provided. So with that, I'll ask Ms. Burey (phonetic), I believe to go ahead and call the roll for today's meeting.

***II. APPROVAL OF MINUTES OF NOVEMBER 24, 2010 MEETING**

Bill Anderson: Okay, we do have a quorum present. My understanding is that the meeting has been posted in accordance with state law. Agenda item number two; approval of the minutes from our last meeting on November 24th. I will, after we move our way through this agenda item, I do have a comment or two about how to approach this in the future. But for now I'll simply say that I looked at the minutes; they're certainly accurate in my opinion. With respect to the action taken, I would suggest that we either have a motion to approve or like we did last time, a motion to approve with direction to me to work with staff to tidy up any loose ends.

Rick Combs: Mr. Chairman, Rick Combs for the record. I would move that you be allowed to work with Budget Division staff to clean up any technical adjustments you deem necessary to the minutes.

Bill Anderson: And do we have a second?

Andrew Clinger: I'll second.

Bill Anderson: Okay. So Mr. Combs has made the motion to approve subject to my working with staff to tidy these up, seconded by Mr. Clinger. Any further discussion? All those in favor. And I hear no opposition. One suggestion I would throw out on the table, and I suggest we move forward with it unless there's any kind of objection. I think in order to make the minutes process easier for everybody involved, ourselves as well as for staff, that perhaps beginning with this meeting that only summary-written minutes be provided. They can always be backed up with the verbatim tape, a tape recording of the meeting. What I'm kind of envisioning is just a simple summary of each agenda item, noting any action that was taken, noting who was the main presenter, who got involved in the discussion; things of that nature. So I guess informally I would call those summary minutes. Again, if there's not any real objection to that, I would suggest that we put together those kinds of minutes beginning with this meeting. Any thoughts on that?

Rick Combs: Bill, it doesn't look like anyone has any concerns with that idea up here. I think that sounds good.

Bill Anderson: Okay. So a note to staff then that's how we can proceed, again, beginning with this meeting. And I'll be available, Jennifer, to help you out on that front.

***III. REVIEW AND APPROVAL OF REVENUE FORECASTS FOR SELECTED GENERAL FUND REVENUES**

Bill Anderson: Moving on to agenda item number three; review and approval of revenue forecasts for selected general fund sources as directed by the Economic Forum at their December 1, 2010 meeting. This is typically our main responsibility. In very rough terms, if my calculation was accurate, we're looking at forecasting or projecting roughly

20% of the total general fund revenue total, with respect to the various small revenues that we'll be looking at today. I think at this time, what we normally do is staff, especially Mr. Guindon, just kind of walk us through these handouts. As he goes through, we'll feel free to ask any clarification questions, and then at the end if we want to circle back and have specific discussions about any individual revenues, we'll be free to do so. So with that, Russ, I'll turn it over to you. Just a couple more introductory comments; I believe we're dealing with year-to-date information through the month of March, and I also think that it should be noted that the consensus forecast that will be presented by Mr. Guindon reflect current law, and that includes various sunset provisions. So with that, I'll turn it over to staff.

Russell Guindon: Thank you, Mr. Chairman. For the record, Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Council Bureau. What you should have available to you this afternoon is five different tables and then a single table. And so I'd just like to go through each one of those quickly, Mr. Chairman, so that I can go through what the tables are, what's in them, and then I'll get to the details with your permission. Table 1, it's titled at the top Table 1 TAC, December 1, 2010 Forecast. Just since it's been a few months since this body has convened and had to reconsider this, I put this table together as it reflects the decisions of this body at the meeting in November 2010. And the TAC forecasts were approved by the Economic Forum at their December 1st meeting. And so I just wanted everybody to have that as a reference point. I don't plan on spending a lot of time on it, but just thought it might be needed for reference to what the decisions of this body were last time. Table 2, it's titled Table 2, May 2011 Staff Draft Forecast. This is the table that has the forecast for this body's consideration this afternoon for each of those non-major general fund revenue sources that the Economic Forum has directed the Technical Advisory Committee to prepare a forecast today for their consideration at their May 2nd meeting on Monday. I should point out that the forecasts here are the same set of forecasts that this body considered and made a decision on last time. There were no changes to the set of forecasts that the Economic Forum directed to this body to deal with. And so I will be spending most of today's meeting going through that table. Table 3 is the difference between the TAC May 2011 TAC forecast versus the December 2010 forecast. So basically it's the difference between Table 2 less Table 1 to give you an idea of what the revisions are to the forecast. And as you see this is being labeled the staff draft forecast, because remember, again, the process here is that the Legislative Council Bureau and the Budget Office request a revised forecast from all the executive branch agencies that collect general fund revenues that go into this table. The staff from the Budget Office and Fiscal Analysis Division reviewed those forecasts and then get together to see whether a consensus can be reached or not for presentation to this body for your deliberation and decision making. Table 4 is then sort of the meat here in terms of it's the Agency, Fiscal and Budget revised forecast for each of these non-major general fund revenue sources. So you see here there's a set of forecasts roughly 2011, FY 2012 and FY 2013 for the agency. Those are the ones that budget and fiscal receive based on our request to provide us forecasts, and then Fiscal is the ones that the Fiscal Analysis Division from the Legislative Council Bureau went through. And then under Budget, those are the ones that the Budget Office produced. As we go through this, and is from

