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MEETING MINUTES

Name of Organization:	Economic Forum: Technical Advisory Committee on Future State Revenues
Date and Time:	October 31, 2018, 2:00 pm
Location:	Legislative Building 401 South Carson Street, Room 2135 Carson City, Nevada, 89701

MEMBERS:
Mark Krmpotic
Sarah Coffman for Cindy Jones
David Schmidt
Paul Nicks

MEMBERS ABSENT:
Vic Redding
Mary Walker
Jeffrey Hardcastle

OTHERS PRESENT:
Russell Guindon, Economist, Legislative Counsel Bureau
Susanna Powers, Economist, Governor's Finance Office
Jeff Mitchell, Deputy Director, Department of Taxation
Tara Hagan, Chief Deputy, Treasurer's Office

1. Call To Order/ Roll Call

Mark Krmpotic: Madam Secretary, in the absence of a current Chair for the Technical Advisory Committee (TAC), I would just start off the meeting.

2. Public Comment (No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically included on an agenda as an action item)

Mark Krmpotic: Next, I would open up the meeting for public comment. Any members of the public wishing to provide comment to the Technical Advisory Committee? I see no public comment.

3. Election of a Chairperson and a Vice-Chairperson (For discussion and possible action)

Mark Krmpotic: I would move next to election of a Chairperson.

Paul Nicks: I move to have Mark Krmpotic as the Chairperson.

Sarah Coffman: I second that.

Mark Krmpotic: There's a motion for Mark Krmpotic to serve as Chairperson of the Technical Advisory Committee. Are there any other motions? Then, I'll open it up for a vote. Thank you. I would next open up under Item 3, the election of a Vice-Chair person.

Sarah Coffman: I move that we nominate David Schmidt for the Vice-Chair position.

Paul Nicks: I second.

Mark Krmpotic: Sarah Coffman motioning as a first and Paul Nicks making the second for David Schmidt to serve as Vice-Chair of the Technical Advisory Committee. Are there any other nominations? Seeing none. We'll take a vote to elect Mark Krmpotic as Chair and Dave Schmidt as Vice Chair of the Technical Advisory Committee. The motion passes. Mark Krmpotic serves as the Chair and Dave Schmidt as the Vice-Chair of the Technical Advisory Committee.

4. Approval of the April 25, 2017 Minutes (For possible action)

Mark Krmpotic: Next, the Item 4 is Approval of the April 25, 2017 Minutes of the Technical Advisory Committee Meeting. I realize that the Members present were not present at that meeting back in 2017. I was and I have read the minutes for accuracy and have no corrections or changes, so I would take a motion to approve the April 25, 2017 TAC Committee Meeting Minutes.

Paul Nicks: So moved.

Sarah Coffman: I'll second.

Mark Krmpotic: All in favor, say aye. That motion passes.

5. Review and Approval of Preliminary Revenue Forecasts for Selected General Fund Sources for Presentation to the Economic Forum at the Economic Forum's November 8, 2018 Meeting (For possible action)

Mark Krmpotic: Moving on to Item 5, *Review and Approval of Preliminary Revenue Forecasts for General Fund Sources for Presentation at the Economic Forum at the Economic Forum's November 8th Meeting*. I would note for you that there are a couple of pieces of information provided to the Committee Members. I'm going to ask Mr. Guindon to provide a little background information on the Technical Advisory Committee in terms of its duties and responsibilities and the duties called upon it by the Economic Forum in preparing for a review of the estimates and actions to be taken by the Committee. Thank you.

Russell Guindon: Thank you, Mr. Chairman. You should have two tables in front of you and I think it just may be easiest to go through and identify the tables and then as the Chairman directed, provide a little bit of overview and history and what this body is about and this meeting.

You should have a table that is titled *Table 3*, it says, *General Fund Revenue Forecast Agency Fiscal Budget, November 8, 2018, Forecast, FY '19, FY '20, FY 20*21 – what this table is, is the table that has the Agency Forecast is the forecast that was provided to the Budget Office and the Fiscal Analysis Division for the revenue sources that they're administering that revenue source. We go and ask each agency that administers every one of these revenue sources for their forecast for FY '19, '20 and '21. They provide that to us. Then, staff from the Fiscal Division and from the Budget Office prepare their own forecast and that's what you see displayed in this table, the results of that work process and product, which is what the agency that's responsible for administering and collecting either the tax revenue fee or even administering the tax program;

then, the individual analysis done by the Fiscal Division and then the Budget Division.

The next table then is taking the result of *Table 3* and it's just titled, *Technical Advisory Committee, General Fund Revenue Forecast, November 8, 2018*. This is the consensus forecast that staff from the Budget Office and Fiscal Division have put together for this body's consideration this afternoon, using the three individual forecasts that are provided in *Table 3*. That's sort of the overlay of the information for you.

As the Chairman pointed out, the TAC is the statutory body that has been put in place to basically be this entity that provides support to the Economic Forum, remembering that the Economic Forum is the five private sector people that are appointed by the Governor, but two of those members are nominated, one by the Senate Majority Leader and one by the Speaker of the Assembly. They're all appointed by the Governor. So, those five members serve on the Forum. As this body serving as a support entity to the Forum, the Forum at their June and October meetings provided direction to the TAC through staff as to which revenues to consider to bring back to them for their November 8th Meeting, which is next Thursday.

It gets a little surreal probably for staff because by staff, that's pretty much me, Michael Nakamoto, Joel Reel and Susanna Powers from the Budget Office, that we're staffed to the Forum but we're also staffed to this body, but we're also staffed to our own entities, the Fiscal Division and the Budget Office. So, we wear multiple hats as we provide the services that are necessary to the General Fund Revenue Forecast process.

With that then, as I go through this, you're doing this based on the directions that were provided to this body through staff, and really, all the revenue sources and the directions from the forum to the TAC were the same, except the cigarette tax used to be a major general fund revenue source that the Economic Forum sat and listened to separate forecasts at their public meeting and then came up with a consensus forecast. That one is now on the sheets here for the TAC. The live entertainment tax (LET) on non-gaming was on the tax sheets. The Forum made a decision to move that up and put it on the majors. Not that it's a huge revenue source – their logic was based on the statutory change in the 2015 Session to the live entertainment tax, that it possibly makes more sense to try and look at those two individual revenue sources, the LET on gaming and LET on non-gaming, individually, but yet, look combined to think about what's going on with the LET, versus this body listening to forecasts from staff for the LET non-gaming, and then them listening to forecasts for the gaming portion, and being able to get the overall picture for the LET. I think there is a certain logic to that reasoning. I just wanted to point that out at the get-go. That's really the two structural changes in terms of the revenue sources that are different on the sheets for this forecast cycle, compared to when this body would've met two years ago.

With that, Mr. Chairman, if it's okay, I can proceed with a little more history. Staff doesn't get into going through every revenue source that's on here. We sort of hit what we call, the larger ones, the major/minor revenue sources. So, if there are any questions from any of the Members of the TAC, feel free to ask and if we can't address them today, then we will get back to that Member, through the Chair of the TAC, to provide an answer, if it can't be addressed here today.

With that, Mr. Chairman, it was my intent to just proceed using the TAC table as to what the consensus forecast was, and a little bit about the revenue and then, again, if there are any questions, as I go from page to page, that might be the most orderly way to do this.

Mark Krmpotic: Just as a point of clarification, the information that the TAC will be considering today would be a recommendation to the Economic Forum. It's ultimately up to the Economic Forum to consider and approve the tax recommendations.

Russell Guindon: That is true. The Economic Forum is not bound by this body's decision. In a sense, the decision today will be brought forward to them as a preliminary forecast for their consideration at the November 8th meeting and again, they have the right to ask any questions and we go through, again the highlights. They can, after listening to the information, decide to make changes to the forecast that this body adopts.

Mark Krmpotic: Thank you, please proceed with your presentation.

Russell Guindon: Thank you. So, looking at the *Technical Advisory General Fund Revenue Forecast – November 8, 2018 Table*. This will be the table, in this format, that will be put in the Economic Forum's meeting packet. Again, what you have here is the consensus put together by Budget and Fiscal staff using the three separate forecasts.

The net proceeds of minerals, as it's one of the larger revenue sources as a tax, but it's not a major in the Forum, so they directed the TAC to do it. For those that have experience with this revenue source and this process realize, this is probably one of the more volatile ones. Principally, it's because of the complex nature of the tax. We have Jeff Mitchell here from the Department of Taxation, so if there are questions, he can address them. Basically, this is the tax that starts with gross proceeds from all the different types of minerals, with gold being somewhere around 90-95% of the total; then, of that gross, they get certain statutory deductions that are allowed; and then, some of those deductions have been clarified through regulation to get to a net amount; then that amount is subject to the tax rate. The good thing is, for gold, anybody that is over $4 million in gross proceeds is subject to the 5% maximum tax rate. Otherwise, it's a scaled tax rate, depending on your net-to-gross ratio. Then the property tax rate that that mine's property would be subject to, plus, it's the amount – so, if you're a gold mine and you're over $4 million, you're going to pay 5%. If your county tax rate is 3%, then you're going to pay 5% on your net proceeds, with 2% going to the General Fund of that 5%, and then the other 3% is treated just like property tax. It gets distributed back to the school districts, the county, city, town or any other property tax rate that's in place to make up that combined 3% rate.

You can see then, it makes it for a relatively complex thing because you're sort of thinking about, well what's the gold price? What's the production to get the gross proceeds? What would be the deductions to get to the net proceeds, and then what would be the effective tax rate? So, I think most of the forecasters, we're not trying to do it by type of mineral or by county, that you just get lost in the details. We're looking at it at a statewide level and the three different forecasters do it slightly differently and you see those forecasts in *Table 3*, in terms of each individual's forecast.

