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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:	Wednesday, April 28, 2021 2:00 p.m.
Location:	Pursuant to Sections 2 through 9, inclusive, of Chapter 2, Statutes of Nevada 2020, 32nd Special Session, pages 9 through 11, there will be no physical location for this meeting. The meeting can be listened to or viewed live over the Internet. The address for the Nevada Legislature's website is http://www.leg.state.nv.us. Click on the link: "Scheduled Meetings."

MEMBERS PRESENT:
Susan Brown, Governor's Finance Office
Andrew Clinger, Nevada System of Higher Education
Sarah Coffman, Legislative Counsel Bureau
Wayne Thorley, Legislative Counsel Bureau
Jeffrey Hardcastle, State Demographer
David Schmidt, Department of Employment, Training and Rehabilitation
Mary Walker, Local Government Finance

STAFF PRESENT:
Susanna Powers, Executive Branch Economist, Governor's Finance Office
Russell Guindon, Principal Deputy Fiscal Analyst, Legislative Counsel Bureau

1. Call to Order/ Roll Call.

Susan Brown: Thank you. Good afternoon. I'd like to call to order the meeting of the Economic Forum: Technical Advisory Committee on Future State Revenues. Mr. Guindon, will you call the roll, please?

Russell Guindon: Thank you, Madam Chair. For the record, Russell Guindon, Principal Deputy Fiscal Analyst with the Fiscal Analysis Division. I will call roll here under Agenda Item 1.

Andrew Clinger.

Andrew Clinger: Here.

Russell Guindon: Vice-Chair Sarah Coffman.

Sarah Coffman: Here.

Russell Guindon: Jeff Hardcastle.

Jeffrey Hardcastle: Here.

Russell Guindon: David Schmidt.

David Schmidt: Here.

Russell Guindon: Wayne Thorley.

Wayne Thorley: Here.

Russell Guindon: Mary Walker.

Mary Walker: Here.

Russell Guindon: Chair Susan Brown.

Susan Brown: Here.

Russell Guindon: Madam Chair, all Members are present.

2. Public Comment.

Because there is no physical location for this meeting, public testimony under this agenda item may be presented by phone or written comment.

Because of time considerations, each caller offering testimony during this period for public comment will be limited to not more than 3 minutes. To call in to provide testimony during this period of public comment in the meeting any time after 1:30 pm on November 25, 2020, dial 669-900-6833. When prompted to provide the Meeting ID, please enter 868 3536 5642 and then press #. When prompted for a Participant ID, please press #. To resolve any issues related to dialing in to provide public comment for this meeting, please call (775) 684-6990.

A person may also have comments added to the minutes of the meeting by submitting them in writing either in addition to testifying or in lieu of testifying. Written comments may be submitted electronically before, during, or after the meeting by email to daluzzi@finance.nv.gov. You may also mail written documents to the Governor's Finance Office, Budget Division, 209 E Musser Street, Suite 200, Carson City, NV 89701, or fax them to (775) 684-0260.

Susan Brown: Thank you. Moving on to Agenda Item 2. I would like to ask Broadcast staff if we have any public comment at this time?

Broadcast Services: Madam Chair, the public comment line is open and working; however, there are no callers at this time.

3. Approval of November 2, 2020, and November 25, 2020, Meeting Minutes (For Possible Action).

Susan Brown: Thank you. Moving on to Agenda Item 3. The next item up is Agenda Item 3. *Approval of November 2, 2020, and November 25, 2020, Meeting Minutes* from the Technical Advisory Committee meetings. The Chair has reviewed and made minor changes that were grammatical in nature. The Members should have received a revised draft minutes earlier today. Did everyone receive those?

Mary Walker: Yes.

David Schmidt: Yes.

Susan Brown: Are there any comments on the minutes or any additional changes?

Mary Walker: No.

Susan Brown: I would take a motion to approve the revised minutes.

David Schmidt: I'll move.

Mary Walker: Second.

Susan Brown: We have a motion and a second. Mr. Guindon, will you take a vote?

Russell Guindon: Madam Chair, so the record is clear, that motion is to approve the minutes from both the November 2nd, 2020 meeting and the November 25th, 2020 meeting of the Technical Advisory Committee to the Economic Forum otherwise known as the TAC.

Mr. Clinger.

Andrew Clinger: Yes.

Russell Guindon: Vice-Chair Coffman.

Sarah Coffman: Yes.

Russell Guindon: Mr. Hardcastle.

Jeffrey Hardcastle: Yes.

Russell Guindon: Mr. Schmidt.

David Schmidt: Yes.

Russell Guindon: Mr. Thorley.

Wayne Thorley: Yes.

Russell Guindon: Ms. Walker.

Mary Walker: Yes.

Russell Guindon: Chair Brown.

Susan Brown: Yes.

Russell Guindon: Madam Chair, let the record show that the minutes were approved unanimously.

4. Review and Approval of Revenue Forecasts for Selected General Fund Sources, including Taxes, Licenses, Fees, Fines and other Revenue for Presentation to the Economic Forum at the Economic Forum's May 4, 2021, Meeting (For Possible Action).

