Steve Sisolak
Governor

Amy Stephenson
Director

Robin Hager
Deputy Director

Jim Rodriguez
Administrator

STATE OF NEVADA
GOVERNOR'S FINANCE OFFICE
Budget Division

209 E. Musser Street, Suite 200 │ Carson City, NV 89701-4298
Phone: (775) 684-0222 │www.budget.nv.gov │ Fax: (775) 684-0260

MEETING MINUTES

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

Date and Time: Tuesday, November 29, 2022
10:00 a.m.

Location: Legislative Building, Room 3138
401 South Carson Street
Carson City, Nevada 89701

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

MEMBERS ABSENT:
Andrew Clinger, Chief Financial Officer, Nevada System of Higher Education

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

1. **Call to Order/ Roll Call.**

David Schmidt: I'd like to call the meeting of the Economic Forum, Technical Advisory Committee on Future State Revenues (TAC) to order. Can we please do a roll call?

Russell Guindon: Thank you, Mr. Chairman. For the record, Russell Guindon, with the Fiscal Analysis Division of Legislative Counsel Bureau. I will call roll.

Wayne Thorley.

Wayne Thorley: Here.

Russell Guindon: Sarah Coffman.

Sarah Coffman: Here.

Russell Guindon: Matt Lawton.

Matt Lawton: Here.

Russell Guindon: Mary Walker.

Mary Walker: Here.

Russell Guindon: Vice Chair Amy Stephenson.

Amy Stephenson: Here.

Russell Guindon: Chair David Schmidt.

David Schmidt: Here.

Russell Guindon: Mr. Chairman, let the record show that Andrew Clinger let us know that he could not make it, so he's absent, excused. With that, then, we have a quorum of the Members of the TAC, and we can proceed with the meeting, Mr. Chair.

David Schmidt: Thank you, Mr. Guindon.

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

Because of time considerations, each person offering testimony during this period for public comment will be limited to not more than 3 minutes. To call in to provide testimony during this period of public comment in the meeting any time after 9:30 a.m. on November 29, 2022, dial (669) 900-6833. When prompted to provide the Meeting ID, please enter

857 0142 4308 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.

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David Schmidt: Moving to Agenda Item 2. This is the first opportunity for public comment in the meeting. Do we have any public comment here in Carson City? Seeing none. Do we have any public comment on the phone?

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

David Schmidt: Thank you very much.

3. Review and Approval of Revenue Forecasts for Selected General Fund Sources, including Taxes, Licenses, Fees, Fines, and Other Revenue along with Forecasts for Various Tax Credit Programs that May be Taken Against Certain General Fund Sources for Presentation to the Economic Forum at the Economic Forum's December 5, 2022, Meeting (For Possible Action).

David Schmidt: Moving to agenda item 3, we have the R*eview and Approval of Revenue Forecasts for Selected General Fund Sources, including Taxes, Licenses, Fees, Fines, and Other Revenue along with Forecasts for Various Tax Credit Programs that May be Taken Against Certain General Fund Sources for Presentation to the Economic Forum at the Economic Forum's December 5, 2022 Meeting*.

This is a combined agenda item, slightly different than how we've had it in the past. We have both the tax credits and the revenue forecast together in one item. With that, I'd like to welcome Mr. Guindon to go through the revenue forecast materials.

Russell Guindon: Thank you, Mr. Chair. Before we get into the heart of the agenda item, Mr. Chair, I just want to go through that you should have four tables and then a single page that is a set of charts. As you know from the last meeting, there's the *Table 3* that shows the forecast by the agency responsible for administering that revenue source and then Fiscal (Legislative Counsel Bureau, Fiscal Analysis Division) and Budget (Governor's Finance Office, Budget Division) or GFO's forecasts. If they were revised, these are the forecasts that each entity did for presentation to this body.

You have *Table 3 - Difference*. That's the difference between what you're looking at and the Table 3 that I just referenced, and the Table 3 that was brought forward to this body at the last meeting.

Then, you have the *Technical Advisory Committee Forecast Table*. That would be, again, the process where both Budget and Fiscal look at the forecast of theirs, as well as those agencies that we asked if they wanted to submit a revised forecast. We don't go back and redo all of the agencies. We do more the major ones, the Secretary of State's Office, Treasurer's Office, Department of Taxation, and Gaming Control Board. That was the consensus decision that you see in the table between GFO and Fiscal that they've brought forward for this body's consideration.

Then, you have the *Technical Advisory Committee Forecast Table – Difference*. Just like the other difference table, it's showing you the difference between the TAC Tables for this meeting versus the November 4, 2022 meeting.