If there are questions, I can speak to Fiscal Division's forecasts and if there are questions for the others, they will come up and present their response to your question. The forecast that you see in the TAC table, after Fiscal and Budget look through it, it's the average of all three forecasts, for all three years. That's that revenue and so, if there are any questions on what I did say or there are any questions on what I didn't say, please let me know on the net proceeds.

I will point out, just to probably follow that, that FY '18 was not a bad year. It would've probably been a little higher. The average effective State General Fund tax rate was lower because of the nuances of the mines and the deductions that they take and what County they're in and that tax rate and what's the net that comes to General Fund. So, I think most of the forecasters are thinking that was more of an anomalous event and thus, the average effective statewide tax rates should come back up a little. Then you have to get into, well, what is your gold forecast.

We do have available a table and if the Forum Members or the TAC Members would like that, that summarizes the three different forecasts in terms of gold price assumptions, the gross, net and all that, that can be handed out and also be made available to the public. You'll just have to let me know if that's something that the Members of the Technical Advisory Committee would like to be provided, to hear, and potentially go through that.

Mark Krmpotic: Do Members have any questions about net proceeds, minerals tax thus far?

Paul Nicks: I do have a quick question and this would be going to the Agency Forecast. When I look across at all the different forecasts, it looks like Fiscal and Budget were more optimistic in Fiscal Years '20 and '21. The Agency had a large decline of about $3 million. I was just kind of curious to what is driving that decline in revenue that you're forecasting.

Jeff Mitchell: Thank you. I believe the major driving force between the difference between our forecast and Budget and Fiscal's is, I predicted a slightly lower production of gold. That's highly volatile, as Russell has mentioned. My prediction on the production of gold ounces was less than the others.

Russell Guindon: On the table just provided to you, this is the net proceeds and always one that gets discussion at this body's meetings. The three forecasters forecast it slightly differently. This is the way we try and provide some commonality across the different forecasts. The top block is the Department of Taxation's forecast. You can see there's the average annual price of gold assumptions, the production assumptions and then the gross proceeds from it. Also, there is the royalties component that the net proceeds minerals tax attaches to. Then you work through and get the tax rates for each of the different entities, then the tax due, then the middle block is the Fiscal Analysis Division's forecast and the bottom block is the Budget Office. At the bottom you have the average, which is the numbers that you see in the tax sheet. As I think Jeff pointed out then, that allows you to visually then see the production assumptions for each of the forecasters.

Paul Nicks: Just a quick follow-on to the Agency. Why do you see a reduction in production?

Jeff Mitchell: That's a very good question. I looked at the average production going back and I looked at the median of 5 years, 10 years, 15 years and we are in a higher production range than we have been for a while, so, I felt that might trend back more towards the median.

Paul Nicks: Thank you.

Mark Krmpotic: Any further questions of net proceeds of minerals? Mr. Guindon, as you move through the sheets, where applicable, can you indicate with respect to at least FY '19 what actual information we may have for this fiscal year to date that they were projecting off of?

Russell Guindon: We will do our best. I can tell you what information we go through, I just can't tell you the number. We'll see what we can do as we proceed here and come back.

The next block of revenues here is what we call the Gaming Control Board taxes and fees. Clearly, the Percentage Fee Tax is blank because that's a major General Fund revenue source, as well as the sales tax, that the Economic Forum will be considering on its own, at their meeting on November 8th.

These are the revenue forecasts that are provided to us by the Gaming Control Board. We have Mike Lawton from the Gaming Control Board here if there are any questions that would be better for him to address. These are the various taxes and fees and you can see, the larger ones are the quarterly flat fees on restricted slots, that GL 3043. GL 3044 is the quarterly non-restricted slot fees. Then GL 3045 is the quarterly fees on games.

The Gaming Control Board provides a forecast against the Budget and Fiscal. We have the opportunity to talk to the Gaming Control Board about these forecasts, to go through to see Fiscal's and Budget's comfort level. After talking to them and Mike Lawton at the Gaming Control Board, you can see on *Table 3* that the forecasts are the same for everybody because Budget and Fiscal were comfortable going with the Agency's forecast, the Gaming Control Board's forecast.

I will just open it up then for questions. It may just be best, if there are questions to have Mr. Lawton from the Gaming Control Board address those.

Mark Krmpotic: Thank you. I would ask Mr. Lawton to explain the increase in advanced license fees in FY ’21, going from $900,000 in FY ’20 to about $4.4 million in FY ’21. Thank you.

Mike Lawton: Good afternoon, Chairman Krmpotic. To answer your question, what we are seeing for that increase, based on our intel, we are very confident that a property on Las Vegas Strip will open during FY ’21, that’s going to generate the majority of those fees. We’ve done a property tour, met face-to-face, we’ve seen the construction site, glass is being put on the building. We feel fairly confident in what they’re telling us, that this property will open sometime in FY ’21.

To explain the advanced license fee, this is when there is a new property, their first full month of operation, their percentage fees will be paid, and it’s three times the amount of that fee, is paid. Then those are used as an estimated payment for the next three calendar months of operation for that licensee.

Mark Krmpotic: If that property were not to be assumed to be opening in FY ’21, would that forecast be likely $900,000?

Mike Lawton: It would be churn and that’s a different forecast to come up with but it’s basically churn. We’re always getting, well, not new properties, but a license will take over and be responsible as a new version number and they’ll be responsible for those fees. So, that’s what we’d go back to.

This property has been on my sheets before, it didn’t open. However, this seems to be much different, based on what I’ve seen. It’s a 60-story building and over half of it is built, so, we’re confident; and I wouldn’t have put it on here if I wasn’t. Thank you.

Mark Krmpotic: Thank you. Are there any other questions for Mr. Guindon or Mr. Lawton on the Gaming Revenues?

Russell Guindon: Mr. Chairman, if you would permit staff, it might make sense to maybe just go a little out of order here and ask you to turn to the last page of numbers, before you get to all the notes. We realize that the notes are longer than the tables, but that’s the nature of it.

I just thought while Mr. Lawton was at the table, it might make sense to go GL 3047, which is the first item under *Miscellaneous Sales and Refunds*, under the other revenue block, because that is another one that is administered by the

Gaming Control Board. You can see there, again, that is the Gaming Control Board's forecast. It would probably just be better if there were questions about that, to have Mr. Lawton address them. That could be in terms of what the tax is and then and/or related to why the forecasts are what they are.

Mark Krmpotic: Yes, thank you. I would ask Mr. Lawton just to explain the nature of this revenue source for the benefit of the Committee.

Mike Lawton: This is the tax our licensees pay on their expired tickets. So, when customers lose tickets or don't cash them in, the licensee must remit to us 75% of the value of those tickets. This tax is fairly new and as you can see, historically, it's been growing quite steadily. We forecast this based on looking at slot revenue and applying a ratio between slot revenue and the value of the expired tickets. So, what's been happening is, slot revenue has been gradually ticking up and for the most part, every fiscal year, this ratio also has gradually been ticking up.

We're off to a really good start on the first quarter and that's why that growth rate in FY '19 is stronger than what we're projecting in '20 and '21. We're actually up, first quarter, up 11.2%. I don't think we're going to hold that, necessarily, for the entire fiscal year, so we're drawing down the growth rate, but the first quarter was extremely strong. For '20 and '21, we expect slot revenue to continue to grow and we've slightly up ticked the ratio between slot revenue and expired tickets because historically, it's continued to tick up slightly each year. In fact, it's only decreased once since the tax has been instituted.

Mark Krmpotic: So, is this a quarterly or a monthly revenue source?

Mike Lawton: It's paid every quarter.

Mark Krmpotic: Any questions of the Committee? Thank you.

Russell Guindon: Mr. Chairman, I think then if we go back to the first page of the TAC table, as earlier discussed, the live entertainment tax is the Economic Form and the Commerce Tax is the Economic Forum. The Transportation Connection Tax is the next one you see there. Remember, this is the one that's the 3% tax on the charge or the revenue received by transportation network companies, e.g. Uber and Lyft. It's also imposed on taxicabs, on motor carriers, buses, limos, things like that. It also would be imposed on autonomous vehicle rides. That 3% tax attaches to those four types of revenue generating operations.

What's going on with this revenue source is that under law passed for this tax, the first $5 million of the tax each biennium has to go to the Highway Fund. That's why '18 is only $21 million. If you want to compare apples to apples, add $5 million to the FY '18 and the FY 2020 in your eyes as you look at the numbers. It would've been around $26.8 million and then it's growing, up to $30.6 million. Then it would've gone up to $34.3 million, and then up to $37.4 million, in terms of looking at the dollar deltas from fiscal year to fiscal year.

This body has to forecast what would go in as an unrestricted General Fund revenue source, thus, the $5 million doesn't go to the General Fund, it goes to the Highway Fund. Thus, under this tax, I'm not sure, year-to-date, do we have information on the General Fund? Because the answer to the question that the Chair asked, that we're here at the end of October, so, we can go through what the Agency's report is, but we can also go in the Controller's system and see what's been posted – well, certain agencies, like the Gaming Control Board, the money is flowing in all of the time and others, well, where the Department of Taxation keeps the money in holding accounts, and then they do a monthly or a quarterly post for that revenue source. So, we're in there trying to go through and say, what was through October, whatever is this year compared to last year and see. For some of these, we'd have July, August, September, part of October revenues, but being honest, several of these smaller revenue fees, the timing of when these are getting paid by a person that's required to pay a licensee fee or a tax, and then when it gets posted from one year to the next year, it can really be pretty wicked in terms of trying to do.

We were more trying to roll up year-to-date to year-to-date and look at that. I apologize, I forgot to pull that table out and bring it with me, but it is something we can make sure we have for this body's meeting, and even provide to the Members of the TAC in advance of the meeting. Then we can even put in some years of the history, then where we are year-to-date for those two, and provide to the Members of the TAC as soon as we get that compiled for the next meeting.

