MINUTES OF THE MEETING OF THE ECONOMIC FORUM (NRS 353.226 – NRS 353.229) OCTOBER 15, 2020

The meeting of the Economic Forum (created by Senate Bill 23, 1993) was held at 8:30 a.m. on Thursday, October 15, 2020. Pursuant to Sections 2 through 9, inclusive, of Chapter 2, Statutes of Nevada 2020, 32nd Special Session, pages 9 through 11, there was no physical location for this meeting. The meeting was broadcast live over the Internet on the Nevada Legislature's website at http://www.leg.state.nv.us.

ECONOMIC FORUM MEMBERS PRESENT:
Craig Billings (chair)
Marvin Leavitt
Jennifer Lewis
Frank Streshley

ECONOMIC FORUM MEMBERS ABSENT:
Linda Rosenthal (vice chair) absent excused.

STAFF:
Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division
Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division
Judy Lyons, Committee Secretary, Fiscal Analysis Division
Susanna Powers, Economist, Governor's Finance Office

EXHIBITS:

(Exhibit A)	Meeting Packet and Agenda
(Exhibit B)	Agenda Item V - Presentation by Caleb Cage, Nevada COVID-19 Response Director and Julia Peek, Deputy Administrator, Division of Public and Behavioral Health
(Exhibit C)	Agenda Item VI - Presentation by Jeremy Aguero, Principal, Applied Analysis
(Exhibit D)	Agenda Item VIII – Presentation by Brian Gordon, Principal, Applied Analysis
(Exhibit E)	Agenda Item X – Presentation by Jared Smith, Chief Operating Officer, Las Vegas Global Economic Alliance
(Exhibit F)	Presentation by Steve Hill, Chief Executive Officer/President, Las Vegas Convention and Visitors Authority
(Exhibit G)	Agenda Item XII – Presentation by Heather Korbulic, Executive Director, Silver State Health Insurance Exchange

I. ROLL CALL.

The meeting of the Economic Forum (Forum) came to order at 8:30 a.m. and Mr. Guindon called roll. All members, except Ms. Rosenthal (absent excused), were present via virtual attendance.

II. OPENING REMARKS.

Chair Billings welcomed those in attendance and thanked the Legislative Counsel Bureau's (LCB's) Broadcast and Production Services staff for their assistance with online virtual production and coordination of this meeting. He explained that the Forum is statutorily required to provide a forecast of unrestricted General Fund revenue for Fiscal Years 2021, 2022, and 2023, on or before December 3, to the Governor. Governor Sisolak is required to use the Forum's forecast to develop The Executive Budget that will subsequently be submitted to the Legislature for the 2021 Legislative Session. This meeting will be the first of three meetings designated to the forecast process for the next forecast cycle and will include presentations for informational purposes only. He clarified that the November meeting will include additional presentations, as well as preliminary forecasts, as a prelude to the December 3, 2020, meeting when the Forum will review and approve major and minor General Fund revenue forecasts. Chair Billings noted, if the state's current circumstances change that require the Forum's attention, he will work with staff to determine if an additional meeting is needed.

Chair Billings thanked his fellow members for their service to the Forum. He remarked that the current environment will make the forecast process extremely challenging, perhaps more so than in 2008-2009 leading into the Great Recession.

III. PUBLIC COMMENT.

Chair Billings asked for public comment. There were no callers in the queue.

IV. APPROVAL OF THE MINUTES FOR THE MEETING ON JUNE 10, 2020.

MR. LEAVITT MOVED FOR APPROVAL OF THE MINUTES FOR THE MEETING ON JUNE 10, 2020.

MS. LEWIS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

V. PRESENTATION ON THE STATUS OF THE MITIGATION AND MANAGEMENT OF COVID-19 CASES IN THE STATE AND THE CURRENT SITUATION REGARDING BUSINESSES BEING ALLOWED TO OPERATE.

Caleb Cage, Chairman, COVID-19 Mitigation and Management Task Force and the State of Nevada COVID-19 Response Director

Mr. Cage directed the members to page 2 (Exhibit B) of his handout that provided a high-level overview of his presentation. He noted the information reflected data as of Monday, October 12, 2020; however, his presentation would include more current statistics, as the data updates weekly.

Page 3 of Mr. Cage's handout provided a high-level dashboard of statistics, which captured COVID-19-related key metrics, such as total tests, confirmed cases, deaths, hospitalizations, and intensive care occupancies. Mr. Cage explained that the test charts on pages 4 and 5 were broken out by cumulative and daily new tests/cases, which significantly increased in July and August and remained steady in September and October. He noted the coronavirus was successfully being tracked in communities throughout the state.