Finally, you have a single page that has four charts on it, and that is to be able to respond to Ms. Walker's question regarding the Unclaimed Property. I'll address that further, Mr. Chair, when we get to that revenue item.

Finally, before beginning, to note that all this material is available at the GFO's website where they maintain the meeting information for the Technical Advisory Committee. That is budget.nv.gov/meetings/budget_division. For those that may be listening or others, all these documents are up in PDF form, but if anybody does feel that they need to get a printed version, they can make that request to GFO or Fiscal and we can get that material to them. That was just the opening remarks that I wanted to make for this agenda item.

With that, if it's alright with the Chair, we can proceed as we did last time where I'll just go through the ones that I think that are worth making comments about and I'll apologize in advance that there will be a lot of redundancy here to the last meeting, but since a few weeks have gone by for the Members as well as any of the public that may be listening, I think it will mainly concentrate on those revenue sources that have uniqueness to them when looking at the tables to make sure we just get that on the public record for this meeting. Then, I realize it's a little hard, but if you can keep all four tables sort of laid out, I'll go through them.

The first one is the Net Proceeds of Minerals (NPM) and the Mining Gross Revenue Tax - Gold and Silver. There you see the current forecast for FY 2023 only and no forecast for FY 2024 and FY 2025. That is because of the legislation passed in the 2021 Session requires the proceeds from the state portion of the Net Proceeds of Minerals, as well as, the proceeds from the new Gold and Silver Excise Tax to go into the General Fund for FY 2023 and then begin going to the State Education Fund (SEF) in FY 2024. Thus, this body and the Economic Forum is not responsible for forecasting revenues that go to the State Education Fund. You're only responsible for forecasting unrestricted General Fund revenue sources.

You can see that when you look at the difference, there's an upward revision to the forecast of Net Proceeds of Minerals which is somewhat de minimis, but you'll see some of these changes are not very big and that's because sort of the philosophy or strategy is each forecaster should do what they do, the methodology. Not for GFO or Fiscal to decide it really didn't change things. If you're going to go through the process of changing a forecast, however small, it should be incorporated into the process. So, you can see, even though it's a $12,000 change, that's what's going on. This is principally because Fiscal changed their forecast for FY 2023 for those two revenues, as well as Budget changed their Mining Gross Revenue Tax - Gold and Silver forecast more in the outyear, and thus, you see it's an upward revision of approximately $1.8 million. That's those two revenue sources.

Then, going down the list, there was no change to forecast you can see in the Gaming section, except for the Racing Fees, and it's very slight and that's just a true up against what we actually know year-to-date. That's also part of the process. We can go with the agencies letting us know or we can go into the Controller's system and see what's posted since the last meeting. We believe we should pick that up whether it's an upward or downward revision so, that's what's going on. Otherwise, the Gaming Control Board did not revise their forecast and GFO and Fiscal were still comfortable with that outlook.

Here it's worth noting again, when you look at Advanced License Fees, why you see that it goes up in FY 2024 is because the new property that's going to open, the Fontainebleau is going to come online approximately less than a year from now and thus, the Advanced License Fee would be required in FY 2024.

At the bottom of the page, you have the Transportation Connection Excise Tax. Remember, this is the 3 percent tax on the charge for passenger carriers, so, taxicabs, limousines, but also Uber and Lyft, those types of transportation connection network company entities. We got some additional information and then you can see, looking at Table 3, that there's the revision to the forecast up by Fiscal and Budget by more. Then, the rule we used last time was to average all three forecasts and the decision was made to maintain that rule. Thus, you can see the upward revision is approximately $1 million per year to the forecast path.

Looking at the Cigarette Tax, there you can see there's no year-to-date information, that all three forecasters made downward revisions. But there the rule was that Department of Taxation's forecast was not included in the forecast last time and even though they changed the forecast, and it came up closer. Budget and Fiscal thought to just maintain the rule of just Fiscal and Budget's. You can see there's more of a downward revision, about $1.5 million in FY 2023, and around $400,000 in the outyears in terms of the downward revision.

With that, Mr. Chairman, that is what I wanted to comment on for the first page there. I can proceed unless you would like me to pause for questions.

David Schmidt: I think we can just pause for questions after each page. Are there any questions on page 1? Please proceed.

Russell Guindon: Thank you, Mr. Chair. You need to turn to the third page because the next page is blank. It's the Modified Business Tax (MBT), which is handled by the Economic Forum, explicitly, at their meeting this upcoming Monday.