Mark Krmpotic: What would be the economic driver of this revenue source? Something like visitor volume, for instance?

Russell Guindon: That's probably one of the major drivers and also, we residents can take Uber, Lyft, taxis, tour buses, limos, things like that. I think when we're looking at the forecast, that most of the money is probably coming from Clark County, just like most of our revenue sources. Looking at what's going on there with regard to the visitor volume.

This also is one of those where you have to stop and think about, at least when Fiscal is trying to think through it, and again, you can ask the other forecasters their own, but it's not just the number of people you have, be it residents or visitors, but it's their amount that they're consuming. It's that sort of capacity thing of, you can have ten more visitors, but if the visitors that were coming, they start using Uber and Lyft more than they were, versus rental cars, well that can have a detrimental effect on short-term car rental versus a positive effect here.

Then, as forecasters, we're trying to look on, not just the number consuming but the amount that's being consumed by those numbers because just thinking to Uber and Lyft, that this is the direction society is going, that we use apps for things, and we use Uber and Lyft, and someday we'll be using autonomous Uber and Lyft to get places, there's the talk about that possibly people don't own cars or homes as much as the current or past generations – those things go through our minds as forecasters, but to be able to quantify it, that's something else with thinking and quantifying being two different things.

Mark Krmpotic: Any questions from the Committee? Please proceed.

Russell Guindon: The next one, which is one of the larger ones on the tax sheets is the Cigarette Tax. Remember, this is the one that was raised to $1.80 a pack in the 2015 Session; $1.70 of the pack goes to the General Fund; $0.10 goes to the local governments through the consolidated tax distribution. Year-to-date, we have the first two months of information and that one I think I have your sheets.

The actual collections, year-to-date, through the first two months are up 16%. That was against being down 12% a year ago, versus being 95% the year before that. I'll provide a little bit of history. We raised the Cigarette Tax in 2003 and almost instantaneously you see consumption per capita, national/international, it's falling. So, when we raised the Cigarette Tax in 2003, we almost instantaneously saw the yield start to fall because you probably exacerbated the consumption per capita. Then when we raised it again in 2015, we probably had that expectation and we started to see that. Well, our good neighbor to the west raised their cigarette tax even more than we did. You're worried about cross-border effects with this and well, they helped us out. So, we believe that really strong growth there was the benefit of California's tax increase. Now, 2018 was annualizing against that '17 California effect. So, '18 is the first year that we start to get a little bit of "apples to apples," right? Now, '19 – remember, this is, it's a tax on the packs, it's not the retail consumption, it's happening at more the wholesale level, that you have to go get the stamp and the stamp has to go on the pack – we're forecasting the packs, and at least when we're looking at it, you look at it on a per capita or a per visitor basis, but realizing that the number of reported packs by the Department of Taxation, that may not be the actual retail consumption that month because we just don't know that and we're just seeing the packs. So, when we look at that, yes, it's up very strong and when you look at Fiscal's forecast, just our assumption was that, we're still going to start falling again. Yes, we're up through the first two months and we'll just fall off more, that's why you can just see, we're more pessimistic than the other two forecasters in the first year. Then after that, you can see we all sort of fall in the same, hey we're falling, it's just the rate of falling in 2020 and 2021.

As Budget and Fiscal talk to this revenue source and we looked at what the average of all three was, you can see you get 0.3% increase in 2019, knowing that we're up what we are through the first two months. Every forecaster wants one more observation and we will have one more observation when we come to this body in the end of November. Each forecaster's forecast for this revenue source may not change, it may change, based on getting that additional observation and seeing, is it anomalous or is it laying anywhere that might be trend for this revenue source, knowing that most likely the trend is probably down, but you can get anomalous effects that are hard to read, especially at the beginning of a fiscal year.

I don't know if there are any questions or any information that was required on the Cigarette Tax?

Mark Krmpotic: Any questions on the part of the Members? Mr. Schmidt.

David Schmidt: Thank you, Mr. Chair. Could you briefly discuss to what extent substitutes for cigarettes have on this forecast – for example, e-cigarettes or legalized marijuana?

Russell Guindon: That's a very good question and thank you for bringing it up, Mr. Schmidt. That is one of the things, as forecasters, when we were getting together and looking at each individual's forecast and thinking about the average was that yes, vaping is clearly a substitute good and for that matter, is marijuana a substitute good? So, that could also lead to the continued decline in the per capita that we're already seeing, or per visitor type consumption. Again, we don't have the data available to us because the vaping devices, there isn't a tax on them. There is tax, we'll get to, on 'other tobacco' but the vaping devices aren't deemed to be 'other tobacco' and so, we don't get any data on them that we can look at to find what's really going up or falling which, possibly is what's going through your mind but we don't have that. That's a very good observation and it was something that was discussed as we were thinking through the forecast but again, it's something that we don't have the ability to quantify.

Mark Krmpotic: Any further questions? Please proceed.

Russell Guindon: *Insurance Retaliatory and Captive Insurance Premium Tax* – the forecast you see there for those two revenue sources, for the insurance retaliatory tax, it's the average of the three forecasts, Agency, Fiscal and Budget, and the captive insurer is the average of the Fiscal and Budget forecasts only. You look at the individual forecasts and when you look at the average of those two, there was more of a comfort level with the average of Fiscal and Budget, than the average of all three, with regard to the forecast that came out, compared to looking at what the FY '18 actually was and what this series tends to do.

If there are no questions on those two, the next one is *Governmental Services Tax*. If you have any history and you go back and look and say, wow, this is a lot less – well, again, historically, this is the one that was put in place in the 2009 session where we added to the depreciation factors that are in statute, 10%. So, they went from 100%, down to 5% and now they go from 100%, down to 15%, so for each one of those, you add an additional 10%. The revenue that's generated from that additional 10% increment of raising the depreciation rate is the General Fund portion for the first four fiscal years that it was in place. Under law passed in 2009, it was then supposed to go to the Highway Fund, beginning in that fifth year. Well, because of the Great Recession, it was a revenue source that was recommended by the Governor frequently and then approved by the Legislature to provide additional General Fund sources, so, instead of going to the Highway Fund. Then, later on, we were splitting it, 50/50.

Well, the portions that you see here for FY '18 and FY '19, based on the Governor's recommendation in the Executive Budget for the 2017 Session and then was approved by the Legislature, was that of the proceeds from that 10% depreciation effect – 25% of it goes to the General Fund, 75% of it goes to the Highway Fund. But under that recommendation and the Legislative approval, it's only for two years, FY '18 and FY '19.

Then, this body, as well as the Economic Forum, are required to forecast, under current law. So, under current law, that means 100% of the proceeds then go to the Highway Fund beginning in FY 2020, and in perpetuity going forward.

That's why you see the forecast here for FY '19, which is the average of Agency, Fiscal and Budget's, for that revenue source. You can see there is not a lot of difference. There's a difference in the growth rate, when you look at the amount of money that you're talking about, then, when we look at the average, it puts it very close to the Budget forecast. When we look at that, well, what does an average do? It's sort of splitting the baby sometimes when you have three observations, so we were comfortable with that forecast for this revenue source.

If there are no questions on that one, the Business License Fee, this is the one that was, again, changed in the 2015 Session, that it used to be $200 on all business types. The 2015 Legislature changed it so it's $500 for corporations and $200 for all other business entities. So, you see the different forecasts that are in the sheets there and there is variance there in terms of the outlook for this. Again, Fiscal and Budget talking to it and looked at the average of all three forecasters, there was a comfort level with that being the forecast path for this revenue source over the three-year forecast horizon that this body is required to consider.

I'll pause there and see if there are any questions on the Business License Fee that the Members of the TAC may have.

Mark Krmpotic: So, the increase in the revenues, that's indicative of just more or greater licensing in Nevada, by combination of corporations and other businesses?

Russell Guindon: I'll talk to the Fiscal Analysis Division, exclusively and then if you have questions for Budget or Taxation – you can see ours is the weaker one and we see in some of the numbers there's a degradation, a little bit of the $500 corporation fee, in terms of, not as many corporations are falling off.

One of the things from when this change was being made in 2015 Session is that there was an expectation that there would be some negative effects. We also thought about it and we do believe there is some support for that in the data that you don't have to be a C-Corp, you can be an LLC. So, you switch out on a C-Corp and become an LLC and you saved yourself $300 in licensing fees. But again, there are differences in those business entities with regard to making a decision to either be a C-Corp or an LLC, perhaps saying, hey, I don't need to be a C-Corp, I can be an LLC, I can be an LLP or for that matter, a sole proprietor, right? So, that's what we see but also that we think with what's going on in the economy, that we should have more business formation. So, we just think, with the fiscal forecast, that if you lose some of the corps, that you're not picking up $500, you're picking up $200. So, the net of that is what's going on in our forecast, to get to the 0.2%, compared to, I think the other ones, they have the business formation occurring in that first year and then it just sort of trends. Each forecast has growth but it's increasing at a decreasing rate out there in 2020-21.

Mark Krmpotic: Could I ask Ms. Powers to come forward and explain her forecast also please, for the Budget forecast? Thank you.

Susanna Powers: For Business License Fees, I have more of a holding steady expectation on the $500 corporations piece. Then, I see a little stronger growth on the $200 piece of the fee. So, I basically expect to see economic growth to generate additional fee revenue and this is not necessarily new companies, per se. I'm thinking of the self-employed, real estate agents, forming partnerships, lawyers, doctors' offices, things of that nature – I just don't see it dying off so quickly. Then, as we start approaching towards the end of the current business cycle, I kind of expect somewhat of a slowdown, but nothing spectacular – just a bit of a slow-down compared to fiscal '19.

Mark Krmpotic: Thank you. Any questions from the Members? Mr. Schmidt.

David Schmidt: Thank you, Mr. Chair. Yes, a brief question. Do we have any data available on that mix of corporations and everyone that's not a corporation filing, that we could receive?