your prior experience, lots of times the Fiscal and Budget are willing to accept the Agency's forecast, and that's why you'll see the same forecasts for Agency, Fiscal, and Budget. The final table here is labeled Table 5. It's the difference between the Agency, Fiscal, Budget's May 2011 forecast versus their December 2010 forecast. So it's basically the difference of Table 4 less the Agency, Fiscal, Budget's forecast that they produced in November 2010, for consideration by this body. That's those five tables that we'll go through. The final table that I will reference when I get to that section of the presentation, Mr. Chair, is just that it provides a summary of the Secretary of State's general fund revenue forecast. And unless there are any questions about these tables, I will proceed with the presentation or I can pause to address any questions of the members of the Committee. I don't see any questions up here, Mr. Chairman. So with that, I'd ask the member so the Committee to, probably the easiest way to do this is if you've got room at the desk, is to put Table 2, Table 3 and Table 4 sort of out there so that you can see sort of, Table 4 will allow you to see the Agency's, Fiscal Budget forecast, and then Table 2 is the staff's consensus utilizing the information in Table 4. And then Table 3 just allows you to see the difference. So with that, Mr. Chair, I think as you've directed staff before, in prior meetings, is to just sort of proceed through the different forecasts and then there would probably be questions at the end unless there are questions that need to be addressed at that immediate point, when I'm going through the revenues.

Bill Anderson: I think that's the most efficient way to proceed.

Russell Guindon: Okay. Thank you, Mr. Chairman. So in Table 2, you see the new revised proceeds for net minerals, net proceeds of minerals, and you can see that's been revised upward by approximately \$16 million and up by 2011. This is a pretty hard number, because it's based on the estimated payments that the mines have reported to the Department of Taxation, as well as it accounts for the true up payments that occurred in FY 2011, based on the estimated payment that they made back in March 1, 2010. And so that estimate was provided to us by the Department of Taxation, and Budget and Fiscal are both in concurrence with that. And then you can see the revised estimate for FY 2013, which is now \$69 million, which is approximately \$9 million higher than the prior forecast that was considered and approved by this body. The other one in this section that I just wanted to briefly comment on is the mining claims fee. There's been no change to that forecast based on the information that's available to staff; that there's still the possibility that the \$18.75 million will be receded within the FY 2011 fiscal year. I don't have any issues to really present to the members of the Committee under the gaming section. Those were the forecasts produced and provided by the Gaming Control Board, and were accepted by Fiscal and the Budget Office. Under the Live Entertainment Tax, Nongaming, it's GL 3031 NG. There the forecast that you see there in Table 2 as the Staff Consensus Forecast is actually the average of the Agency and the Fiscal Analysis Division's forecast. This was sort of when Budget and Fiscal got together and reviewed the different forecasts. This is sort of where the comfort level of staff was to put together for this body's consideration. And then again I won't go through all the numbers. You can look at Table 3 to see that it was actually a downward revision to this revenue source. The next one that I think is worth bringing to this attention is, as you can see I've shaded most of the ones where I plan on addressing, is