Susan Brown: Thank you. Moving on to Agenda Item 4. *Review and Approval of Revenue Forecasts for Selected General Fund Sources, including Taxes, Licenses, Fees, Fines and other Revenue for Presentation to the Economic Forum at the Economic Forum's May 4, 2021, Meeting*. The Members should have the information in front of them regarding the preliminary forecasts from each of the forecasters for minor revenues that the body is responsible for. I'm going to begin with Mr. Guindon.

Russell Guindon: Thank you, Madam Chair. There are four sets of documents that have been made available to the members of the TAC and are available on the Budget Division's website for the Technical Advisory Committee. So, first of the documents is called *Table 1 FY 2018 Trough FY 2020 and FY 2021 Versus FY 2020 Year-To-Date Through March*. I should comment that it can get a little tricky when we're trying to display the year-to-date collections. So, for some of the revenue sources that are done by the Department of Taxation, it would actually only display the actual collections through

January. The agency will be releasing the February collections this week. And then, for the Gaming Control Board's numbers, those are the numbers through March. Yesterday, the board released the numbers for April's collections and taxes. For all the smaller revenue sources, especially the ones that this Committee will be handling, they would be reflecting collections through March as obtained either from the agency or extracted from the controller system. I just wanted to provide that as context for that document when it says through March. Footnote B attempts to explain the issues when displaying year-to-date collections given the different timing of when the taxes are due, and the agency is actually posting them.

There are four other tables, and I will end up sharing one document here. There is one that is labeled, *Table 3 General Fund Revenue Forecasts Agency-Fiscal-Budget*. There is another table labeled, *Table 3-Difference*. *Table 3 General Fund Revenue Forecasts Agency-Fiscal-Budget* is the revised estimates that were prepared by the agency responsible for collecting the revenue sources that the Technical Advisory Committee is responsible, as requested by the Economic Forum, to forecast for, along with the Fiscal Analysis Division and the Budget Division. These are the forecasts that were prepared for this meeting. Back in March, we made a request to all the Executive Branch agencies collecting these revenue sources to provide us with a revised forecast, if necessary, in relation to the forecast that the agencies would have provided back in October or November for the December 3rd, 2020, meeting of the Economic Forum. *Table 3* displays the current forecast; *Table 3-Difference* then is showing the difference between each forecaster in terms of the forecast shown in *Table 3 General Fund Revenue Forecasts Agency-Fiscal-Budget* presented to this body back in November. *Table 3 Difference: Technical Advisory Committee Forecast - April 28, 2021 Versus November 25, 2020* is the difference between the April 2021 forecast and the November 2020 forecast.

The next table is labeled *Technical Advisory Committee-General Fund Revenue Forecast-May 4th, 2021*. That is the consensus from the forecasts that are displayed in Table 3 that staff from the Budget Division and the Fiscal Division went through and are bringing forward for this body's consideration this afternoon. And then similarly, there is the table that is the difference for the Technical Advisory Committee. That is showing the difference between the forecast that's in the table referenced previously, which can be considered as the April 21st forecast compared to the forecast that was approved by this body in November 2020 and brought forward and approved by the Economic Forum at their December 3rd, 2020, meeting. So, with that, Madam Chair, those are the tables that staff to the Technical Advisory Committee have prepared. And if that’s okay with you then I can just proceed with going through what staff thought would be information for the body's consideration with regards to the forecast.

Russell Guindon: Not all of these items will be covered. Each page has the block of data, and I will just highlight what staff thought was relevant to bring forward for this body's consideration. I can pause in each page and see if there's questions before proceeding. With that then, Madam Chair and members of the TAC, the first revenue item here that the table is referencing is the Net Proceeds of Minerals. First up is *Table 3-Difference,* the difference TAC table. Some may look at this and say the forecast is $47 million. Now, this is the difference. This means that the Net Proceeds of Minerals for the General Fund portion forecast for FY ’21 has been revised up by the $47.5 million. Back in the November meeting, we had to discuss that this revenue source was impacted by legislative actions from the 31st Special Session when the Legislature made the decision to change the structure of the Net Proceeds of Minerals Tax for the General Fund portion of the tax currently. Historically, in the last few years, the tax has been based on paying the tax in the fiscal year based on the actual proceeding calendar years actual activity. To generate an additional Net Proceeds of Minerals revenue, the Legislature made the decision to require mining operators to make an estimate of what they will do for their net proceeds for calendar year ’21 and then make the payment of tax in FY ’21 based on that estimate for calendar year ’21. The result of that means that there are two Net Proceeds of Minerals payments for the General Fund portion only in FY ’21. The payment in FY ’21 is based on the actual calendar year 2020 net proceeds. The estimated payment in FY ’21 is based on the mining operators' estimates for calendar year 2020. Thus, the estimate back in December was approximately $130.2 million.