Mr. Cage reported that over one million tests had been conducted in the State of Nevada. A wave of cases began in early- to mid-June and decreased in mid-September, and slowly increased over time. He noted that current cases and associated timelines are tied to this data in respect to deaths and hospital occupancy. Daily deaths have shown similar results related to increases and decreases over time; however, the number of deaths appear four to five weeks after cases are reported due to the nature of identifying the virus within people, as well as the course it runs. Mr. Cage referred to the chart on page 6 that showed cumulative deaths from the virus and the offset from infections, and emphasized the four- to five-week period represented in the gap between daily new cases and daily deaths. That gap is representative of when hospital capacity becomes strained, when people are admitted into hospitals and are placed in special areas for Covid-19-positive patients. If an individual's situation deteriorates, they are relocated to the intensive care unit (ICU) where they are administered therapeutic drugs and ventilators to be maintained — unfortunately, a percentage of those cases do not recover. Mr. Cage identified the following key metrics: number of infections; severity of the infection, which is represented by hospitalization; and cases that result in death.

Mr. Cage directed the members to the table on page 7 (Exhibit B), which is used internally by the task force to monitor increased exposure, risk, and disease burden within Nevada's 17 counties. He said the information does not appear on the state's Nevada Health Response COVID-19 website, created by the Nevada Department of Health and Human Services (DHHS) and the Governor's Office, but is state-based on three criteria: 1) the average number of tests per day per 100,000 (14-day average with 7-day lag), specifically greater than 100; 2) the case rate per 100,000 in the last 30 days, specifically greater than 200 cases per 100,000; and 3) test positivity, specifically greater than 8.0%.

Julia Peek, Deputy Administrator of Community Services, Division of Public and Behavioral Health, Department of Health and Human Services

Ms. Peek provided an overview of Nevada's contact tracing efforts (page 8, Exhibit B). Initially, the task force created two goals: 1) to contact every Nevadan who tested positive for COVID-19 within 24 hours of receipt of a confirmatory lab report received by the health authority, to identify possible places of exposure and close contacts; and 2) within 24 hours of identifying a close contact of a case, reach out to those individuals via contact tracer to let them know they have been exposed and place them on a period of quarantine. Ms. Peek reported that 99% of the individual exposures identified were contacted within 24 hours of when the case was sent to Surge staffing agency for contact tracing. She said nearly 25% of cases are identified through traditional contact tracing and case investigation, which relies on the case to provide names and contact information for the people they had close interaction with. A close contact is defined as someone who was within 6 feet of the individual (case) for 15 minutes, during the period of which that individual was contagious.

Ms. Peek relayed that apps are used to supplement traditional case investigation and contact tracing, specifically an exposure-based app called COVID Trace. The state works with Apple and Google using Exposure Notifications Express (EN Express), which allow public health authorities (PHAs) to implement digital exposure notification to individuals whose device was within Bluetooth range with other devices, using software that checks against the proximity of possible exposure. The intent is to notify people of possible exposure so they can seek testing or reach out to the PHA. She said the messaging is anonymous and is not fed back to the health department. To date, there have been over 50,000 downloads of the COVID trace app, with 2 cases, 12 exposures identified.

Ms. Peek said that, in partnership with Southern Nevada Health District and other local health districts, COVID-19 is being developed as part of the state's normal infectious disease surveillance system, which will allow case information to be transferred quickly between public health jurisdictions. Prior to COVID-19, the state used different systems, in different geographical locations, for different diseases.

Through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, specifically the Coronavirus Relief Fund (CRF), Nevada received substantial funds that supported hundreds of staff for case investigation and contact tracing, which expire December 30, 2020. Through the Centers for Disease Control and Prevention (CDC), the state received the Epidemiology Laboratory Capacity (ELC) grant that required funding to be implemented within 30 months of receipt.

Ms. Peek communicated that through February and March of 2021, the combined influenza and COVID-19 season will increase the need to closely watch hospitalizations and promote flu shots to keep hospital capacity at a level where it can support COVID-19 cases. She said Nevada has the lowest vaccination rate among adults in the nation, including flu and other viruses/diseases, which has triggered the state's public health system and local leaders to focus on ways to increase influenza shots and COVID-19 vaccinations, simultaneously, in order to gain control of the pandemic.