the cigarette tax. Last time, the staff consensus and this body adopted was the average of the Agency, Fiscal, Budget's forecast. And so when Budget and Fiscal got together and looked through these, we thought that was an appropriate sort of rule to use this time. So the forecast that you see in the Table 2 is that it's the average of the Agency, Fiscal, Budget. And, again, in Table 3 you can see it's a downward revision, more so in the first year than it is in the out years. The governmental services tax; this is the, again, the consensus forecast that you see here is the average of the Agency, Fiscal, Budget's forecast. And so, in fact, when you end up doing the average, it ends up being relatively close to the Agency, but it was one of the things that as the Budget and Fiscal staff talked through this, that thought the average provided sort of some comfort with regards to averaging over all three and deriving a forecast for the consideration by this body. Again, you can see it ends up in a downward revision to the forecast. Then next is the business license fee, which is the average of the Agency and Fiscal Analysis Division's forecast that are included in Table 4. The liquor tax is the average of Fiscal and Budget's forecast. For those forecasts, again, are included in Table 4. Again, you can see that this was actually upward revisions to these two revenue sources. And with that, I think that that's all I wanted to address in the taxes section, Mr. Chairman. And so you can see that based on the revised staff consensus forecast that's been provided for your consideration in Table 2, it's approximately \$12.3 million higher in FY 2011, primarily again due to the net proceeds in minerals revision, and then it's \$2.1 million less in FY 2012, and approximately \$6.8 million higher in FY 2013. And so, again, primarily due to the upward revision in net proceeds of minerals forecast. On the second page of Table 2, we have the insurance licenses, which last time when the Budget and Fiscal got together with this and looked at this that we had done with the Fiscal Division's forecast and thought that was where the comfort was again this time. And you can see it ends up in just a slight upward revision. I don't really have anything on marriage license. We went with the Agency's forecast last time, and we went with it again this time. Under the Secretary of State, Mr. Chairman, members of the Committee, this is one where maybe it's best, at this point in time; I provided an additional separate table for the members' consideration. It's titled Summary of Forecast for Secretary of State General Fund Revenue Sources. And I will point out that this table is only for the ones that we'll be considering here under this Secretary of State section. On Table 2 here, it does not include the business license fee, which was up in the taxes section, nor does it include the declaration of (incomprehensible) filing fee that we'll see on the very last page. With regards to the UCC, when we looked at that in terms of Fiscal and Budget analyzing where we were year-to-date and where we thought we could end up, as the chairman pointed out, for these Secretary of State revenue sources, we do have actual information fiscal year-to-day through March 2011. So we're really, for '11, trying to look at what will happen over the last three months. And so for this one, when we looked at it, there was more comfort with the Fiscal Analysis Division forecast in terms of where the FY 2011 was, and then having some growth in this series going forward into '12 and '13. And so you can see then that's the forecast listed in Table 2, and it's also listed in the separate document that I prepared. The next two that I'd like to take sort of in unison is GL 3106 and GL 3130. These are the commercial filings, or as they're known as commercial recordings by the Secretary of State. These are all the numerous fees that are imposed for filing of corporations, limited partnerships, renewing your annual lists; things like that.

And so because the Secretary of State uses the two GLs, it actually sometimes gets, I think, hard for them as the Agency's, but I think particularly hard for Janet and I as the Fiscal and Budget staff looking at this to keep them straight. So we try and look at them combined, because that's sort of the bottom line here. So that's why I created a separate table, and would really like to focus on the total commercial recordings' line there. So you can see in Table 3, or excuse me, Table 4 the Agency, Fiscal, Budget forecast for these. And so when Budget and Fiscal worked through this, we decided to average the GL 3106 to set that as the base. And so you can see that ends up being the \$3,116,000. And then based on where we thought the comfort level was for the total, we had the GL 3130 balanced against that to get to the total. Now, I realized that may not make any sense and I would probably stipulate to that, but it was a way that Janet and I could get our minds around this as to put together a forecast that we could bring forward for this body's consideration. And so thus you can see that we think it'll be the \$74,188,000 in FY 2011, and then grow 2% in FY 2012, and an additional 2% in FY 2013. You can see that this consensus staff forecast reconsideration is a little higher than the Secretary of State's. Remember, this is one that staff had to take into consideration that there were fee increases approved during the 26th special session that were effective March 12th. And so you had sort of the last three months of FY 2010 that had fee increases, and so you'll now start to annualize against them the last three months of FY 2011. And then obviously will be fully annualized against those in '12 and '13. But, still, when we looked at it we thought that the forecast could be a little stronger in '11, and that there most likely would be some growth in this series versus the Secretary of State's sort of flat scenario forecast for '12 and '13.

Bill Anderson: Hey, Russ, excuse me. And you may have just answered this in your last couple of sentences. Should we read anything into that 8% gain in fiscal year 2011, followed by, you know, essentially 2% gains in '12 and '13? I think you might have mentioned some fee increases that might be inflating the numbers a little bit this year.