On the third page, you really don't see that many changes until you get down the middle of the page and Governmental Services Tax is the first one. There you can see the change. Last time the Budget's forecast was excluded from the averaging rule, and so you can see they made changes to the forecast and it's actually closer to the group but that the decision was just made to leave them out of the average and thus, you can see it's a slight downward revision. The latest month of actual data was down slightly. It's really more of a path adjustment due to having additional year-to-date information.

Then for the Business License Fee, you can see there that there were upward revisions to the forecast by Fiscal. The rule that was used was averaging Agency and Fiscal and Budget wasn't included. Then, even though Budget's change brought it closer into the group, when Fiscal and Budget met to go through it, the decision was to maintain the rule of averaging the Agency and Fiscal. Thus, you can see it ends up revising the forecast up slightly. Given the year-to-date information, we thought that was the appropriate move for this revenue source.

For the Liquor Tax, there you can see that there were revisions made more by the Department of Taxation there. The rule last time was averaging all three forecasts. That rule was maintained, and it ends up in a downward revision to the forecast of approximately $2 million to $2.6 million per year as you go across the forecast path. Again, that's looking at what we were able to get reported for year-to-date.

The Other Tobacco Tax - you can see the changes were that Department of Taxation revised their forecast down. So, last time Taxation's forecast wasn't included in the averaging rule, it was just Fiscal and Budget, then, GFO and Fiscal decided to maintain that rule. You can see it results in a slight upward revision in the first two years and is very slight downward in the third year. I would argue not much of a change to that revenue source.

With that, Mr. Chairman, because I'm going to wait to go through the tax credits until the end, but those are the comments that I wanted to make with regard to revenues on this page.

Again, I can address any questions that the Members may have.

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

Russell Guindon: Thank you, Mr. Chair. Turning to the next page, we have the Licenses block of revenue sources and then Fees and Fines on this page. As you look, there really isn't much change except for the Secretary of State – Commercial Recordings. Again, we got additional year-to-date information. Based on that, you can see Fiscal revised their forecast up slightly and GFO revised theirs up more, but it was the same rule, which was averaging all three last time, was maintained this time. Thus, you see the upward revision is really, you add those two changes together and you get one-third of them in terms of the change. With that, that was really the only revenue source that I thought was worth mentioning in Licenses.

Then in the Fees and Fines section, I think, again, the changes were to the Short-Term Car Lease Tax for Fiscal in the first year, again, reacting to the year-to-date first quarter information that was reported. Then we also get information, this one includes the new Peer-to-Peer Car Sharing Tax that was approved in the 2021 Session. It's subsumed into this revenue source because it's the same tax structure and, again, as I stated at the last meeting and I'll say it here again, we have to keep it in this revenue source because of the number of taxpayers. There would be concerns about disclosing information about individual taxpayers if we broke the Peer-to-Peer Car Sharing Tax out as a separate item. So, since it's the same 10 percent tax, it's rolled into the Short-Term Car Lease Tax category. Then you can see the revision to this category in the outyear, again, a little bit by Fiscal and then more by Budget and the rule was maintained, which is the averaging of all three forecasts. Then, approximately, you're taking that and splitting one-third of it as the adjustment to the forecast.

With that, Mr. Chair, that was the comments that I wanted to make with regard to the revenue sources in these two blocks on this page.

David Schmidt: Are there any questions? Ms. Walker.

Mary Walker: In *Technical Advisory Committee Forecast Table – Difference*, under General Ledger (GL) 3152, Securities, what's the $633,000 reduction in 2025?

Russell Guindon: The rule there for that, Securities, is we averaged all three. Then, if you look at the Table 3 – Difference, Budget revised their FY 2025 forecast down by approximately $2 million. When we looked at it, there were some concerns, but we thought to take them out for that year only, but we maintained the three-year average, and were willing to accept the slight downward revision in that outyear, possibly because there's just a little bit more uncertainty out at the end of the forecast horizon.

Mary Walker: Thank you.

David Schmidt: Does anyone else have questions? Please go on.

Russell Guindon: Thank you, Mr. Chairman. We're in the Use of Money and Property category of the table. These are the repayments, and you can see there is no change because those are the fixed repayments, but Mr. Thorley had the question to us staff at the last meeting about that in the 2021 Session. There was an appropriation of $50 million from the General Fund made to the Education Stabilization Account, and then there are repayment provisions required for that $50 million. But the repayment provisions for this General Fund appropriation are slightly statutorily different than the other repayments that you see listed on this. After staff from GFO and Fiscal were thinking about it and talking through it, there is going to be enough money that will be transferred from the SEF to the Education Stabilization Account at the end of biennium to fully cover the $50 million. So, we thought because of the uniqueness of the statutory structure of this and that there will be enough money to pay off the $50 million one time, and that it made more sense to handle it on the ending fund balance tables versus having to bring it on as a one-time thing to the Economic Forum's tables because we would have to make adjustments to put it on as a forecast to pick up the actual. After discussing through that, we thought that was the better course of action for that revenue source. So, that is the response to that question from the last meeting.