Mr. Cage regained control of the presentation and directed the members to page 9 (Exhibit B) that provided a snapshot of the policy framework that has been implemented going forward. As background, State Directive 024 was implemented when the pandemic hit in March 2020, which resulted in several immediate mitigation measures, including a stay-at-home order that lasted for several months and a reopening phase that resulted in increased tests, cases and deaths seen in July and August 2020.

Mr. Cage summarized that, following the Governor's Declaration of Emergency to facilitate the state's response to the COVID-19 pandemic on March 12, 2020, a revolving response occurred over time that was based on scientific input from authorities at local, state, and federal levels. The first major mitigation put in place after the initial reopening included baseline standards relative to the number of people allowed in social gatherings, and occupancy rates, with required face coverings, signed and effective June 26, 2020.

Due to exposure and the climb in cases, Directive 027 was signed in mid-July, which created a version of the three criteria previously mentioned, and identified communities within six or seven counties that had increased exposure risk due to those three criteria, resulting in bar closures for those communities based off federal recommendations. Directive 030 rolled back Directive 027 and created the COVID-19 Mitigation and Management Task Force. The idea of this group was to take a targeted approach to work with counties that met two of the three criteria and work with their contact-tracing teams to look at mitigation and management measures that would address the community spread or outbreaks, instead of enforcing county-wide closures. Mr. Cage explained that the Mitigation Task Force reviews criteria for each county on a weekly basis, sometimes meeting every two weeks, and works with community county leaders and local health districts to determine necessary mitigation measures. Directive 033 followed, which changed the baseline standards from 50 people, or 50% capacity, to 250 people, or 50% capacity, whichever was less, while following specific safety guidelines and procedure. Directive 034 allowed for youth and adult sports to exist throughout the state.

Mr. Cage emphasized this response has been federally supported, state managed, and locally executed, and that local governments had and will continue to have the ability to increase restrictions on gatherings or other aspects of community life within their counties, within their jurisdictions, if they believed it to be necessary and helpful. He noted that local government involvement regarding additional restrictions have been observed as they work with the task force.

Chair Billings asked Mr. Cage to provide comment regarding the state's view on rapid diagnostic testing and the mitigates that might be encountered along the way to a vaccine that would allow in-bound economic activity.

Mr. Cage stated that contact tracing in Nevada has increased from dozens to nearly 1,000 contact tracers and case investigators that are rapidly working to identify tasks. Public and private labs throughout the state are providing two-day turnaround so contacts who are exposed can be identified more quickly, resulting in timely interventions. The rapid tests being developed, whether self-administered or clinically based, are in place with high demand and limited supply. He said these tests are not as sensitive as polymerase chain reaction (PCR) tests, and that technology and other solutions are being developed to identify results more quickly. Mr. Cage said technology is being developed in Nevada for global use, which is expected to become a technological and scientific focus moving forward.

Ms. Peek stated vaccinations will be a "game-changer" relative to in-bound activity to the state, in addition to rapid testing or point-of-care testing. She reiterated that health authorities are researching ways to increase vaccinations, specifically flu shots, to decrease cases of COVID-19. Additional focus is placed on disease transmission, social distancing, masking, handwashing, environmental cleaning, etc., which are all tools that have been improved and used to address COVID-19. She expressed that current efforts enforced by Nevada's communities are absolutely slowing the spread.

Chair Billings stated his question was targeted more towards perceived efforts on how to get people comfortable with traveling on a plane, particularly to Southern Nevada, and inspire visitor confidence to socially gather in a safe environment, because that would impact projections, particularly for gaming tax and certain other tourism sensitive taxes.

Mr. Leavitt asked Mr. Cage how future cases and testing in FY 2020 will compare to the state's current situation.

Mr. Cage said current trend shows increased cases in the state, which has yet to reach the ceiling to determine the impact on hospital capacity. The task force is working in sync with local health authorities, local health districts and county governments to identify mitigation measures that will have the least economic impact and disruption to maintain critical hospital capacity and reduce the impact of the spread. He said, without a vaccine, a slow increase in hospitalization is anticipated over time, but has not determined whether that will be a short curve over a long period of time, a short curve over a short period of time, or otherwise.

Ms. Peek said federal partners indicated that a limited amount of vaccine would be available in early November, but it was questionable whether there would be enough to inoculate the general population. She voiced a rapid test result in 15 minutes would possibly provide an increased comfort level in terms of boarding a plane and and/or attending large events, specifically events with 250 people or more, with strict enforcement of 6-foot social distancing and masking regulations. She reiterated Nevada's participation in digital exposure notification, EN Express, that allows residents, visitors and workers to be quickly identified if exposed to COVID-19, and to act upon it. Ms. Peek maintained that Nevada was moving in a solid direction relative to controlling public-wide spread of the virus.