Laying it out in the TAC table, the current forecast is approximately $177.7 million. That's the difference of the $47.5 million. The upward revision is due to both the forecasts that were presented to this body and approved in November. The payment is based on the actual calendar year 2020 which came in approximately $22 million higher than the forecast. The estimated payment for calendar year ’21 came in approximately $26 million higher. Thus, the net result of that is the $47.5 million upward revision and forecast. There's also been an upward revision for both FY ’22 and FY ’23 of $18.7 million and $16.2 million. That is based on staff looking at what the mining industry was reporting for actual calendar year 2020, what they estimated for calendar year ’21, and what was reported to the Department of Taxation, and then staff from Taxation, Budget, and Fiscal doing their own forecast. What is seen there for FY ’21, is the amount that Taxation will be billing the industry for based on their reporting for calendar year 2020 and their estimates for calendar year ’21, which is approximately the $177.7 million. The $76 million and the $71 million that is seen there for FY ’22 and FY ’23, is the average of Taxation, Budget, and Fiscal’s forecasts for those two fiscal years. Are there any questions on that revenue source, Madam Chair?

Mary Walker: I do have one.

Susan Brown: Go ahead, Ms. Walker.

Mary Walker: Thank you, Madam Chair. Russell, in the past, looking at prior to the pandemic, fiscal year ’18 and fiscal year ’19, we're at $63 million and $50 million. Why is this at $76 million and $71 million, which is about $10 million to $20 million more than what we have seen historically before the pandemic?

Russell Guindon: That's a good question. The Net Proceeds of Minerals Tax is just a net tax. Starting with the growth proceeds and then the allowed statutory deductions to get the net. That's occurring at each mine that's in a tax district in the state. So then, after they get their net, all the gold mines are pretty much at the statutory or this constitutional maximum 5% rate. So, at least, there is no worry about trying to walk them to the graduated tax rate schedule in the law to see what the rate is. Especially, because gold is the entity driving the collections here, especially for the General Fund portion.

The General Fund portion of the Net Proceeds of Minerals Tax is based on the tax district, the property tax rate, and the tax district in which the mine is located. To give you an example, if you have a mine in a tax district that has a combined property tax rate closer to 2%, then the General Fund gets a 3% rate, the difference between the 5% rate and the 2% rate. In a tax district that has a 3% tax rate, the General Fund only gets a 2% rate. With that as the context, looking back at the data, for some of those prior years, the net-to-growth ratio was lower. That is their deductions in relation to their gross was higher.

Mines tend to be in tax districts that have a lower General Fund effective rate. As a result, what we've seen in these last couple fiscal years is the high price of gold in this pandemic. The costs are changing but the gross is higher in relation to their deductions; thus, there's more net that's occurring and that increase is occurring in tax districts where the General Fund rate is higher than it had been in some of those fiscal years that were referenced. That is the reason why we're seeing the significant increase is, as a precious metal tends to have that counter cyclical price movement in a recessionary environment. So, that helps push the gross up which also pushes the net up when that's occurring. The net is increasing in those tax districts where we get a higher General Fund rate. Thus, looking at that, staff is trying to guess the gold prices, why it comes back down a little bit from the level that we're getting for both actual calendar year 2020 and the estimated by industry for calendar ’21. Stepping back a little bit, calendar year ’22 and calendar year ’23, are driving the estimates for FY ’22 and FY ’23, as we do think gold prices are going to retract a little bit as the economy starts to recover post pandemic here.

Mary Walker: That was excellent. Thank you very much.

Russell Guindon: In the block of the gaming taxes and fees, the forecasts seen in the table were actually prepared by Mike Lawton with the Gaming Control Board. Both the Fiscal and Budget staff had the chance to look at it, and review these forecasts, and discuss them with Mr. Lawton. You can see from the tables that both Budget and Fiscal concurred with the Gaming Control Board's forecast. The revisions were not that substantial, and they do go both in the plus and minus direction. I think you can appreciate it's probably difficult for the industry, but it's even more difficult for people trying to forecast the industry of what they'll be doing with regards to bringing devices back online as the demand increases.

One item that I thought was worth pointing out is the Advance License Fees in the TAC table, not the difference table because this comes up from time to time. It was approximately $1.2 million in FY ’20. It's forecasted to be $3.1 million approximately in FY ’21, then go up to approximately $4.1 million and drop back down to $600,000. Just again for everybody's reference, the Advance License Fee is the statutory requirement for the nonrestricted licensee to pay three times their first full month's taxes. What is in the Gaming Control Board's estimate is either information that they know from a property that opened in FY ’21 or a property that required a change in ownership which triggers the Advance License Fee payment. The FY ’21 estimate is reflecting a principally large and new property as well as changing ownership of a property. The estimate for FY ’22 holds the expectation that there will be a new property opening here in June. The property’s first full month will be July and they'll make the treble payment in FY ’22 which is driving the forecast there. You see it go up in FY ’21, go up a little bit more in FY ’22, but then fall down substantially in FY ’23.

The next revenue source that would be worth discussing on this page is the Cigarette Tax, which is in *Table 3-Difference* that I have here. The Cigarette Tax was revised up by approximately $2 million in FY ’21 and then only $1.1 million in FY ’22, and then had a downward adjustment in FY 23. The reason for the $2 million upward adjustment in FY ’21 is because, year-to-date, the information through the first eight months is performing much stronger than what was thought based on only a couple months of actual data for FY ’21 when preparing forecasts for this body that were presented back in November. It's still down but it's not down as much as we thought it would be. And thus, that's the reason for the forecast being revised down to a minus 4.5% decline for FY ’21 versus what it was forecasted to decline by, 5.8%, which was presented to this body back in November.