Russell Guindon: Yes, you're absolutely right, Mr. Chairman; that because of a bill passed during the 26th special session, it increased some of the fees that the Secretary of State imposes for commercial recording activity. And so you really pick them up the last three months of FY 2010. And so if you think about it, you had nine months' worth of those fee increases in FY 2011, and that's what we're seeing year-to-date. We're up very strong. I can't remember the number. It's something like we're up double digits, but that's not surprising given the fee increases. And so the 8%, we're assuming we're going to slow down over the last few months, because we're going to be annualizing against the fee increases this year versus the same fee increases a year ago. And so that's where the 8% comes from in '11, and then we assume that you only get the 2% because you're pretty much fully annualized against the fee increases in '12 compared to '11. So the growth there is not fee increases at all, it's assumption about the underlying level of commercial filing activity that will be occurring in the Secretary of State's office. So I hope that addressed your question, Mr. Chairman.

Bill Anderson: Yes, it did. Thank you.

Russell Guindon: Thank you. So the last Secretary of State revenue source here that I would like to spend some time on is GL3152, Securities. And there, again, from Table 4 you can see the various forecasts that were considered. And so here we decided the comfort level was with averaging the Agency and Fiscal forecast, and that's the forecast showing in Table 2 and it's actually forecast shown in the separate table, the Summary of Forecasts. So, again, I just wanted to spend the time on the commercial recordings to go through that. With that, I'll move on to really the only other one on this table, excuse me, there's two, is the Real Estate License Fees, GL 3161. That forecast is also the average of the Agency and Fiscal forecast. And, again, you can be following along in the Table 3 to see that the forecast ended up being a downward revision this time. This was another one that was affected by a fee increase that occurred during the 2009 session, actually. And so that's why for any of you that are looking at the table and you see the number go up so significantly in FY 2012 and in '13, is because of fee increases that were approved during the 2009 session that under law are set to take place and become effective July 1, 2011. And then finally on the licenses section of the tables, you have athletic commission fees. And I just merely, this one is the Agency's forecast, and I just thought, I wanted to make a couple comments, because you can see it's approximately \$2.9 million in '11, and goes up to \$4 million. And staff has talked to the athletic commissioner and he's told us that the reason for sort of staying at the 2.9 in '11 is that there's a fight that was lost due to the fighter having to drop out of the fight, so we lost a fight in '11. But then in '12 and '13, looking at what the fights are that are booked and scheduled, he thinks that we should be able to go back up to the \$4 million range. And so based on his information provided to Budget and Fiscal staff, we were comfortable concurring with the Agency's forecast for this particular revenue source. On the Fees and Fines section, the vital statistics and divorce fees are the average of the Agency and Fiscal forecast. And, again, you can see the impact to the revisions to the forecast. Basically, all the other forecasts on that sheet are the Agency's forecasts except for short-term car lease, which is the average of the Agency and Fiscal Analysis Division, and then the notice of the bulk fees that is the average of the Agency and Fiscal Analysis Division's forecast. And, again, I will sort of step back a little bit, Mr. Chairman, and just for the Committee's information, that you can see under the licenses that the net effect is an upward revision of approximately \$7 million in FY 2011 for the licenses section, \$9 million in FY 2012, and \$10.6 million in FY 2013. And, again, you can see this is predominantly due to the upward revision in the commercial recordings forecast, as well as the securities forecast. Under the Fees and Fines section, the net revision is approximately \$2.5 million higher in FY 2011, \$2.4 million in FY 2012, and \$2 million in FY 2013. Finally, on the last page, Mr. Chairman and members of the Committee, there's nothing that I really need to discuss on the Use of Money and Property section. The repayments are the Agency's. Budget and Fiscal staff have concurred that those are the appropriate repayment amounts in terms of lining of with what's in the Agency's budget. The one is the Treasurer's Interest Income there that you can see that is the Agency's forecast. We do have Mr. Winebarger here from the Treasurer's Office if the chairman or members of the Committee do have questions about that, but we did end up concurring with the Treasurer's forecast. And you can see, again, from Table 3 that it ended up being a downward revision to that forecast. And finally, well, I'll catch myself here. You can see the net effect of that is to revise the forecast down by approximately