Russell Guindon: Yes, the Secretary of State does provide information. We have it by Corporation, then all other entity types because of the $500 and $200, so not broken out. So, we can put that together and have that available for the next meeting, Mr. Schmidt, if that's okay?

David Schmidt: That'd be great.

Russell Guindon: I will point out that, Michael just showed me, through the first three months for this revenue source, we're up 2.7% year-to-date, compared to this same period three months FY '18. We will have that information put together in table and chart to provide, available to Members at the November meeting.

Susanna Powers: I just wanted to offer one comment about the year-to-date revenue. When I was doing this for the last cycle, I remember that the revenue kind of got off to a slower start and then it kind of picked up later in the year. So, I just kind of wonder, since we're in such an early stage of the fiscal year '19, if there's also some timing issues, how the revenue gets recorded, in terms of who is renewing their fees. I noticed that, so I didn't let that influence as much this time but it's so early, so it doesn't mean that I wouldn't revise my forecast later on once there's more data.

Mark Krmpotic: So, when we meet at the end of November, we'll have one more observation? The presenters are nodding yes.

Russell Guindon: With that then, you see there the Liquor Tax and the forecast there is the average of the Agency, Fiscal and Budget. Again, this one is a tax. There are four types of liquor and the tax there you see is the combined effect. Beer is taxed at $0.16 per gallon. Alcohol that's up to 14% alcohol by volume is taxed at $0.70 per gallon. You may hear us refer to that as 'wine.' So, we have beer, wine and then cordials, is the stuff that's 14% to 22% alcohol by volume, that's $1.30 per gallon. Then what we call 'hard liquor' is the stuff over 22%. That has a tax rate of $3.60 per gallon, but only $2.95 of it belongs to the General Fund – there's $0.50 that goes to the locals, to the consolidated tax distribution, then the other $0.15 goes to the Liquor Program Account. Thus, the two big drivers of this are beer and hard liquor – beer because although it has a low rate, it has a lot of gallons and then hard liquor has a lot of tax, in terms of the rate.

What you see here then, are the three forecasts that are presented for that. Again, there's a little discrepancy between the forecast and Fiscal's, which is just looking at, and I think that probably reverberates Susanna's point in that it's early, so, year-to-date we're actually down 8% through the first two months of this fiscal year, compared to those same two months last fiscal year. Again, I would reiterate Susanna's point that two observations do not population make. So, you look at that and see, what's the signal, what's the noise in that and does one more signal provide a lot more signal or a lot more noise, but we don't know until we see that next month.

So, this is one of those where the forecasters may be revising their forecast when we see that. We're looking at these four different revenue sources and we're thinking about it and we think about what has historically been going on, what's going on, what do you think is going on with consumption, and then, what's going on with visitors. For a while, this was stronger and it was even hard to figure out when nightclubs became a bigger thing, when the casinos started moving more in the nightclubs, but we really don't have a lot more new nightclubs, so, will that continue to be a generator or will there be some stabilizing in this.

When we looked at just where we are year-to-date, Fiscal had a hard time getting back to positive but we're just slightly negative. Then you can see, but it's not that much different, especially in dollar terms, when you look at the Agency's and Budget's forecast. Then, as you get out into the forecast path, they start to look similar in terms of the growth path. So again, when we looked at the average of all three, there was more of a comfort level with taking the average, versus attempting to select any one, or average over just two of them.

Mark Krmpotic: Could you remind the Committee what the point of the taxation is for Liquor Tax?

Russell Guindon: Yes, this is not at the retail level – it's at the wholesale level. So, the wholesalers are getting the gallons and then they're being distributed out to liquor stores, nightclubs, places like that – the retail. So again, as economists, you want to think retail but it's really not that, it's happening at the wholesale. Clearly, there is that linkage, but there can be a time lag and let's remember what we see in all these taxes, excise taxes like this, cigarettes and liquor, that when there's a tax change even being considered during session, you'll start to see gallons or packs go up and then clearly, when we passed that Cigarette Tax 2015, we got a lot more money in the preset because they went out and got the stamps under the lower rate. Well, the same thing can happen for liquor, and we haven't had a liquor tax, but just to emphasize that it's the timing of these people monitoring their inventory in relation to the retail demand, so, it is that dynamic going on – it's retail consumption and the wholesale inventory and keeping those in balance.

Then the next one is the other tobacco tax and this is the one that's 30% to wholesale value. As was stated, it does not include vaping and it does not include marijuana, just to get that out there. So, this tax, we have the first two months and it's up 13.6% year-to-date, but to give you an idea of what could happen – this tax in July 2018, compared to July 2017, was up 260% and then it was down 29.7%. If you want to see variance, look at some of these excise taxes.

This is one of the ones that I think puzzles the forecasters because you can see, that's pretty good growth that the forecasters are forecasting and this one just continues to grow. Even when you go out and look at the Consumer Price Index (CPI) for other tobacco products, it's above the average CPI in terms of the increase in the price index for that, but after consumption. So, I'll be honest with you, as an economist you go, well—and to get to Mr. Schmidt's point, this is the other substitution effect.

Hey, I'm not going to do cigarettes, I'll go roll my own and/or I'll do the moist snuff or the package you can put in your lip and stuff like that. So, there is the availability, right, because what are these things? They're nicotine delivery devices. I don't consume any of them so I couldn't tell you where the price points are, but if that's what's going on, but this one is just remained fairly strong, stronger than I would think just because it's a tobacco product. Okay, tobacco consumption per capita, you already see that in the cigarettes, but this one, you see it increasing.

The forecast you have there is the average of all three forecasts because again, we thought that gave us some comfort about when you average those different growth rates and then you see what comes out, to have the 5.3% growth, the 6% growth, the 5.7% growth. It has that growth in there but it's, right, it's probably not too low, it's not too high – it's somewhere in the middle of that range that you don't think you're going to get burned as a forecaster on this revenue source.

The Higher Education Capital Construction (HECC) fund transfer – I'll just go through this one because you can see it's $5 million, well that's because the law says it's $5 million. This is the portion of the annual slot tax that's required to go here, with the other portion of the annual slot tax, which is the $250 per slot machine. I believe, from my memory, it's paid at the end of the calendar year. So, the $5 million goes to the HECC and then there's a portion that goes to what's called SHECC, the Special Higher Education Capital Construction Fund. Then the rest of it goes to the Distributive School Account (DSA) and it's a state-funding source for K-12 education under the Nevada Plan Formula for funding schools.

Finally, you have on this sheet, the Branch Bank Excise Tax. This is the one that was—it's $7,000 per branch bank, with an exemption for the first branch in each county. So, if you're Bank of America and you have two banks in Carson City, then you're only paying $7,000 on one because you get one free. But then you get one free in every county.

So, I think each—the forecasts that you see here, they're looking—the FDIC, the Federal Deposit Insurance Corporation, they put information out on the banks and their branches. So, we can go look at that to see branches coming off, going on and then utilize that information to forecast. It's not a really large revenue source, so we do a pretty good forecast for this. When we looked at it here, again, Fiscal and Budget, the average of this one is Fiscal and Budget only and did not include the Agency's forecast in the average. Just looking at, as we discussed, they had theirs declining by approximately that 1% every year and getting a little larger that there was—again, not that that event could not occur, but that there was more comfort with averaging the Fiscal and Budget as a consensus forecast to bring forward for this body's consideration.

With that, Mr. Chairman, that concludes that page. If there's no questions—I'm going to save all the tax credits until the end.

Mark Krmpotic: Are there any questions on the sections covered under Total Taxes by any of the presenters? Please proceed to Other Revenues.

Russell Guindon: The next two pages are lots of what we call, generally the smaller revenue sources. I'm not going to spend a lot of time on any of them individually, probably except for some of the Secretary of State funds. Insurance License, just that one. That is this one that there's all these different types of licenses in the statute with different fees. We have a chart that, this thing, I think for one year, it grows every year. So, when you look at the individual forecasts, it's up 7.4% year-to-date through the end of October. We don't think that's sustainable for the fiscal year when you look at the three forecasts. So, the forecasts that you see here, there's not a lot of difference between any of the three but the forecast in the tax sheet is the average of all three.

Then the Secretary of State fees you see there, and really the largest one is the Commercial Recordings. This is, besides the Business License Fee, you pay fees for filing the—establishing a Corporation, an LLC, an LLP and that. What we call them is the Title 7 Fees because all these chapters that the corporations and limited liability partner, all that, they're under Title 7 of the NRS. It's just easier to say hey these are things under Title 7.

So, you can see the forecast there for each of the forecasters. The forecast here for the consensus, for your consideration is just—it's only the average of Fiscal and Budget. When we looked at—and it's principally because of the outer years with the 0% growth. Fiscal and Budget were thinking there probably should be some growth. So, when we averaged just Fiscal and Budget over the three years, there was a certain level of comfort with the 1.8% growth, the 1.0% growth and the 0.7% growth, for each of those three fiscal years. Fiscal year-to-date through the first three months were actually down 1.5%.

This is probably an appropriate time, Mr. Chairman – the Domestic Partnership Registry Fee there, that this is the revenue source. The structure of it is that there's a $50 fee that when you go to get the Domestic Partnership Registration. That's the gross receipts. Then there's expenditures that they're allowed to take against those gross revenues with the net being required to be deposited in the General Fund.

You can see that we didn't have anything in FY 2018 and then the initial forecast we got from the Secretary of State was for no revenue. So, Budget and Fiscal were working through this and questioning, working with the Secretary of State's staff and we appreciate them working with us on it that we found out that in FY 2018, there was an extraordinary expense. That's why they didn't have any excess revenue to deposit in the General Fund. So, then as we worked through that with the Secretary of State's Office, just at 1:00 today, they provided us information because we've been working with them this week that they believe now that looking at their revenue projections and what the expenditure projections are now, taking account of that extraordinary expense in FY '18, they believe that an estimate for FY '19, '20 and '21 would be $21,776.