This was somewhat of a surprise to us because our thinking as forecasters back in November, given that we had seen in the first couple of months and at the end of FY 2020, was that we were losing our visitors and some percentage of those visitors must be smokers. It has been interesting to see the levels that it's been at here as we've continued to see actual collections. Perhaps one can speculate that in a pandemic people turn to vices such as smoking, drinking. This body doesn't forecast that, but we've seen it occur in the marijuana taxes. Because we have a continued forecast decline, and as forecasters, this is one that we had to think about and talk through. Nationally and internationally, per capita smoking is going down, but in this pandemic world where, as visitors start to come back again, the expectation is that some of those visitors should be smokers. So, could an increase in visitors increase the demand for cigarettes in Nevada? However, in a pandemic, people might give up vices more. It was somewhat difficult to think about what the net effect on the demand for cigarettes in a pandemic would be and coming out of it. After this discussion, we felt this forecast needed to be updated or revised up in the first two years based on where data was trending. There really was not much change for FY ’23 in terms of the outlook. Madam Chair, those are the revenue sources that I wanted to make points on regarding the first table. If there are no questions, then I will move on.

Susan Brown: Are there any questions? Ms. Walker?

Mary Walker: I'm sorry. You guys are much more attuned to this than I am. So, the Transportation Connection Excise Tax, in March we’re at $7.5 million or so for the first nine months, maybe is it eight months?

Russell Guindon: It would be eight months.

Mary Walker: It just seems like it's a big jump to get to when I did go back and look at some of the Department of Taxation's information. In January, this was down by 60% and yet we're projecting that at the end of this year there will only be 23% reduction.

Russell Guindon: Yes. That's a very good question and observation. What's going on is you're going to get very easy comparisons here in a couple of months. Prior to the pandemic, this thing would probably average somewhere around $2.6 million to $2.7 million a month. In the months of April, May, June, and July of 2020, it averaged $693,000.

The last few months of actual data that we have has been up over $1 million. We're expecting, when we see the March numbers, that they'll be pretty phenomenal because of all the rumors about March and seeing the Gaming Control Board do the numbers yesterday for March's business activity and April's collections. I understand you're looking at where we are year-to-date and then looking at where we think we're going to end. However, there are four more months' worth still to collect. If you look at where we're at, if we think that's a reasonable amount, we're going to get on average $15.3 million between the taxicabs and the Uber activity for the remaining four months. For March, the taxicab revenue was actually up almost 45% in March 2021 compared to March 2020. March 2020 was not one of the lower months a year ago.

I hope that helps. I agree with you. Looking at the data, it seems like there's a lot to make up in four months. But we think, given what we've seen the last few months and then what we think is going to happen for March, and then thinking with things continuing to be able to open up, that it's not unreasonable to hit the number that we have on the sheets as the consensus forecast.

Mary Walker: That sounds great. Thank you.

Susan Brown: Any other questions?

Russell Guindon: Thank you so much, Madam Chair. Turning to the third page here. Because the second page is the Modified Business Tax, which the Economic Forum will take care of next week. On this page, the Governmental Services Tax was revised up by approximately $6.5 million in FY '21 and then about $1.8 million in FY '22, and similarly in FY '23. The reason for this is that the actual collections that we've seen in this revenue source since the November forecast, have been stronger than what we were expecting. There's also part of an element in the collections here that DMV had to make adjustments to their calculations for the distribution of the GST that comes from interstate trucks being registered in multiple states and the distribution of revenue from that and then the portion that belongs to the General Fund. The effect of that is it's providing additional General Fund revenue to the GST going forward. You get the 12 months of bump in FY '21 compared to FY 2020.

We now have more actual months of information on that effect as well. It's just been stronger than what we thought. You can see there, while we're forecasting approximately $100.8 million, it's actually up about 16.7% through nine months compared to only 2.2% through the nine months of FY 2020. All the forecasters had to bring their forecast up for this revenue source. What is shown is the average of the Fiscal and Budget forecasts here as the consensus. We made the decision to exclude the DMV's forecast, especially, since we think they were just too low in FY '22 and FY '23. The reason why it shows $21.3 million, $100.8 million, and then goes back down is that this was also a revenue source that was approved by the Legislature and signed by the Governor from the 31st Special Session in July.

The decision was made to require 100% of the proceeds in FY '21 only to be deposited in the state General Fund and have 0% be allocated to the state Highway Fund. Then, it goes back to how it was in the beginning in FY 2022. The 25% allocation goes to the state General Fund and the remaining 75% allocation goes to the state Highway Fund. I just wanted to cover why you see it being revised up, in terms of the forecast, and also cover why you see this sort of this odd behavior in the $20 million range except for one year with a $100 million.

Next is the Business License Fee, which you can see listed there that it's been revised up by approximately $8 million in the first year, and $7 million in the second year, and also $6.6 million. I think all of us have been somewhat surprised by the strength in the Business License Fee in the months that we've seen the actual data since the November meeting. Back then, I believe we weren't sure what was going to be occurring in the pandemic and we only had a couple months of actual information for FY 2020. But it's just been stronger than what we thought and so it's actually up by 5.8% year-to-date versus that being down 5.8% for the same eight months to a year ago. It's been actually averaging about $9.4 million a month here in FY ’21 compared to the $8.6 million a month in FY 2020.