Then, we did ask the Treasurer's Office if they wanted to reconsider and they did and they informed us that given the information set that they had, they chose not to revise their interest forecast. GFO and Fiscal were comfortable staying with that because we think they know better. Obviously, it's an interesting time, as we talked last time about what the Federal Reserve is doing, trying to engineer the soft landing with the interest rates and then the Treasurer's Office being able to try and manage the portfolio within that interest rate environment. We were comfortable staying with their forecast, also GFO and Fiscal and thus, there's no change.

Then, the Other Interest category is just one we looked at the year-to-date. Budget made a slight upward adjustment. For us, we didn't see any need for Budget to make the change. Thus, you can see for that block, it's all zeros, in terms of the difference.

Then down on the Other Revenue section, I don't think there's anything worth mentioning in there in that under Miscellaneous Sales and Refunds section.

Then, the Unclaimed Property, GL 3255, you can see there are no changes to the forecast. Again, we asked the Treasurer's Office, and they informed us, based on the information they had, that there's no need to change their forecast. Then Fiscal and Budget looked at what was going on year-to-date since the last meeting and had no changes.

To address Ms. Walker's question to staff from our previous meeting, the Other Revenues category, we can show where we are today. This one we don't. Given her questions, as staff we thought about it. We put together the set of charts. I won't belabor them, but just to explain that a lot of the revenue sources, they have a very clear demarcation of the agency posting them and providing Budget and Fiscal reports of what the amounts were for that month or quarter. The other ones just stream into the Controller's system as people are paying them and they get posted and then, we can go and look at the end of every month at what was posted. But you can see the challenges of trying to compare September to September when something hits September 30th one year and October 1st in the prior year. So, a lot of times what we do is look at when it streams in, which is, looking at cumulative year-to-day.

So, thinking about Ms. Walker's question was, how to do this, when looking at the data from the Controller's system on both the inflows that come into the Unclaimed Property Account and the outflows that go in. This is occurring as we're talking, people could be remitting money to the Treasurer's Office on the inflow side, but people are making claims. I went through and pulled all the transactions that were for each month and then did the cumulative.

Chart 1 is showing you the inflows, what I call total revenue to the Unclaimed Property Account. For FY2023, year-to-date through November, but it's not a full November. You can see, around November 18th, 19th would have been the information that I dated November 20th. It would have been nice to maybe show you a couple of more fiscal years, but there's a little bit of labor that goes into compiling this. But it is, I think, interesting to now look at it that we have done this exercise. But you can see how there is a little bit of uniformity to how it flows in. You can see between FY 2021 and FY 2022, at the end of the fiscal year, it can get interesting because of the nature of the unclaimed property provisions and then the Treasurer's Office having to administer those for the inflows and the outflows.

Chart 2 is just showing the outflows and I took the General Fund transfer out because if I didn't take it out, the two lines would match, right? Because revenues and outflows have to match, so I excluded the General Fund transfer. Again, you can see there's some stability to the year-to-year. In fact, year-to-date we're pretty much where we were the last two years.

Turning over the page to Chart 3, that's showing you the net difference between the two, the inflows and the outflows. I didn't know until I put this together there's more uniformity here than I thought from fiscal year to fiscal year. But there is a little bounce. But looking year-to-date, we're sort of running close to where we were the last 2 years. But it is worth noting that on this net, that FY 2021 and FY 2022 and year-to-date 2023, they were better years. Just for noting, in FY 2018 the General Fund transfer was around $27 million. It was around $21 million in FY 2019 and around $31 million in FY 2020. These were better years, but the data seems to be leading you to believe that unless something's going to happen over the remaining fiscal year, we should track somewhat close. But again, you never know.

Chart 4 is just putting the revenues, the inflows, and outflows, together into one chart. Out at the end of the fiscal year in June, that gap is equal to what the Chart 3 is, it's just the transfer. Ms. Walker, that was staff's attempt to compile some information to allow you to see what staff was looking at for this revenue source. Because of its uniqueness, we can't really compile and show you what the revenues are like we do for the other ones because it's this netting out effect.

With that, Mr. Chairman, that's the comments that I wanted to make for the revenues on this table. Maybe before going into the tax credits, we can see if there's any questions on any of the revenue sources on this page.