For this preliminary forecast, it's this body's decision, but staff felt that we should bring it forward for this Committee's consideration that we did have , it would've been impossible to get it into the sheets and reprint the sheets, but since we did have the information to bring it forward here for these preliminary forecasts. So, I just—when this body gets to the point that they may want to take a motion on the forecast, that would be one of the things you could include. Then what we will do is, if that is a decision of this body, we will go add that to the table and send that revised set of tables out to everybody. That would be the set of tables taken forward to the Economic Forum next week.

Mark Krmpotic: Could you repeat that amount again, Mr. Guindon?

Russell Guindon: Yes, it's $21,776.

Mark Krmpotic: Ms. Powers, have you received this information as well?

Russell Guindon: And as you know, we tend to round, so we'll probably round this to $21,800. One, we're not—it's not that we're not as precise, it's just, it's easier to look at your sheets and if you know you've got 0, or 00, you know it's a forecast, not an actual. At least that's my—my logic.

Susanna Powers: Yes, I have had a chance to take a look at that prior to the meeting.

Mark Krmpotic: Thank you.

Russell Guindon: So, with that then, if there's other questions on the Secretary of State revenues and then the private school license, private employment agencies, they're just not very large forecasts. They're these licensing fees. Again, you can see we get the forecast from the agency and then we look at it. Generally, the private school license is just the average of Fiscal and Budget, versus the private employment agency is the average of all three forecasts. For the real estate license fees, this one, I don't want to belabor it, but it has a little bit of uniqueness to the pattern of the growth that you see there that it's going up in '19, down in 2020 and then down in 2021. So, the forecast you see there is the average of Fiscal and Budget. It's because there was a statutory change to this that the license used to be that you got your initial license for one year and then you renewed and got that license for two years. Then there's a law change that's says, well you go get your initial license for two years and you get your renewal for four years. Then they changed it back to , you get your initial license for one year and two years.

So, you can imagine as a forecaster what that means to go, well the person that had it for four years, they're good for four years. So, if you've got new people coming on, they're two years. We have spreadsheets where we try and account for those licensees and what percentage of them will renew as that four year tail, and then, how many are new under the one year that will have to renew next year for two years. We have a sheet, it looks a little like a demographic model where you have births and deaths and in-migration, out-migration.

The reason it goes down in 2020 is because you finally are getting somewhat apples to apples. In 2019, you still have part of those people or part of that four year tail that a portion of them we're assuming will renew. In 2020, they won't be there, so, you're losing part of that base that was out there. That's the reason why you see the fall from 2019 to 2020, but you don't think that the real estate industry or that people won't want it, it's just that probably the realtors, they'll somewhat hold up, but that you'll have this tax structure effect.

Mark Krmpotic: Mr. Guindon, going back one second to the Securities Line, GL 3152; was that an average of Agency, Fiscal, Budget as well on the consensus forecast?

Russell Guindon: That's correct, Mr. Chairman.

Mark Krmpotic: Thank you. Any questions on real estate licenses or Secretary of State revenues? Please proceed.

Russell Guindon: The Athletic Commission Fees, this is the one that's placed on boxing and mixed martial arts, UFC type fights. It's an 8% tax which 6% goes to the General Fund. You see, the forecasts that are in there are the Agency's forecasts because they go out and sort of know what the fight schedules. We also, each forecaster, sort of go out because you can go to UFC's website and see what's scheduled and all that, to try and look at it. When we look at that and then looked at the yield that's been occurring since UFC, that we're comfortable using the Agency's forecast. So, what you see in there is basically, it's the average of all three because that's the mechanics, but it's really the Agency's forecast for all practical purposes.

That is the license revenue block. So, in Fees and Fines, really the only one that I think there that I'll talk about is the Short Term Car Lease. Again, this is the short-term which is the 10% tax on short-term car rental. You see the three different forecasts there. Again, Fiscal just thinking that we, you know, looking at where we are year-to-date —we have nothing year-to-date, but looking at what happened in FY 2017, some of this stuff you can—at least, fiscally there is some effects of Route 91 and the tragedy of that event and had some residual effects that carried on for months in terms of looking at the visitor stats and had sort of an impact on the numbers we saw in '18. Even with that, when we did our annualization against the growth that we didn't get growth looking at our visitor growth and what we thought would go in this revenue source. So, the forecast though you see here is the average of Agency, Fiscal, Budget.

So, again, if you have any questions on the other Fiscal, Budget, then they could come to the table and address those questions. Again, when you look at the average, it does what an average should. It sort of sits in the middle and gives you some comfort of, you're not letting any one of the forecasts carry too much weight.

Mark Krmpotic: Do the Members have questions on Short-Term Car Rental? Please proceed.

Russell Guindon: So, I think that's all I really wanted to cover on that page. The next page, these are—you see it's called Repayments, Other Repayments. What all these are, these amounts are fixed by law. What they basically are is, in its simplest terms, they're a General Fund loan to a program or a project and then, they're put in the statute what the payment schedule is. So, basically for these, there's an amortization table. So, what you see there is then all the repayments are current under law. There are the two news ones that have been added. And you see it's the 4408 EITS Repayment, Wide Area Network upgrade that was approved in the 2017 Session. It was about a $2 million amount that's required to be repaid in four installments, so thus you get close to $500,000 a year.

Then the other one on this sheet that's probably the most important one is the Treasurer's Interest Income. You can see what we collected in FY 2018 actual and again, we have the sheets to show the history. This used to be a much bigger revenue source when we had better interest rates for everybody, not just the State of Nevada. That is from an earning point of view, not necessarily a paying point of view. Then you can see the increase in FY 2019. So, Fiscal and Budget staff met with staff from the Treasurer's Office and they're here. If there are questions on this, it would be best that the Treasurer's Office staff came to the table to answer it. When we went through it, it's basically, we all know that the Feds have started to increase the rates and those are the short-term rates. The increase here is more due to the assumptions about the yield than it is increases in the investible balance. It's a little bit of both but more in the yield. Then it's just, right—the General Fund revenue went from about $3 billion to $4 billion based on the 2015 actions. So, we have larger money gross terms, but then they're writing checks daily, so, the net may not be changing much that's in investible balance as you look at revenues versus expenses. Then, it's the yield.

The Treasurer's Office was nice enough to show us and give us the information they get from Bloomberg on their yield projections. Then we went and looked at them compared to Moody's and then, if you chart them, they may not all lay on top of each other but they surely move in the same direction.

Mark Krmpotic: I would appreciate the Treasurer's Office coming forward and explaining their assumptions since the three forecasters primarily mirror what the Agency is indicating. Thank you.

Tara Hagan: Good afternoon. What we utilize and we've done that for—so, it's the same methodology that we've used for the past three bienniums, I believe. So, this will be the third since I've been at the Treasurer's Office. We look at what the market is purchasing in terms of fed funds forward rate contracts. So, obviously what the market does, be it banks or institutional managers, they hedge fed funds and so those contracts go out, you know, it could be six months, it could be in this term, two years. So, that is what the market is driving in terms of that fed funds rate.

I think the other thing to look at too, if you look at the fed fund rate, I think that the Committee received—oh, okay. So, when you look at, there's been 175 basis points in increased interest rate, right, rate hikes in the last—it will be two years. By the time it's two years, we expect it to be 200. So, the market does expect another 25 basis points to increase in December.

So, right now you're at a 200 to 225 fed funds rate. We expect that in December to go to 225 to 250. And then, in our market assumptions, so what those forward contracts are showing, in addition to December, we see two more rate hikes. Now, whether that's going to be in March, June, September or December, you know, the market is a little all over the place there, but you definitely see by the third quarter, fiscal year '20, there's a drop off in that. So, they pretty much stay right at that 3% in terms of the fed funds rate.

I'm happy to take any questions on that.

Mark Krmpotic: When you speak about the fed funds rate, you're talking about very short term securities, correct?

Tara Hagan: Fed funds rate is an overnight rate that the Federal Fund Bank is going to loan to another Federal Fund or Commercial Bank, but overnight rates is what that is, yes.

Mark Krmpotic: Thank you for that clarification. Are there any questions regarding interest? Mr. Schmidt.

David Schmidt: Thank you, Mr. Chair. What—of the total interest income revenue here, how much is it due to assumed increases in interest rates and how much is due to increased cash flow through the Treasurer's Office?

Tara Hagan: It's a little bit of both. I will say in terms of growth and the overall—we look at the general portfolio. I know you're all just looking at General Fund. We assume $100 million a year in terms of an increase in our, what we call our short-term or our liquid, so more what's managed Kim Schafer here in house and then $15 million a quarter for our longer term. So, those are actually managed outside. That's stayed the same for the last three bienniums.

So, there is obviously some assets under management are going up a little bit but it's really—it is the combination of both, but I would absolutely say it's the fed fund rate, I mean, it's the assumptions in the interest rates that's really driving the yield.

David Schmidt: Thank you.

Mark Krmpotic: Any further questions? Thank you very much.

Russell Guindon: Thus, Mr. Chairman, since you observed the forecast for Budget and Fiscal for that revenue source were the Agency's because it—after we met with them and went through it, we were comfortable with the forecast they're presenting here. Obviously, like any forecast, it's dependent upon forecast for interest rates. If any of us could forecast interest rates really well, we probably wouldn't be sitting here in this room right now, right? Or net proceeds for that matter too.

On the rest of the sheet, we did Expired Slot Machine Wagering Vouchers on the Other Revenue Section. Then, I just thought I would quickly observe that—because you see that the two Court Administrative Assessment type items. So, GL 3114, this is the one that's $5.00 per court assessment. That's why you see money every year and sort of having a little bit of growth in it, versus the Court Administrative Assessment GL 3109. This is the one that, of the Court Administrative Assessment, like I said, we'll get that fixed $5.00 but then the other portion is driven by well, how much—what was the Court's assessment? Then that money goes in to fund various statutorily required programs. So, an amount is authorized for that.