This is the Business License Fee that is bifurcated and corporations pay a business license fee of $500. All others, what we call non-corporations, pay the $200 Business License Fee. What we've seen in the data is that the corporations are declining but the non-corps are increasing by more than enough to offset that. If you think about it, you need two and a half non-corps to cover a corp at the $200 to $500 differentials fee. Clearly in the data that we've seen here today, the non-corp business licenses are holding up. What's hard to tell though is what's new and what's renewing. In the latest months, actual collections are leading us to believe that the forecast will need to be revised up. Because we think there's more businesses in FY ’21 now than what we were thinking, and if the expectation is that the economy is going to improve, then those ones that are forming now, shouldn't see as much degradation in FY ’22 and FY ’23 in terms of leasing those building businesses. Additionally, you could have new businesses formed. Thus, the reason for the revision across the board for FY ’21, FY ’22, and FY ’23 for all three years of the forecast for this revenue source.

The other item for this set of tables is the Tax Amnesty Program. As you may recall from our meetings last fall during the 31st Special Session, the Legislature approved, then Governor signed for the Department of Taxation to administer a Tax Amnesty Program. Based on the information we had available from prior amnesty programs, the amounts of accounts receivable for the different tax types, Budget, Fiscal, and Taxation came up with a consensus assessment of $14 million for the General Fund portion of the amnesty program. The Department of Taxation started the Tax Amnesty Program on February 1st, and it ends April 30th for the 90-day period that they were authorized to run the Amnesty Program.

What we have to do is attempt to account for what the Department of Taxation was able to tell us. That is, what's the actual year-to-date for the Tax Amnesty Program that they would know as well as what is still in the queue for what they're working through and then determine if the program is still open here for a couple more debts. Based on that, you can see that in the *Table 3-Difference* sheet, it's a minus $12.5 million. That would lead you to believe that we went from the $14 million down to the $1.5 million that you see on the forecast sheet. We're lowering the forecast for the Tax Amnesty Program from $14 million to $1.5 million, but that's not the conclusion that should be drawn. Fiscal year-to-date or technically the program-to-date, the Department of Taxation knows the actual amounts and the General Fund portion. It’s approximately $3.5 million that we know that's in the bank. This has been distributed against the various taxes in this table as well as the taxes that the Economic Forum will be handling. That is in the actual collections being reported for those revenue sources and then it's either explicitly or implicitly being built into our forecast for FY ’21 as revenue being booked in that revenue. That's how forecasters attempted to handle it rather than trying to back it out and keep it down here in the amnesty to let it be in the revenue source that it got posted in.

The $1.5 million that you see on the sheet as an estimate, that's Taxation's, Budget’s, and Fiscal's estimate for the additional amount that we think will still come in from the Tax Amnesty Program. Thus, what you should be concluding is that back in the 31st Special Session, we estimated $14 million for the General Fund portion of the Tax Amnesty Program. We now believe that estimate is $5 million. Three and a half million dollars is in the bank, then distributed. There are others that are sort of in the queue. We think this additional $1.5 million could come in or Taxation has in it in the queue and hasn't been able to work through and get it posted. That's what's happening here with the Tax Amnesty Program. It's going from an estimate of $14 million for the General Fund portion to $5 million. Madam Chair, those are the revenue sources that I wanted to address on this sheet. If there any questions, please let me know. If not, I can proceed to the next table.

Susan Brown: Are there any questions? I'm not seeing any.

Russell Guindon: So then flipping to the next set of tables which is titled the licenses block and then the fees and fines block on that page. Here, the insurance licenses, you can see have been revised up by approximately $1.7 million in FY ’21, $2.4 million FY ’22, and $3.5 million in FY ’23, only looking at year-to-date. It's been stronger than what we had thought. This is a licensing revenue source that just sort of keeps chugging along and when we look at the plots, it rarely goes down. It just keeps going. We thought it might be a little weaker in the pandemic and then the last several months of actual data had made us realize that that was not the correct assumption to make with regards to this revenue source. Thus, we brought up the base year. We saw that as you bring up the base year and seeing that the growth is there, then you actually get a slightly higher adjustments in the third-year forecast years of $2.9 million and $3.5 million.

Then under GL 3130, Commercial Recordings, under the Secretary of State's revenues, we have another one that has been performing stronger than what we thought based on the few months of actual data that we had for FY ’21, back last fall compared to what we know now to nine months. Through nine months, this revenue source is up 12.2% year-to-date. When looking at this data you can see based on the year-to-date, and just thinking that this is business entities, that they're going to maintain their business filing and renew. Or you could be a new entity forming which are called *Title VII* entities and are your corporations, LLCs, LLPs, and other entities like that under the various chapters in *Title VII* that the Secretary of State administers. I think all of us are just surprised to sort of see the strength in this revenue series month after month here in FY ’21. Just based on the year-to-date and what we would have to average to hit, it was necessary to bring the forecast up by approximately $2.7 million. Because of that, we felt it wouldn't go right back down, so then that path adjustment ends up resulting in a slight upward revision in the forecast for both FY ’22 and FY ’23. And so, Madam Chair, that was the two revenue sources that I wanted to cover in the license section of this page.