\$461,000 in FY 2011; revise it down by approximately \$1.7 million in FY 2012, and revise it down by approximately \$446,000 in FY 2013. The final section of the table is Other Revenue. And here you have the property tax elements, which is the \$0.04 property tax redirection from Clark and Washoe, the portion of the \$0.05 capital rate from Clark and Washoe and the supplemental account for medical assistance to indigent persons, which is actually that 2½ cent property tax rate. And these under the current laws, the chairman was pointing out, that there's been other sunset items here, but these are clearly the ones where you see the revenue sitting there in '11 and there's nothing in '12 and '13. It's because there's a sunset, or under the law, it only authorized a transfer for FY 2010 and FY 2011. The forecasts that you see here are the forecasts that came out of a consortium of staff in the Budget Office, the Fiscal Analysis Division, the Treasurer's Office, the Department of Education, the Department of Taxation, I think Public Works, and there was probably a few more peas in that pod. But we get together and we got together on, I believe it was April 6th, and analyzed the numbers that the Department of Taxation had put together. There was some additional technical adjustments and information that the Department needed to consider. And when they were able to get that information and complete their analysis, they provided that information to Budget and Fiscal, and we've concurred that those are the estimates for property taxes for '11 and '12 and '13 that we'll be using for the \$0.75 property tax. But, obviously, then this is the \$0.04 portion and the portion of the \$0.05 portion that goes to the general fund and the supplemental account for medical assistance to indigent persons. Again, you can see there, and I did want to just make a couple comments that people see that, wow, I thought that property tax were being revised down. And so you see here, it was an upward revision. This is sort of one of the nuances of timing is everything, because this body convened in November 2010. And so there's a preliminary set of property tax forecasts that Budget and Fiscal and that consortium had to develop for use for this body's purposes and the Economic Forum's purposes. We then ended up meeting on it, I believe it was December 6th or December 8th, to actually produce the, sort of the consensus forecast that the governor used for the executive budget, and then we used up until the revised ones that occurred during the session. So that's why there's this upward revision, but it also has to do with, remember this is about FY 2011, so we're collecting those taxes. So we have pretty good information coming from the County Treasurer that's being provided to the Department of Taxation. And so it's one of those things that our forecast was a little low for '11, compared to what we had been carrying on the sheets when this body met in November 2010. Finally, the insurance verification fees is now \$750,000. This is the one that it was originally going to be \$6 million based on the information that staff was able to put together for this body to consider at the last meeting. It was \$2.5 million. Now, based on the analysis of this, staff believes it could be somewhere between \$500,000 to \$1 million, and so we were going with the \$750,000 as the midway point of that range; of the amount of funds that we think could be transferred under this provision. The other one then is the Clean Water Coalition, the \$62 million. I know there's been some conversation and discussion about this. This is the one that based on the actions from the 26th special session; we put the \$62 million in FY 2011. As most of you know it's been in the courts. And so right now it's slated, I believe, based on the information that's provided to me by our legal counsel, that it's going to go to hearing with the Supreme Court on May 12th. And the belief is, is that it

will, you know, sort of be an expedited process in terms of the decision. And so with that, no one's told us that we will not be getting the \$62 million in FY 2011. So Budget and Fiscal talking through this believe that we're going to leave it on the sheets for FY 2011, even if we (incomprehensible) the money and receipt it, I mean, if the court goes in our favor and we're able to receipt the money, but it wasn't until July or August. The fiscal year is still open and we could bring the money back into FY 2011, in terms of booking it there. And so at this point in time, we're leaving the \$62 million on the sheet for FY 2011. The final two are the Court Administrative Assessments and the Court Administrative Assessments Fee. Those forecasts are both the average of the Agency and Fiscal forecasts. And then the remainder of the forecasts on that sheet are the Agency forecasts. I would just like to point out you can see the fairly significant upward revision to the unclaimed property forecast. That is based on information that the Treasurer's Office had with regards to additional unclaimed property coming in, in '11, and then based on that information, ended up revising up the forecast for FY 2012 and '13. And, again, we do have Mr. Winebarger here from the Treasurer's Office if the members of this committee have any questions regarding that item. So finally then under the Other Revenue category, the net revision is approximately \$14.8 million. Again, you can see primarily due to the unclaimed property revision of approximately \$13 million, and then approximately \$5.4 million in FY 2012, and \$5.4 million, excuse me, \$4.8 million in FY 2012, and \$4.7 million in FY 2013 is the net positive impact for total Other Revenue. And so based on the forecast that staff has compiled for this body's consideration on the non-major general fund revenue sources, the forecast for FY 2011 is approximately \$36.1 million for FY 2011, \$12.4 million for FY 2012, and \$23.7 million for FY 2013. And with that, Mr. Chairman, that concludes the information that I wanted to present to this body with regards to the revised non-major general fund revenue forecast for your consideration. And with that, I'll address any questions that the members may have.

Bill Anderson: Thanks, Russ. Just to go on the record, before we move to questions, Janet, on behalf of the Budget Office, do you have anything else to add?