Ms. Lewis asked what the public message would be over the holidays, relative to COVID-19.

Mr. Cage stated that parades related to Nevada Day and Veterans Day have been cancelled, as have other large events. Current guidelines for safe indoor holiday gatherings in the state recommend fewer than 10 people, and outdoor family gatherings suggest fewer than 25 people. He said the messaging would promote safety measures such as mask wearing, social distancing, handwashing, downloading and usage of the notification app, and promote testing if asymptomatic or believed to have been exposed.

Ms. Peek noted that, regarding COVID-19, many people take conscious mitigation efforts around strangers, patients, and patrons, but get a false sense of comfort among coworkers, friends, and family members, and remove their masks and lessen their distance. She said masks and social distancing will remain the way to address exposure.

VI. PRESENTATION ON THE FEDERAL CORONAVIRUS AID PROVIDED AND ITS USE TO MITIGATE THE IMPACT OF COVID-19 ON THE RESIDENTS, BUSINESSES, AND THE STATE BUDGET.

Lesley Mohlenkamp, Budget Officer, Governor's Finance Office

Ms. Mohlenkamp, Executive Budget Officer and Coordinator for the Coronavirus Relief Fund for the State of Nevada, Governor's Finance Office, conveyed that federal funding related to COVID-19 was distributed quickly. The following four federal bills were passed in six weeks totaling almost $2.9 trillion, which the State of Nevada was estimated to receive $20.8 billion as of October 1, 2020 (page 30, Exhibit A):

- The Coronavirus Preparedness and Response Supplemental Appropriations Act 2020, passed on March 6, 2020. Nevada has received $8.0 million to-date, mostly aimed at public health and medical response.
- The Families First Coronavirus Response Act appropriated approximately $401.0 million to Nevada. Most of this funding centers on paid sick and family leave, free coronavirus testing, expansion of unemployment benefits, food assistance, and additional protection for frontline health workers.
- The Coronavirus Aid Relief and Economic Security Act (CARES) provided approximately $17.0 billion to Nevada with the largest amount of assistance going to the Paycheck Protection Program (PPP). Financial assistance also went to businesses, health care, farmers, airports, and transit agencies, as well as education and childcare. Two of the biggest allocations were cash payments to individuals and increased unemployment benefits.
- The PPP and Healthcare Enhancement Act provided Nevada with funding of approximately $92.0 million since its passage in April 2020. This act increased funding to the PPP, provided additional emergency economic injury disaster loans, expanded lab capacity for COVID-19 testing, and provided additional funding for hospitals and COVID-19 testing. Rural health clinics also received these benefits.

Ms. Mohlenkamp reported that the state received an additional $3.27 billion in aid from other programs funded by multiple bills or other federal sources not included in the acts listed above.

A breakdown of funding received in Nevada is listed on page 36 (Exhibit A). Of total COVID-19 federal funding received, 82.0% came from the CARES Act. Funding by category identified Economic Relief/Development as receiving the largest amount of federal funding at $12.2 billion, followed by Unemployment Relief at $5.8 billion and Disaster Response at $1.3 billion (page 37).

Ms. Mohlenkamp indicated that Nevada's share of federal aid from the CARES Act was estimated at $17.0 billion. Approximately $9.7 billion of the CARES Act funds went directly to entities within Nevada, including direct payments to individuals through Economic Impact Payments distributed by the Internal Revenue Service and the Treasury Department, and as direct payments to small businesses through the PPP.

She noted the state was not involved with this direct funding, that it was distributed directly to the recipients.

Dissecting further into CARES Act allocations (page 40, Exhibit A), Ms. Mohlenkamp reported an estimated $2.56 billion was allocated to Economic Impact Payments, $2.1 billion went to small business administration economic injury disaster loans, $4.21 billion went to the PPP, and $1.25 billion was provided to Nevada as part of the Coronavirus Relief Fund (CRF) for disaster response. She said a large portion of the CARES Act dollars were distributed directly to Nevada citizens, hospitals, airports, as well as various state budget accounts (page 41, Exhibit A).