I can proceed to the fees and fines and just maybe see if there's questions on this page before proceeding. Under fees and fines, I think the only one there to discuss, as you look at the differences, is the Short-term Car Rental Tax. You see we're revising the forecast up there by approximately $1.48 million in FY ’21 and then $2.7 million and $4.0 million in FY ’22 and FY ’23, respectively. This is just that based on the information that we got data through the second quarter and then knowing that we think March, again, is probably not going to be a bad month to end the quarter. For the third quarter of FY ’21, hoping things will continue to recover, there's a need for the forecasters to revise their forecast up slightly resulting in the upward revisions that you see here. Because of the path adjustment and the expected recovery, it ends up resulting in an upward adjustment increase as you go from the first year to the second year and then to the third year. With that Madam Chair, those were the comments that I wanted to make with regards to the three revenue sources in that table, given that most of the other changes you can see are relatively de minimis in magnitude. If there's no questions, then I can proceed to the next page.

Mary Walker: I do have one. Russell, this is my constant question each time and that is I'm trying to get a sense of the economic outlook for the next couple of years that are reflected in these numbers. In the Short-term Car Rental Tax, and some of these other ones like the Transportation Connection Excise Tax, and others, there’s obviously a rebound which is good. However, it seems like, for example, in the Short-term Car Rental Tax, the $45 million is equal to what we took in basically in 2020 which is $45 million. It seems like for FY ’21 and FY ’22, it moderately increases generally. Then in FY 2023, that's when we see a much fuller recovery. Is that your sense of the economy over the next few years or do you have a different outlook?

Russell Guindon: Yes, in some sense. I don't know that our outlooks are that much different than in November because we were thinking that there would be an additional stimulus, and that the vaccine would start coming out near the end of the first quarter, early second quarter of the calendar year, and that it is happening. So at least as forecasters were getting close to getting something right, then we're thinking that, you can see that the Governor is announcing that he's going to let things come back 100% in June. So, I think that was the thinking, that that would start occurring and it sort of is. I also think the outlook for things isn't much different. When you look at some of these taxes, we had to go in and try and look at the data and think about it, and contemplate whether it's a quarterly revenue source or a monthly revenue source and what happened when the supply curves got taken out of the economy in the middle of March in a sense.

This is a quarterly revenue source. So, in a sense, you had two and almost three full quarters of actual collections in FY ’20. You got really dinged that last quarter of FY ’20 and then you were dinged in the first quarter of FY ’21, and then it came back. The Governor then had to do the pause in November, December, and January. When you start to let yourself think about it, you're comparing two and almost three good quarters of FY ’20 to four not so great quarters in FY ’21. But by FY 2022, the numbers start to get comparable to FY ’20. That's why you start to see FY ’22 starting to get comparable. April, May, and June of 2020 were much different quarters then July through March of 2021. So, then you're going to start to get close to getting back to that FY ’20 level. Sometimes as forecasters as we look, is not only where are we in relation to FY ’20, but where are we in relation to FY ’19, the pre-pandemic fiscal union.

Mary Walker: Thank you very much.

Russell Guindon: Thank you. On the next page, you can see the Treasurer's Interest Income forecast there and it's been revised up. Not too much in FY ’21 but then by about approximately $3.5 million in FY ’22 and $7.5 million in FY ’23. I should say we do have representatives from the Secretary of State's Office, the Gaming Control Board, Department of Taxation, and the Treasurer's Office here if there are questions that the Members would have that we need them to answer.

This was a forecast that you can see that was prepared. It was prepared by the Treasurer's Office and then Budget and Fiscal concurred in it. The Treasurer's Office does their analysis and provides that to us in terms of trying to figure out what they think would be the average investable balance for each year and the interest rate that they could earn by running it through their portfolio from short-term to intermediate and to longer-term investments. What the Treasurer’s Office informed us is that it is just the yield curve, and thus the potential affected rate that the Treasurer's Office believes that they can earn given that the interest rate outlook here in April of 2021 is better. Especially, in the FY ’22 and FY ’23 forecast periods than it was based on that interest outlook that was available back in October and November. That is the reason for the upward revision and the interest income.

Under other revenue you have the Unclaimed Property piece. There you can see it's been revised up by approximately $3.4 million in FY ’21 and then just approximately $483,000 in FY ’22 and FY ’23. We're able to take account of the information through March and April in terms of the revenue coming in and what the Treasurer's Office has actually paid out to individuals making claims for their property. It's been a little stronger than what we thought back in October and November when we were doing the forecast, which then necessitates that we think the net between the revenue inflows and outflows would be slightly stronger based on what we know here in April. That's the reason for the stronger upward revision in FY ’21 but then the forecasts were not revised very much for FY ’22 and FY ’23. Madam Chair, those were the comments that I wanted to make with regards to the revenue sources here under Agenda Item 4. I can answer any questions that the Members may have.

Susan Brown: Do we have any additional questions on Agenda Item 4?