Janet Rogers: This is Janet Rogers for the Budget Office. No, the only thing, well, no and yes. In the instances where Russell and I took the Fiscal and the Agency forecast, it was because I had concurred with the Agency forecast. So if you average the Budget forecast in with that, you would sort of counting the Agency forecast twice. Beyond that, I have nothing else to add.

Bill Anderson: Okay. Thank you. I know that I just have three revenues that I'd like to address, just essentially to get clarification on. Number one is, Russ, the Live Entertainment Tax for Nongaming. I was struck by the fact that that's a downward revision relative to what we've produced late last year. I think it's down by a little more than \$1 million each year. Is that essentially a reflection of the kind of consensus assessment that we're getting more visitors, but they're spending less? Is that essentially what that's reflecting?

Russell Guindon: Mr. Chairman, this one has always been a particularly tough revenue source to forecast, because it's one that may be tied less to visitors, because this is the

nongaming portion versus the gaming portion. So it's probably more like, you know, your bars and that type of entertainment, but it includes anything that's not in a gaming establishment. So there could be visitors brought to that when it's in a coliseum or a nongaming establishment. But what was going on here, remember this is a revenue source that was influenced by the amnesty program in terms of creating some fiscal year distortions. But also when we were looking at it and discussing with the Department of Taxation, that during the FY 2010 period, there is a period from November 2009 to April 2010 that you had growth in the range of 34% to 84%. And so then when we were forecasting FY 2011, we were trying to figure out is that a new base or is that some kind of anomalous event. And I will just be honest with regards to my analysis, it looked to me like when we were doing this last time that something had happened; there was more activity in there and it was setting a new base and allowed a little growth off of that. Well, now since then, September 2010 through February 2011, you had pretty much double-digit negatives against double-digit positives. So you're sort of stepping back from that, so it wasn't a new level. There was something special, in my view, going on in '10, and you're now retracting from that in '11. And so thus that is sort of, I think, as we talked through it and talked to Taxation, is the reason for the downward revision in the forecast this time, and then allowing a little bit of growth out in FY 2012 and '13. But it's because of the amnesty that showed up in, let's see, I'm trying to find my thing here, there was amnesty in FY 2011, about \$1.6 million, that then when you annualize against that in '12, that's why you get the decline of the 7.4% in FY 2012. So it's a combination of trying to figure out what was going on and then the amnesty causes you to have the decline in FY 2012. And I hope I actually help to answer that, instead I made it worse, so...

Bill Anderson: No, no. That helps a lot. The downward revision struck me in light of, especially what happened to short-term car leases, which were revised upwards by roughly a few million dollars each year. The other two revenues that I wanted just for you to go back and go over again are two of our largest. Net proceeds of mines, there's obviously something structural. I think it has to do with prepayments going on there as we have \$82.5 million this year, nothing next year, and then \$69 million in 2013. So if you could just kind of restate your remarks with respect to that one.

Russell Guindon: Yes, Mr. Chairman. Last time forecast that this body approved was the forecast of approximately \$66.5 million. And when staff was sitting down and talking to the Department of Taxation going through this one, we were aware of the strength in gold prices and so, but we thought that was the forecast. But what we didn't build in, really any money into that forecast, was what could be the true up in terms of, because remember in the current system you make an estimated payment and then you can true up against that quarterly to avoid a penalty, but then at the end of that period, you file what you actually produced and then you true up against your estimate. So I think as we talked through it, given that we had no experience with this as what a true up could be, we didn't build any true up in. So when you look at this, I think, and again from my understanding of the \$82.5 million, there's somewhere, I think, close to \$16 million of that is due to true up, which means we got pretty close to our \$66.5 million of what actually came from the mining. The rest was true up from the prior year. So that's

what's driving that \$82.5 million number. So then going forward to FY 2013, you'll be back under the old law, which is it's no longer based on an estimated payment, it's based on your actual mining activity for calendar year 2012, so there shouldn't be any true up. So again, \$69 million is what we think based on where gold prices will be, will be the net proceeds that'll be paid and there won't be any true up. There could be penalties and interest, but there won't be that true up kind of stuff. So, again, I hope that sufficiently addresses the chairman's question on that revenue source.

Bill Anderson: Yeah, I think it did. But just to clarify, the lack of revenue in FY 2012 is because of prepayments?