Then, the General Fund is only going to get money if the amount of revenue that was forecast comes in above the amount authorized, if the amount authorized was all spent. Or, you could have, hey the revenue came in on spot, but you know, the authorizations were lower than expected, thus that also generates. The bottom line here is, this one is really this residual that sits there and so, right now, at this point in time, as the Governor's Finance Office is working to build the Governor's Executive Budget, that the amount you see in there for FY '19 is the amount that came out of the legislatively approved budget from the 2017 Session. Then the expected value right now for this is zero, because it's sort of like, well whatever the revenue forecast is, you think you're going to authorize all that. That will not be determined until they sort of work through what the forecast is for the revenue, what it is going to be the authorized amount in the Governor's recommended budget to the Legislature and will there be a residual or not be a residual that would be on the General Fund sheets.

Again, I think for this body, possibly, even at the November meeting and/or the Economic Forum is that the forecasts for this item could still be zero, but when they put together Gov Rec, that the revenues, our forecast, will be more than what's going to be authorized for the programs, then that would be a Governor's revenue enhancement in the Governor's Executive Budget.

So, just to go through a little bit of that because you have some of these revenue sources that are tied to the budget. In fact, that's a good segue to go to the one at the bottom, GL3276, the Cost Recovery Plan (CRP) or it's called the Statewide Cost Allocation. You can see it's the same amount for 2020-2021 as it is for FY 2019. The FY 2019 amount is the legislatively approved amount that came out of the 2017 Session.

As we discussed this with our colleagues, between Fiscal and Budget, that to keep the placeholder for this meeting as a preliminary forecast, equal to the Leg approved amount because this is a dynamic number that possibly, if Paul and his staff ran it, it would be different today, it could be different next week because there—it's coming out of the budget, the executive budget and the cost allocation program.

We just thought, rather than putting a number in here and come back, for this preliminary forecast, this would be a good placeholder and then we'll work to have a different number in November but again, depending on where we are in the timing of the Governor's Finance Office and the Economic Forum Meeting and Gov Rec, this number could be different in the Governor's Executive Budget, compared to what we would have in the sheets and they would just have to true that up through the revenues that they're reporting in the Governor's Executive Budget, relative to what the Forum would approve at their December 3rd meeting.

Then you have the last revenue source is Unclaimed Property. Remember this is the one where under the law, there's all the different types of unclaimed property, right, from safety deposit boxes to you know, gift cards, all this stuff. So, that stuff is required, after a certain period of time, three years, five years, I think seven years, stuff is deemed to be unclaimed. Then the entity has to give it to the State Treasurer's Office. Then they put it out there and it lives in perpetuity as somebody to claim it. So, they go out and advertise and have a program to try and find these people to get them their money.

So, what you have here is every fiscal year is the net of the inflows and the outflows. The timing doesn't even have to occur within the fiscal year. You could have inflows at the end of a fiscal year that become outflows for the beginning of the next—so, it's really a very dynamic thing that's occurring in terms of inflows and outflows. You can see that the amount on there, of the $26.7 million. Then, you see the three individual forecasts for this revenue source.

So, the consensus forecast that you have there is, as Budget and Fiscal went through it, is it's the average of Fiscal and Budget, or if you like, it's the average of Agency and Fiscal. When we looked at these, you can see that the Budget office, after looking through and talking with the Agency went with the Agency's forecast for this preliminary forecast cycle, but the fiscal forecast is actually going down in FY '19. That's just—everybody does their analysis. I went and looked at it and go, you had a lot in one category that got remitted in FY '18 and so, can that repeat itself in FY '19? If not, then you would have less inflows and then, you may or may not have more outflows, depending on what happens at $31 million.

I will just be honest, with everything going on in time allocation, did not have a chance to talk to anybody at the Treasurer's Office, but that will occur between now and the next meeting. But so, that's the forecast. So, when Budget and Fiscal, right, it's simply a matter of math. That if you average all three, each forecast gets a 33% weight. If you average two, they each get 50% weight. So, Fiscal was more comfortable with the 50/50 weight, than the one-third/one-third/one-third way. That's just why—it's really—you can look at it, it's an average of the Fiscal forecast and the Agency forecast or the average of Fiscal and Budget. But it's—it's right, the average of the two rather versus the average of the three. And that's what is in the tax sheet.

So, with that, Mr. Chairman, that's sort of all the revenues that are in these tables. And, maybe I'll pause if there's any questions before proceeding on to the Tax Credits.

Mark Krmpotic: Any further questions regarding the information presented? Ms. Coffman.

Sarah Coffman: Mr. Chair, could we have somebody from the Treasurer's Office talk about any of the one-time occurrences that Mr. Guindon identified for Fiscal Year 2019, for the Unclaimed Properties?

Russell Guindon: Maybe Ms. Hagan can help with the question. There's a business category and maybe Ms. Hagan can say what that is, because I apologize, I don't know. But, just when I looked at it, FY '18, the revenue amount from that was around $31 million, which just seemed higher than—because the average over the 10 years is probably down around $20-$21 million. So, I just thought, well is that a repeatable thing? And again, that's the thing that had there been more time, I would've talked to Ms. Hagan to say, hey is that repeatable, is it one-time and then, what do we think about that?

So, that's my forecast for Fiscal is predicted on, we won't repeat that $31 million but we well could. But also on that, well some of that $31 million, since it's higher, will more go out the door in '19? So, that was my thinking. With that, maybe provides a little more context and if you don't, it's just something we'll probably end up discussing.

Tara Hagan: Tara Hagan with the Treasurer's Office. What we simply do for that on all lines of it, whether it's money going out or money coming in is we just use a four-year average. So, I think what Mr. Guindon is talking about, is FY '16, we did have a bump and whether it was business or insurance, but business is our largest category in terms of holders or remitters of money. So, we can certainly slice that a little bit, you know, more granular and take a look at it. But, we simply just use a four-year averaging on that.

Russell Guindon: I appreciate that Ms. Hagan. And then, it just—right, you run out of time because there is a meeting, an agenda, and so I just didn't have a chance to circle but I will, yes. Thank you.

Mark Krmpotic: So, Mr. Guindon, in looking at the totals before tax credits, $762 million in FY '19. I'm referring to the Consensus Forecast, $741 million approximately in FY 2020 and $753 million in FY 2021. I would say that the primary reason that that decrease is from FY '19 to '20 is due to the change in the law relating to the Government Services Tax. Primarily the $20 million that goes away after FY '19 as a General Fund revenue source?

Russell Guindon: Yes, that is one of the driving factors, because that's $20 million a year, or over the biennium, it's approximately $40 million.

Mark Krmpotic: Then, somewhat, the cigarette tax declines as well, among the three forecasters?

Russell Guindon: That's correct. I think the forecasts for that, for the biennium, comparing the 2019-21 biennium forecast to the actual for FY '18 to the forecasts you see here for FY '19, it was about a $15.7 million reduction from current biennium to the next biennium.

Mark Krmpotic: Okay. So, would you prefer to present the Tax Credits portion or have the Committee make a preliminary forecast of the revenues under Agenda Item 5?

Russell Guindon: It'd probably be just easiest to do the Tax Credits and then you can just sort of approve the table and then if you want, pull in the $21.766 million for the domestic partnership.

Mark Krmpotic: Okay, please proceed with the Tax Credits, thank you.

Russell Guindon: You see the gray areas, those are the tax credits. I just saved it for the end. I'll try then as I go through that to explain why you see what we're doing in the table.

What the Economic Forum does is they forecast the gross revenues for all the major revenue sources. That is gross before application of tax credits. Because it's just easier for not only forecasters, but probably private sector people to sit there and think about, hey what do you think sales tax and gaming and all that are going to do based on what you think the economy and visitors, all that are going to do, versus have all these different growth forecasts and then forecasts for credits and an end forecast.

The Economic Forum, we utilized the process two years ago and they directed staff to continue to do that which is for Budget and Fiscal to prepare a consensus tax credit forecast, for all of the tax credits, except for the Commerce Tax Credit back against MBT, because that's tied into those two major revenue sources and bring that to this body for consideration. Then, bring that forward to the Economic Forum.

So, what you have there at the bottom are the six tax credit programs that are currently in statute, again excluding the Commerce Tax Credit. So, you have the Film Transferrable Tax Credit. This is the program that was put in place in the 2013 Session. It got amended in the Special Session in what everybody refers to as the Tesla Special Session. So, but then in the 2017 Session, the program got augmented to add money.

When the program was initially put in place, it was an $80 million four-year pilot program. Then, when it got amended during the Special Session, it became a $10 million program. Then, last session, there was $10 million a year added to the program in perpetuity, in terms of available tax credits that can be awarded and taken.

So, what you see is, for this program, of that original $10 million, all of that had not been taken and we expected tax credits for this program to be taken in FY ’18, and there wasn’t. Sometimes, as you know, these tax credit programs, they’re new, we’re still learning, but in even understanding the nature of them. So, under this one, somebody can come in and say, I want to do a production. So, they apply, they can get approved for tax credits and then, sort of how much they can get based on what their spend is going to be and the statutory provisions for determining how many credits they can get, what we use as the word like allocated to them.

So then they go out and do their thing. Then they come back, an audit is done. Then, if they did, then they get awarded credits. Then those credits, under this program, are transferrable. So they can, under this program, the credits can either be taken against the gaming percentage fee tax, the modified business tax or the insurance premium tax, by the person who got the credits or they can be transferred to somebody else and then that person can take the credits against the tax which they were declared against. That’s the nature of these transferrable tax credits.