Jeffrey Hardcastle: I have one. Russell, on the interest income from the Treasurer's Office for FY ’22, it goes up 112% and then it goes down from that surge, if you will. Is that a function of the investment base or is it a function of the interest rates? In other words, are the dollars that they have for investing so large that you're getting that boost or is the interest rate driving more of that surge in FY ’22?

Russell Guindon: I don't have the Treasurer's tables in front of me. I don't know if Tara Hagan with the Treasurer's Office might be better able to answer Mr. Hardcastle's question.

Ms. Hagan.

Tara Hagan: Good afternoon, Chair, Members of Committee. Tara Hagan with the Treasurer's Office for the record. I'll discuss what we've seen for fiscal year '22 as compared to when we ran this analysis. We used forward rate curves from the U.S. Treasury that we run on a daily basis based on contracts that are being bought and sold in the market. The short end of the curve is staying pretty much the same, but we've seen a more normalized curve lately, resulting in the three and five-year numbers being higher in fiscal year '22. That's driving some of that increase. In FY '24, the entire curve, so both the short, mid, and long go up, and that's a significant difference between the two. However, the balance is staying the same. We do a roll and balance comparison and obviously the balance in the General Fund, I think as we all know, has increased. Partially because of the stimulus and partially because historically it has gone up every year and is really being driven by the Treasury rates.

Jeffrey Hardcastle: Thank you.

Russell Guindon: Madam Chair, are there any other questions on Agenda Item 4 which is the revenues? If not, then with your direction I can proceed to Agenda Item 5 which is *Review and Approval of Forecasts for Various Tax Credit Programs that May be Taken Against Certain General Fund Sources for Presentation to the Economic Forum at the May 4, 2021, Meeting*.

Susan Brown: I am not seeing any more questions on Agenda Item 4, so please proceed to Agenda Item 5.

5. Review and Approval of Forecasts for Various Tax Credit Programs that May be Taken Against Certain General Fund Sources for Presentation to the Economic Forum at the May 4, 2021, Meeting (For Possible Action).

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

Russell Guindon: Thank you, Madam Chair. At the bottom of the last page there, you see the gray block or the gray shaded sections of the table. This is where we attempt to account for the various tax credit programs. It is worth mentioning quickly, when we forecast for the transferrable tax credit programs, we don't know necessarily which revenues that the credits will be taken against. However, we do have enough actual information to generally see what the transferrable tax credits are sometimes being used against by the person who actually got the tax credits. The vast majority of them are purchased by gaming companies and then used against the Gaming Percentage Fee Tax. That's why, in the forecasting world, we have to handle them in the aggregate down at the bottom instead of trying to allocate them against a revenue source. We just think that would get too chaotic for the forecasters as well as for the Economic Forum to be able to track actuals versus forecast in a net and gross fashion.

At the bottom of that page, you can see the Transferrable Film Tax Credit Program. That current forecast is minus $5.125 million which was $10 million at the last meeting. We've revised it down by the $4.875 million. This is based on the information that we now have for FY ’21 that has been provided by the Film Office. Based on that information set that we had back in October and November, we felt comfortable revising the maximum statutorily authorized amount of $10 million, down to $5.125 million. That $5 million in FY 2022 and $6 million in FY 2023 is based on the information from the Film Office and the projects that they have in the queue or projects that are applying to earn their credits. We had $4 million on the sheets for FY 2022 and so thus, we're revising that up by $1 million.

Remember that when you look at the different sheets, as a Fiscal revenue guy, a plus is a good thing and the difference means that we're taking credits off the sheets and adding revenue back. The Economic Development Transferrable Tax Credits were those that everybody referred to as the “Tesla Credits.” That's why you see no estimate there and thus, no difference. Catalyst Account Transferrable Credits, there you see there was a slight adjustment to the amount by $30,000. Again, this is based on information that was provided to us by the Governor's Office of Economic Development, GOED, that administers this statutory program for transferrable tax credits.

Then you have the Nevada New Markets Jobs Act Tax Credits. You can see there, there was no revision. The $1.8 million that you see on the sheets for FY ’21, is the amount that's remaining to be taken from the first iteration of the Nevada New Markets Jobs Act Tax Credit Program. But in the 2019 Session, this program was reauthorized for an additional $200 million of investments that can be made by insurance companies and qualified community development entities. For that $200 million, they can earn up to 58% of that as tax credits against their Insurance Premium Tax. So, that's another $160 million in tax credits from this program that will be taken. The amounts that you see in there for FY ’22 and FY ’23 are the statutorily maximum amount. In the first two years after they make their investment, they're not entitled to any credits. And then beginning in the third year, it goes 12%, 12%, 12% to get to 36% and then two years of 11% to get to the 58%. So that's the amounts that we're putting on there and the good thing about this tax credit program is that we have prior experience with the first iteration of this. In terms of seeing that, yes, the credit is pretty much being taken at the maximum amounts that they can in a fiscal year. And then what you do is you get to the tail end, and some spill over because we operate on a fiscal year basis, July to June. The Insurance Premium Tax is a calendar year January to December tax. Because of that, you can get some anomalous calendar versus fiscal year accounting effects for the tax credits. In a sense, that's what you see with the $1.8 million in FY ’21 for the original program.