Russell Guindon: It's actually due to the sunset on the prepayments that, under current law, the sunset will occur at the end of this fiscal year, and you switch back to the old law. But because we've already taxed calendar year 2011 on an estimated basis, you can't then go tax it. So could there possibly be some revenue that may come in, in '12? Yes, but it would be de minimis, and so thus we've decided to not, again, try and bet on the (incomprehensible) and we put zero in here. And, again, that's why you don't see any sort of penalty in there, because if we don't think that there's going to be any revenue, how would you have penalty. But there could be some revenue in there, but the staff and Taxation have decided to put zero in there because of the sunset that occurs.

Bill Anderson: Okay. Thanks. And then, finally, the very last revenue, unclaimed property. Should we read anything into the decline from \$69 million in FY 2011 down to \$51 million in each of the two years or the next biennium? Is there anything policy driven there?

Russell Guindon: I'll probably let Mr. Winebarger come up and answer that. Other than maybe people are finally realizing they're leaving a lot of unclaimed property laying around. But, no, Mark assures me that that's not true. He's going to find a lot, but we'll let him answer it, so...

Mark Winebarger: Good afternoon. My name is Mark Winebarger, Chief Deputy Treasurer. The main difference between the large collection, or the money being transferred to general fund in FY '11 and '12 and '13 is that right now we're doing an audit or a self-audit, which should generate about \$11.8 million, I believe, that should be received right before the end of the year, June 15th or so. And this will not carry over. It's a special thing that will not repeat itself. And because most of that money is coming late in the year, claims will not be made on that money until the two subsequent years. So that will increase claims in those two years. And, again, the \$7.6 million that's transferred to the Millennium Scholarship Trust Fund resumes in '12 and '13, and will not be paid in FY '11.

Bill Anderson: Okay. Thank you. Any other questions from any of the other committee members regarding this revenue source or any others?

Rick Combs: Mr. Chairman, Rick Combs, for the record. Mark, could you walk through a little bit of detail about what the self-audit process is? I mean, what does that mean and how does that work?

Mark Winebarger: This audit, and I'm not an expert in this. Our unclaimed property person was here today, but left. She was actually in a court case, which we won. So we should be getting some more money, hopefully, for that as well. It's not an audit conducted by one of our auditors that we have contracts with or one of our auditors. They've, a company, a bank has realized that they have been paying unclaimed property to a previously incorporated state. So they've identified this money and decided, yes. And they're going through the records, and it's been going on for several months now. We've been having conversations for quite a while now. And they've determined amongst themselves that this money actually goes to Nevada, and not to a previously identified state.

Andrew Clinger: Mr. Chairman, if I could ask a question. This is Andrew. Just to clarify, too, in fiscal year '12 and '13, you talked about the \$7.6 million transfer to the Millennium Scholarship Fund. That is not reflected in these numbers, correct?

Mark Winebarger: It is reflected in the '12 and '13 year.

Andrew Clinger: It's netted out, though?

Mark Winebarger: Right.

Andrew Clinger: In other words, we're going to actually collect \$7.6 million more than is on these sheets...

Mark Winebarger: Right.

Andrew Clinger: ...and it will be transferred...

Mark Winebarger: Right.

Andrew Clinger: ...to the Millennium. So I think that explains part of the difference between '11, '12, and '13.

Mark Winebarger: Exactly. We're going down \$51 million in part because of that \$7.6 million transfer.

Rick Combs: Mr. Chairman, Rick Combs again. If I could just have one more. I wanted to go back to one of the ones you talked about, which was the Live Entertainment Tax, Nongaming. And as I went through the growth rates for FY 2013, I'm noticing that this looks like one that, if I'm remember right, Russ, you averaged your forecast with the Agency forecast. But I was hoping, Russ, that maybe you and Janet could both comment on this one, because, Russ, you're forecast was significantly lower for this than the

Agency's. And the averaging, obviously, makes up for some of that, but we're still coming in at a 3.9% growth rate even after the averaging on this revenue source. I'm just wondering what, you know, what's going on out there that would lead us to believe we're going to achieve that level of bounce back in this.

Russell Guindon: Well, I can only sort of account for the forecast that I have here, which is that as I talked about the double-digit negatives and then, or the double-digit positives going against that, and then with the amnesty you get the 13.1% decline. But then, obviously, '13 is apples to '12. And I just think, again, looking at, as Mr. Anderson (incomprehensible), but I have some growth in my visitor's forecast, and in thinking that there should be some improvement in the economy that you could get approximately 2% growth out there in FY 2013. I think we would probably need the Department of Taxation to come forward and address their forecast for those two fiscal years, Mr. Combs.