Under this one, it’s the nature of well, the person does—maybe they’re doing some of the production in Nevada. Maybe they’re doing some in California. Maybe they’re doing—and then they go back and they go and shoot it, or put it together, right, and assemble it, do all that. Post-production, they call it. Then they can finally do the audit for all the expenses and all that and come back and have the audit done. That could be, 6 months, 12 months, 18 months, that this process could take and thus, none of the credits ended up getting taken.

Well, we did find out that some were awarded at the end of FY ’18. Thus, they’ll be taken in FY ’19, we expect, possibly very shortly here. So, what we thought for this preliminary forecast, we’re still working through with the Agency to get a handle on this. We decided to put, what is the sort of maximum? $10 million a year. Will they get there? We don’t know, but at this point in time, what’s generally been, I think the logic by staff from the Budget Office and the Fiscal Analysis Division, as well as I think by the Forum is they take the information to consider is that, well given the information that you have, unless you can really drill a number out, it’s easier to put the statutory maximum on. Because then you’re protecting the General Fund from, oh I think it’s $2 million and it ends up being $10 million, versus okay, we don’t know what it could be but it could be

$10 million. Okay, then you put $10 million on the sheets. Then, it may not be any more than that.

Now, in some of these programs it could be, such as we will see with the next one. That's the Film Credit Program. So, the $10 million you see there is, I would argue, it's the preliminary placeholder forecast as Budget and Fiscal attempt to work with staff from GOED and the Film Office to see who's in the pipeline, who's coming out of the pipeline, to see should this number be adjusted for the forecast brought forward to this body for the next meeting.

Mark Krmpotic: For the forecast that was approved for FY '18, was there $10 million in film tax credits projected or forecasted for FY '18?

Russell Guindon: There actually was $11.72 million because we had the $10 million that was authorized in the law from the 2017 Session, plus there was the residual amount from the original $10 million. So, that $1.7 million plus the $10 million got us to the $11.7 million. Then just none of it was awarded and taken. Some of it got awarded, late in the fiscal year, but it didn't get taken. Under the State's modified accrual accounting right, you've got the certificate saying you've got the credits, they just didn't get taken yet. So, we expect them to get taken here in FY '19. In fact, based on the information set that we, Budget and Fiscal staff at this point in time, we're being told that there's probably about $5.2 million out there that will be in play, awarded and get taken here in FY '19.

So then you think, well if that's $5.2 million, we're really only adding $4.8 million to get to the $10 million that you're seeing on the sheets. But we just don't have enough history of this program to know, what is it? Is it on average $5 million? $7 million? $8 million? $10 million? We just don't know. That's also the nature of the program that, are you going to have a small production or you're going to come in and have a major production done in the State of Nevada? Thus, their expenditures of which can be used to determine credits is a much bigger number than a smaller production that does a little bit of the shooting in the State. You just—you don't know, it's a hard one. Thus, you can see there's a certain sense, I think of logic to go, well, then you put the maximum on the sheets to sort of protect against a negative event.

Mark Krmpotic: So, just for the Committee's clarification. The statutory maximum is $10 million in each fiscal year. This credit is allowed to be carried over from year to year, any unused portion?

Russell Guindon: That's correct. So, this $10 million we have here, if nothing gets taken again, it could build up and suddenly, you could have $30 million that's out there that could be allocated and awarded.

Mark Krmpotic: The $10 million applies to the tax credits authorized for that year, but it could possibly be a greater amount if for some reason we forecast use of carry over credits from FY '18.

Russell Guindon: Yes, what this number on these sheets represents is the amount that will actually be taken. The Gaming Control Board or the Department of Taxation will see this get taken against the tax return and then report it to Budget and Fiscal so that we can see it, so, that's what we're counting here. It's actually a liability that's been taken against the state, versus just a liability that is potentially sitting out there. But, you're absolutely right, they can carry forward. So, once it's allocated, it's allocated, it's obligated. That if you had that $10 million and you obligated $5 million then only $5 million can carry forward. But by nature of this program, if that person came in or they didn't do their production, that $5 million frees back up and it becomes part of the stuff in the future that can be. That's the nature of this program that seeing, well hey this person came in and based on their application, we approved them and we allocated $5 million in credits to them. Based on their actual spend, we only awarded them $3 million. Okay, that frees up $2 million, to come back and get awarded. Oh, they didn't do anything, they didn't produce in the state, that frees all that $5 million. So, you can see, cumulatively at some point in the future, you could have a pretty big amount out there, I don't know what big production that would be that we never give say $20 million, $30 million. Because if you think about it, if you go look at statutes, it has to be quite a bit of spend to get a huge amount of credits.

Mark Krmpotic: Any questions from the Committee? Mr. Nicks.

Paul Nicks: Just a quick question. You mentioned that there were some tax credits that were awarded late FY '18, do those tax credits expire or would they be available in perpetuity until they're actually claimed against something?

Russell Guindon: They expire at the end of four years but we're seeing them taken very quickly. In terms of when they're actually awarded and the person has it in hand and they take it against their own taxes, or they transfer it, and that will be the next tax credit program that I'll talk about.

With that, if there are no other questions, the Economic Development Transferal Tax Credits, this is what's again, commonly referred to as the Tesla Tax Credits.

It used to be the Tesla and the Faraday, but now Faraday is no longer in play here for this tax credit program. So, you see that in FY ’18, there’s an actual amount of $73.8 million in tax credits taken. We had forecast $31.1 million. So, here’s the—and again, that $31.1 million was based on information that Tesla gave GOED and GOED worked with staff from Budget and Fiscal to produce that forecast that this body would’ve blessed in April 2017 and the Forum blessed in May 2017.

This program is dependent upon the capital investment and the jobs that Tesla is doing. So, right and remember, under this program, Tesla can get 5% of the first billion and 2.8% of the next $2.5 billion. So, that gets you to $120 million in potential tax credits. Then they can earn $12,500 per employee up to 6,000 qualified employees. That’s the other $75 million to get to $195 million, total for this program.

The amounts, the $73.8 million, it’s a good news/bad news. They took $40 million more than what we thought and that’s the bad news. The good news means, hey, that’s less that they can take in the future. Thus, the amount for FY 2019, the $42,295,647, that’s based on the information we have year-to-date from GOED in terms of the credits that have actually been issued and they’re providing us some preliminary information on what the audit will be for the quarter ending June 2018, for the qualified employees. This amount is a forecast, but it’s less of a forecast and more of an actual, probably.

So then, the $21,560,458 you see out there in FY 2020, that’s the residual amount that gets you to the $195 million. So, thus, that’s why it’s zero in FY 2021. This is the tax credit program that—the $42.3 million is probably a pretty good number. The most that can be is $48 million. Because of the carryover provisions and they can only do $45 million a year, plus carryover, that our calcs, they can only do about $48 million. Based on again, and I can’t really talk about it here, but the preliminary information that we have from GOED that they—we believe that that $42.3 million is a pretty good number. Thus, that’s the residual that you see there in FY 2020. Then we don’t have to worry about this tax credit program for 2021. And, forecasters don’t have to worry about it. This body doesn’t have to worry about it. So, there’s the really good news.

Mark Krmpotic: So, with respect to this tax credit program, if something were forecast for 2021, it would be a result of the Legislature reauthorizing economic development tax credits?

Russell Guindon: Yes, under that explicit thing that yes, if the Governor recommended and the Legislature came in and they put more credits behind this program. The thing that we do—that's a valid question and I think the complete answer to it is, the $38 million of transferable tax credits that were put into the general law, that GOED used to provide the incentive package for Faraday, right, since they're no longer, that $38 million is still sitting in the law, that GOED can award to a participant for up to $1 billion in capital investment. Thus, it's not only that the Governor could recommend and the Legislature could approve additional credits, there are some already sitting out there in current law based on, again, the Special Session that was used to put the general law in place that was used to provide the incentive package for Faraday.

So, that's a good question and the honest-to-God truth is that, say, if Faraday came and said they've got a participant and we're doing this, we could come back to you and either by the end of this month or the April 2019 meeting and say, hey based on GOED approving under those other provisions, we're going to go add $38 million because we think they can get there that fast. So, that would be another provision where there could be credits on the sheets.

Mark Krmpotic: So, I would note for FY '18, the entire $73.8 million used in tax credits was taken against the Gaming Percentage Fees?

Russell Guindon: Yes. So, you look at the actual column and you go see, where did it end up? So, you go take the $73.8 million and you can go up and see, wow, the amount for percentage fees on the first page of this table, it equals. So, all of those credits were declared and transferred. They were declared against the Gaming Percentage Fee Tax, transferred to a gaming company and a gaming company took them against their Gaming Percentage Fee Tax.

It gets a little harder for some of those you go match them, but basically we take the total at the bottom and then we allocate it up in those gray areas, under the revenue sources for the actual. We don't—in the forecasting world, we don't know where they'll be taken again. There's a little bit of misnomer there to go, are you serious? 100% of them year-to-date have been taken against the Gaming Percentage Fee Tax; so why aren't you taking this $42 million and putting it up? The Forum, in their directions, will continue to do this. If they're the transferrable variety and we don't really know which revenue they could be declared taken against, we'll put them down at the bottom for forecasting purposes. You'll see some of the others that we will end up moving them against the revenue source that—because it can only be taken against the MBT or the insurance premium tax, as we get into the Forum world.

That is a good point that you can go look at those actuals. So, you sort of keep seeing the same numbers. Well, they're not double counting, we just have to account for them differently to be able to tell you the story of the gross amount, before any credits and the net amount after tax credits in the forecast world and in the actual world. And then believe me, that gets a little complicated to compare actuals to forecasts, right?

So, then the next one is the Catalyst Transferrable Credits Program. This is the program that was modified to make it instead of a General Fund appropriation and thus the Governor's Office of Economic Development, GOED, could provide that funding, it's now they provide transferrable tax credits.