David Schmidt: Any questions? Ms. Walker.

Mary Walker: I just wanted to say thank you. I thought this was very interesting. Thank you very much for doing that.

Russell Guindon: You're welcome, Ms. Walker, and it actually was sort of interesting to put together and we probably will keep maintaining it because it helps us to think about when you're looking at it and forecasting, where are we. I mean, we're looking at that already, but it's in a more tabular format. Sometimes when you put things in a chart versus a table, you visualize it differently.

Mr. Chairman, then with the Tax Credit Programs, there's only a change to the Education Choice Scholarship Tax Credits, and that one was more because we were working with the Department of Taxation in the last meeting and then, we were able to get the information on several of the tax credit programs but especially this one. So, the MBT taxpayers can make donations and then, they can get tax credits. When they're granted the tax credit certificate versus when they're taking it, can get off across fiscal years and all that. Then, especially the COVID-19 pandemic caused distortions, we noticed, because again, think about it, it's tuition for kids going to school and there was a little bit of disruption in kids going to school during that period. So, things got a little off. But the Department of Taxation, based on requests from staff, was able to compile the information about what credits have been issued and more, what's still remaining to be taken of those. We got a number that led us to believe that we were assuming there was too much left to be taken. Based on that, we realized we needed to come down a little bit from how much we had on the sheets over the three years.

Looking at for the first quarter of credits that were taken against MBT that was reported to us, it was slightly above the first quarter a year ago. Since there was approximately $11.8 million taken in FY 2022, we thought we should revise FY 2023 up, and so we just put the $12 million that you see on the sheets, which then revises the amount of credits to be taken up by the $600,000. But then since we had less credits, we had to then reduce it. We believe then, that will occur in FY 2024. It's the downward revision of the approximately $1.5 million. It's the adjustment of we got more accurate information on the amount of credits that were still outstanding and that was a little less than what we thought for the last cycle, and so we made that adjustment. It's not known when they'll take it, but we think that since schools are back, that if they took $11.8 million, then the $12 million seems reasonable that they'll take now versus pushing them off to be taken in FY 2024 and FY 2025.

With that, Mr. Chairman, it was the comments that I wanted to make with regard to the tax credit portion of this agenda item.

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

Russell Guindon: That's really the revenue and tax credit forecasts. What I just thought I would provide for the committee is give some information on the changes. For FY 2023, the forecast that you're looking at here is about $500,000 higher than the FY 2023 forecast that was presented to this body at the November 4, 2022 meeting. For FY 2024, it's about $3.4 million higher, and then, for FY 2025, it's about $1.8 million higher.

Over the 3 years, FY 2023, FY 2024, FY 2025, it's approximately $5.6 million dollars higher. If you want to go look at the 2023-2025 biennium, that is FY 2024 to FY 2025, compared to the actual for FY 2022 and the forecast in this table for FY 2023, the biennium difference is approximately $144.6 million dollars less. But remember, the main element driving that is the NPM and the Mining Gross Revenue - Gold and Silver taxes. It's in there for FY 2022 and FY 2023. It's not in there for FY 2024 and FY 2025.

If you would exclude that and get apples to apples, the FY 2024 and FY 2025 as a biennium would be up approximately $112 million over the preceding biennium. I just think that's worth pointing out that when you go look that there is additional revenue being forecasted in the next biennium compared to the current one. It's because the change in the revenue structure is driving what looks like the revenues are going down. They are but it's because of the change that's required in the taxes and where the revenues go.

Mr. Chairman, that was the additional comments I wanted to add just for the Members' edification. With that, I can answer any questions that the Members may have.

David Schmidt: Any questions? Thank you, Mr. Guindon. I think with that, we're ready to accept a motion to approve the adjusted revenue forecast here.

Mary Walker: So, moved.

Amy Stephenson: Second.

David Schmidt: We have a motion by Ms. Walker. Second by Ms. Stephenson. Is there any discussion on the motion? All in favor, please signify by saying aye. Aye.

Sarah Coffman: Aye.

Mary Walker: Aye.

Wayne Thorley: Aye.

Matt Lawton: Aye.

Amy Stephenson: Aye.

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

4. Public Comment.

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David Schmidt: Next agenda item is one final opportunity for public comment. Does anyone in Carson City want to make comment? Do we have anyone on the phone?

Broadcast Services: Chair, your public line is open and working, and you have no callers at this time.

David Schmidt: Thank you. Our public comment period is closed.

5. Adjournment (For Possible Action).

David Schmidt: With that, this meeting is adjourned. Thank you very much.