Brody Leiser: For the record, Brody Leiser, Deputy Director, Department of Taxation. On the LET Nongaming, I mean, as Russ had mentioned there was a spike in the first quarter of fiscal year '11 due to amnesty collections in the amount of about \$1.5, \$1.6 million. We did try and take that into account in our projection model in the amounts that we had presented to this body at the November meeting. At that meeting, we had also tried to project the amount of the collections through the September quarter. And what we saw, since the time of that meeting, in actual collections, is actual receipts for the first two quarters of fiscal year '11 and the estimated amount for the third quarter of fiscal year '11 are approximately \$900,000 below what we had projected to this body at the November meeting. So based on those collections, and the fact that those collections were coming in lower than what we had projected at that time, we did revise the figures that were presented to this body today. Again, just for your understanding, we do regression analysis based on amounts that are actually collected and distributed to the general fund for each of our tax types. So while we don't necessarily represent expectation in the recovery of the economy or tourism or anything to that level, those things are incorporated into the amounts that we are currently collecting and distributing to the general fund. So as a result with the revisions to our projections, we did decrease the amount that we're projecting in FY '11 by approximately \$1 million compared to what we presented in November, and approximately \$800,000 for the biennium compared to what we had presented at the last meeting.

Rick Combs: Mr. Leiser, my main concern is with the growth rate in '13. Your projected growth rate is 5.6% in this revenue source in '13, and I guess you're telling me that's just the product of the way that you project the revenue out. But I'm just wondering what there was out there that would cause us to think it would come bouncing back at that level. And then, obviously, we've taken care of a little bit of that by averaging the fiscal forecast with yours. I just was curious as to what was causing that level of growth.

Brody Leiser: For the record, Brody Leiser. That level of growth would be due to the spike that we saw in the collections in fiscal year '10. We did account for the amnesty,

but as Russell had mentioned even without the amnesty, you saw double-digit growth in fiscal year '10 in the LET collections. And so incorporating that into our projection model, that's why we have such a high percentage of growth from '12 to '13.

Bill Anderson: Okay. Any additional questions or requests for clarification with respect to this revenue source? You okay, Mr. Combs?

Rick Combs: I am. It doesn't appear anyone else has any questions up here, Mr. Chairman.

Bill Anderson: Okay. I have no additional questions. So now we're at the time where we decide whether or not we want to accept the consensus forecast in total as presented or if we want to circle back and make our own projections. I think it's safe to generalize that essentially all cases where there were some discrepancies amongst staff, and the average approach sometime across all three entities, sometimes just between Fiscal and Agency's was taken. So that appears to be a fairly reasonable compromise from my perspective, but I'll open up to discussion to other TAC members now, as well. And if there...

Unknown: Sorry, Mr. Chairman.

Bill Anderson: Yeah, if there's no discussion, if somebody wants to make a motion we can move forward with that.

Andrew Clinger: Mr. Chairman, this is Andrew Clinger. I would move to approve the revenue forecast as presented in Table 2.

Mr. Combs: I'll second that.

Bill Anderson: Okay. Mr. Clinger's made a motion for approval of the consensus forecast as presented in Table 2. That was seconded by Mr. Combs. Any discussion on the motion? All those in favor, please say aye. Okay. I hear no opposition. So that concludes the bulk of our business today. Before we move to public testimony, anything else from staff as it pertains to agenda item number three?

Russell Guindon: Mr. Chairman, I would just state that then this forecast that's presented in Table 2 is this body's consensus forecast that then will be placed in the informational packet for consideration by the Economic Forum meeting, at their meeting in Room 4100 at 9:30 on Monday, May 2nd. And so I just thought I would make that aware to you as chairman since you're down south and to the public that may be listening with regards to where these forecasts go after this body approves them.

Bill Anderson: Okay. Thanks for that information.

***IV. SET DATE(S) FOR FUTURE MEETING(S)**

V. PUBLIC COMMENT

No public comment.

VI. ADJOURNMENT

Bill Anderson: Moving on to item number four; any public testimony? I'm by myself down here, so there's none down south. Any up north? There doesn't appear to be. So we'll move on to agenda item number five. I'll take a motion for adjournment.

Rick Combs: I'll move to adjourn, Mr. Chairman.

Jeff Hardcastle: I'll second it.

Bill Anderson: Okay. Mr. Combs has moved to adjourn; Mr. Hardcastle has seconded. All those in favor, aye. None opposed. With that, thank you very much.

Rick Combs: Thank you, Mr. Chairman.

Bill Anderson: Thank you.

The meeting was adjourned.