So a person comes in and based on the provisions and law that GOED can provide these transferrable tax credits to them, which the person can use again, if they have anyone of the three taxes. When you really think about the structure of it that unless you're giving incentives to an insurance company or a gaming company, they're not going to be able to take them. Okay, do they have an MBT? Well, sometimes these people, their MBT is abated. So, they have to be transferred because they don't have a tax they can take them against. And that's why when you see a lot of these are being fully taken because, right, Tesla's other taxes are abated. They don't have taxes to take against. So, they have no option but to declare them against one of the revenues that somebody's out there in the secondary market that's willing to say, hey look, I'll give you X cents on the dollar for that dollar worth of tax credits, as long as you declare it against the Gaming Percentage Fee Tax and then I'll take it.

So, the amounts there are the—the amount for FY '19 is the amount that we've been told has been awarded, to be taken, plus the $2 million statutory authorized amount. This is the one tax credit program where the—any amount that was authorized for a fiscal year that's not allocated, it can't be carried forward. So, you can't have that build up effect. But, you're going well, the statutory amount is $2 million, but we do know from GOED that $475,000 was awarded in FY '18 but didn't get taken, thus we have the expectation it will get taken in '19. Then, 2020 and 2021, those are the statutory maximums, right? It goes from $2 million, $3 million to $5 million and then it stays at $5 million in perpetuity. Again, you can't carry forward any non-allocated portion forward.

The Nevada New Market Jobs Act, this was the one that came out of the, what the 2013 Session and this can only be taken against the Insurance Premium Tax. The general crux of it is that, an insurance company can provide money to an entity to go invest in certain types of—low income or meeting certain—the poverty level and to small businesses to try and help them get financing that they may not. Then what the insurance company gets is a credit back against the dollar that they gave as that investment capital, equal to 58%. So, it's in 12%, 12%, 12%, 11%, 11%, right, over five years to get there. Thus, you could do $200 million total, is the amount authorized for this program. So, 58% of that is $116 million in total credits that could be given out for this program.

So, the amounts that you see there, we're pretty good at forecasting this. We forecast $24 million for FY '18 and you see it came in at $23.2 million. Why? Because the Department of Taxation is able to see this tax and provide information to Budget and Fiscal that we can look at what's getting taken and monitor it and we know what the age profile looks like because the Insurance Premium Tax is a calendar year tax.

The tax credits, they're big in the beginning of the calendar year and then subside, right, because they're frontend loaded against their tax liability and then it dies off. So, in the fiscal year basis, right, it looks a little different. Once we got annualized against it, okay, it looks a little better and we could figure it out.

So, the amounts you see on the sheet here, the $22 million is our forecast for FY '19 and then the amount for FY 2020, that's the residual that gets you to the $116 million total. Again, another tax credit program that we'll not have to worry about, unless again, which you could probably explain, some could be reauthorized for it.

So then, the Education Choice Scholarship, was put in place in the 2015 Session. It started out at $5 million and went to $5.5 million and then it goes up at 10% a year. Then, in the 2017 Session, in addition to that 10% increase amount, there was another $20 million that was authorized for this program in FY '18. The way it works is that, if they weren't all allocated again, they could be carried forward, but any that were awarded and weren't taken can be carried over and taken next fiscal year.

So, based on the information from the Department of Taxation, the $26.6 million, I believe it is, $25.5 million, has been awarded. It just didn't all get taken in FY 2018. So, that's why you see approximately the $16 million. Thus, that amount is being carried forward in FY 2019 and added to the amount that's authorized for FY '19 to get the $18 million that you see there. Which is approximately the $11 million something plus the $6.6 million that's coming out of the ongoing statutory program. Then, the amounts there that you see are then the—for 2020 and FY 2021, are the amounts that come out of the current statutory program based on the 10% increase every year. We expect that extra $20 million that was authorized in the 2017 Session, awarded in 2018, will all get taken here in FY 2019.

And, I don't think that's an unrealistic forecast, because right, if $26 million got awarded, they took $16 million of it in the year, they could probably get to $18.1 in FY '19. But, if they don't, then we would just be carrying it forward into 2020, right, that's the nature of these tax credit programs. We sometimes call them anti-revenue, right, because they're negative revenue.

Then the final one is the College Savings Plan Tax Credit. This was a plan put in place in the 2015 Session and so, these are amounts that were again, based on the request provided to us by the Treasurer's Office for those three years, in terms of—I believe they're still trying to get this program fully in place and going but these are the amounts they gave us as the belief—but like anything, as a forecast, then the real world will unfold for every one of these sources of revenue and we'll be reporting back to you later how we actually did.

So, with that, Mr. Chairman, I think that that covers all the revenues that I wanted to.

Mark Krmpotic: So, I just would note for the tax credits portion of the revenue forecast, that all three forecasters are in sync in their forecast. In other words, a forecast from the Agency, Fiscal and Budget are identical.

Russell Guindon: Sorry Mr. Chairman, I was just—I have different tables and I was trying to confirm something with my colleagues. What I can go through here is that, as you had asked, that when you look at the forecast for 2020 and 2021, compared to the actual for '18 that's there, and then the revised forecast for FY '19—for the revenues that you see there—so, before taking the tax credits into consideration, the 2019-21 biennium forecast for the revenues is approximately $5.6 million less than the current estimate for FY '17-19 biennium, which would be the actual for '18 and the revised forecast for '19. So, right, it's about $5.6 million less.

Mark Krmpotic: For tax credits.

Russell Guindon: Yes. So, then going down in the tax credits, all those tax credits, the 2019-2021 estimate for the tax credits, compared to the current biennium is about $136.1 million higher. That shouldn't be a surprise. When we were looking at that sheet, how much was taken in '18, how much was projected in ’19 and then the tails are in there for 2020 and nothing for 2021, for the big tax credit programs.

So, thus, when you look at the sheet over everything, the minus $5.6 million, approximately, and the plus $136, that the estimate for 2019-21, for all the revenues and tax credits that were considered by this body here, is about $130.5 million higher. I just wanted the Members of this body to have that piece of information in terms of what’s sort of the net effect of if the body approves the consensus forecast that Budget and Fiscal are bringing forward for the consideration. Again, including the $21,776 for domestic partnership. That would be the numbers.

Mark Krmpotic: Do the Members have any questions? No further questions on the revenue forecasts. So, the action that the Committee would be taking today would be to recommend a preliminary forecast to the Economic Forum?

Russell Guindon: Yes, Mr. Chairman. Basically, I think the action would be is that, the motion would be to approve the revenues presented to you as the preliminary consensus forecast and this table but adding the adjustment for the domestic partnership of the $21,776 per year and again, we’re going to round that when we get over in our world, but that would be the action for this body to consider.

Mark Krmpotic: Okay. I’ll take a motion, accept a motion to approve the revenue forecast prior to tax credits under Agenda Item 5, with the adjustment noted by Mr. Guindon for Domestic Partnership Fees of approximately $21,800.

Sarah Coffman: Mr. Chair, I’d make that motion.

Paul Nicks: And, I’ll second.

Mark Krmpotic: Any discussion? All in favor, say aye. That motion passes.

6. Review and Approval of Preliminary Forecasts for Various Tax Credit Programs That May Be Taken Against Certain General Fund Sources for Presentation to the Economic Forum at the November 8, 2018 Meeting (For possible action)

Mark Krmpotic: I’ll go on to Agenda Item No. 6, this is Review and Approval of Forecasts for Various Tax Credit Programs that may be taken against General Fund revenue sources. I would note, again, for the Committee, that those forecasts are approximately $95 million in, for lack of a better word, negative revenue in FY '19, approximately $49.2 million in 2020 and, $23.1 million in FY 2021, without any other ad hoc adjustments made to those numbers. I'll accept a motion to approve the preliminary forecasts for the various tax credit programs just noted.

David Schmidt: I'll make that motion.

Paul Nicks: And, I'll second.

Mark Krmpotic: All in favor, say aye. That motion passes. So, that concludes Items 5 and 6 on our Agenda.

7. Public Comment (No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically included on an agenda as an action item).

Mark Krmpotic: At this time, prior to opening up for Public Comment, Mr. Guindon, we would expect to probably meet again the last week in November?

Russell Guindon: Ms. Powers and I were talking about this before the meeting and most likely, it might have to be that Wednesday, November 28th, just again because—mid-week works better for TAC Meetings because we wait to get the information from the Gaming Control Board and Department of Taxation on that—again, that latest observation, so that we can take that into consideration for those minor revenue sources. Then, bring that information forward to this body. We just think, if you could look at your calendars, and again, we'll be getting ahold of the other three members to try and get more of the members here, but it's just going to be a really tough calendar with the way the dates are falling, in terms of Gaming Control Board and Department of Taxation doing what they need to do to be able to collect the taxes, get them compiled and reported. With the holiday in there and then with the Economic Forum on what, Monday the 3rd, then it just—it's not a really kind calendar to staff or this body or the Forum. But, it is what it is, so we were thinking, probably that Wednesday the 28th. Susanna will be working with you as we—let's get past the November 8th meeting for the Forum and see what, if any, direction they provide to staff and this body that maybe forces us to step back.

Mark Krmpotic: Would it be appropriate to request that you provide a copy of the actions taken by this Committee today to the Members who were not present?

Russell Guindon: It is our intent to go back and add that $21,776 to the

Agency forecasts and then add it to the TAC. And then send that revised set of tables out to all Members, including the agencies that we include on it with an email telling them what happened.

Mark Krmpotic: Thank you. At this point, I would open the meeting up for public comment. Any public comment coming before the Committee? I see none.

8. Adjournment (For possible action)

Mark Krmpotic: I would call for adjournment. Motion to adjourn?

Sarah Coffman: I'll make the motion.

David Schmidt: I'll second.

Mark Krmpotic: All in favor say aye. That motion passes. This Committee meeting is adjourned, thank you.