For the College Savings Plan Tax Credits, basically there's no change based on the information that was provided to us for that program. Finally, the Affordable Housing Transferrable Tax Credit Program. There was no change to that program based on the information we received by reaching out to the Housing Division. The Housing Division stated to us that they did not see any need to change the tax credit forecast of the $3 million for FY 2022 and the statutorily allowed maximum of $10 million for FY 2023. With that Madam Chair, that was the information that I wanted to provide on the tax credit programs under Agenda Item 5. If there are any questions, I can attempt to answer those.

Susan Brown: Thank you. Do we have any questions on the tax credits or any other items on the agenda?

Russell Guindon: Madam Chair, maybe what I can state here is just to try and summarize both Agenda Items 4 and 5 if you don't mind. You can see, looking at the sheets, that before the tax credits, the revision would be upwards by approximately $67.85 million for FY ’21 for the General Fund revenue sources that the TAC is required to forecast here in these tables. Also, a $42.6 million upward revisions for FY 2022 and $43.6 million approximately for FY 2023. As you can see, because of the adjustments for tax credits, for FY ’21, there’s an upward revision of $6.8 million. That is, we're lowering the tax credits by that amount, so it becomes adding, in a sense, revenue back to the sheets by lowering them by $6.8 million. Thus, after accounting for the adjustments to the tax credit programs, the consensus forecast presented to you here for FY ’21 would be an upward revision for FY ’21 of approximately $74.6 million as you can see here at the bottom of the sheet. And then the revision to the tax credits for FY ’22 was approximately adding an additional $5.7 million in tax credits for those programs. Thus, we end up going from the $42.6 million before tax credits to the approximately $36.48 million after tax credits, reflected in the upward adjustment in the General Fund revenue for these revenue sources for FY 2022. You now can see the $43.6 million before tax credits.

Since there was no change to the $43.6 million before tax credits then that's also the after-tax credit amount of the upward adjustment to the forecast for FY ’23 for the General Fund revenue sources and the tax credits that the Technical Advisory Committee is directed to prepare and provide forecasts to the Economic Forum. And with that Madam Chair, that does finally conclude the information set that I wanted to provide to the Members.

Susan Brown: Thank you. Do we have any additional questions? Seeing none, I would entertain a motion to accept this forecast for both items in Agenda Items 4 and 5.

Jeffrey Hardcastle: I’ll move.

Susan Brown: I have a motion. Do I have a second?

David Schmidt: I'll second.

Susan Brown: Mr. Schmidt seconds. Mr. Guindon, could you take a roll call vote please?

Russell Guindon: Thank you, Madam Chair. We have a motion and a second to approve under Agenda Items 4 and 5 together, the forecasters and in the TAC*, Technical Advisory Committee - General Fund Revenue Forecast - May 4, 2021* table for the General Fund revenue sources, and then the tax credit programs as presented in the table. With that, I will start the roll call.

Mr. Clinger.

Andrew Clinger: Yes.

Russell Guindon: Vice Chair Coffman.

Sarah Coffman: Yes.

Russell Guindon: Mr. Hardcastle.

Jeffrey Hardcastle: Yes.

Russell Guindon: Mr. Schmidt.

David Schmidt: Yes.

Russell Guindon: Mr. Thorley.

Wayne Thorley: Yes.

Russell Guindon: Ms. Walker.

Mary Walker: Yes.

Russell Guindon: Chair Brown.

Susan Brown: Yes.

Russell Guindon: Thank you. Madam Chair, let the record show that the motion was approved unanimously by the members of the Technical Advisory Committee.

6. Public Comment.

Because there is no physical location for this meeting, public testimony under this agenda item may be presented by phone or written comment.

Because of time considerations, each caller offering testimony during this period for public comment will be limited to not more than 3 minutes. To provide public testimony by telephone during this period of public comment, members of the public may call any time after the Chair announces this second period of public comment on November 25, 2020. To call in, dial 669-900-6833. When prompted to provide the Meeting ID, please enter 868 3536 5642 and then press #. When prompted for a Participant ID, please press #. To resolve any issues related to dialing in to provide public comment for this meeting, please call (775) 684-6990.

A person may also have comments added to the minutes of the meeting by submitting them in writing either in addition to testifying or in lieu of testifying. Written comments may be submitted electronically before, during, or after the meeting by email to daluzzi@finance.nv.gov. You may also mail written documents to the Governor's Finance Office, Budget Division, 209 E Musser Street, Suite 200, Carson City, NV 89701, or fax them to (775) 684-0260.

Susan Brown: Thank you. So, move on to Agenda Item 6 which is *Public Comment*. Broadcast staff, do we have anyone on the line for a public comment or do we need to take a minute to see if there's anyone on the line?

Broadcast Services: Chair, the public comment line is open and working, however, we have no callers at this time.

Susan Brown: Thank you. We have not received any written public comments either. So, I will close *Public Comment*.

7. Adjournment (For Possible Action).

Susan Brown: Moving on to Agenda Item 7. I'd like to thank everybody today. We're at the end of our agenda for the meeting and with that this meeting is adjourned.