Approximately $1.19 billion was disbursed to the state through approximately 26 different federal programs, and each of those programs varies in duration as well as use. Ms. Mohlenkamp explained that several programs have the same allowances, so deciding which fund to use first is paramount because they have different durations. Various state agencies are managing these funds and the state works with a wide range of federal partners (page 41, Exhibit A). Ms. Mohlenkamp noted there is no single federal resource available that identifies those programs and their allowances, and that each federal agency manages its own program and provides information very specific to the program it manages, which makes it difficult to piece together.

All programs that received COVID-19 funds that were deposited directly to the state's budget account are listed on page 42 (Exhibit A), with the CRF being the largest at $836.0 million. The funds can be utilized for disaster response at state and local government levels.

As background, Title V of the Social Security Act, Section 5001, created the CRF. Legislation provided how the appropriation of funds and the amount allocated to each state. Ms. Mohlenkamp stated that Nevada's total appropriation was $1.25 billion based on population, which was the minimum amount that a state could receive. Local governments with populations over 500,000 could elect to receive their portion of the allocation as a direct payment from the Treasury. Clark County ($295.0 million) and the City of Las Vegas ($118.9 million) met the population threshold; therefore, chose to take their portion of the funds directly on behalf of their population. The State of Nevada received $836.0 million, of which $148.0 million went to local governments outside of Clark County with populations of less than 500,000. The remaining funds allocated to the state to use for eligible purposes totaled $687.5 million (page 45, Exhibit A).

Per Title VI, Sec. 601, (d), Use of Funds, a state, tribal government, and unit of local government shall use the funds provided under a payment made under this section to cover only those costs of the state, tribal government, or unit of local government as follows:

1. Expenditures must be necessary due to the COVID-19 public health emergency.
2. Costs must not be accounted for in the budget that was in place as of March 27, 2020, when the CARES Act was passed.
3. Funds must be used for costs that were incurred from March 1, 2020, through December 30, 2020.

Ms. Mohlenkamp noted that the Treasury also provides additional guidance on the uses of the funds through two main documents; a guidance document and a frequently asked questions document, which have been updated seven times in the last five months, with the most recent update in early September 2020.

As of October 1, 2020, approximately $556.4 million of the $836.0 million in CRF allocated to Nevada has been approved and finalized for expenditures, and $278.8 million is pending, leaving a difference of $842,000 (page 48, Exhibit A) that has yet to be allocated. Ms. Mohlenkamp said these numbers are targeted amounts that could be impacted by congressional changes or changes to the Treasury guidance.

Chair Billings stated the presentation did not speak to the cadence and timing of the CRF funding. He said, based on news media, much of the distribution of funds appeared front-end loaded. In terms of forecasting activity within the state, he observed that the unallocated portion of the CRF seemed small relative to the total, and the impact from the programs was tailing off and/or pending further congressional action. He asked Ms. Mohlenkamp to comment on remaining fire power associated with the funding, and the state's dependency on further congressional action.

Ms. Mohlenkamp replied that the management of the CRF funds has been based on the December 30, 2020, spending deadline. She said there have been indications of possible different expenditure uses of the funds, or that the spending deadline might be extended. Although the state was prepared to respond should anything change, it was also prepared to spend every dollar should the deadline not be extended, or if additional allowances are not approved in the future.

Mr. Leavitt commented that the state has received money for offsetting expenditures related to the virus; however, money has not been received in direct payment for revenue lost as a result of the virus.

Ms. Mohlenkamp confirmed that the CRF, as well as aid provide through other programs, directly states that funds cannot be used for revenue replacement.

Jeremy Aguero, Principal, Applied Analysis

Mr. Aguero stated about $20.9 billion made its way, or will make its way, into the State of Nevada. He reported growth in Nevada's gross domestic product (GDP) between the first and second quarters of 2020 was down 42.2%, which was the highest rate of decline relative to annualized GDP in the U.S., tied with Hawaii (page 3, Exhibit C). He said the decline was a function of Nevada's tourism-dependent economy and was significant in terms of the magnitude of decline in economic activity compared to the declines in revenues generated at the state and local levels. Annualized GDP for all Nevada industries put Nevada in last place (page 4, Exhibit C) nationally in terms of GDP decline. Mr. Aguero noted that although the Leisure and Hospitality sector was substantially impacted by COVID-19, the stimulus funds masked the magnitude of that decline both economically and fiscally.

Federal stimulus amounts to roughly 11.0% of Nevada's pre-COVID-19 GDP, as it did for the nation. Mr. Aguero summarized that federal stimulus was designed to allow the nation/states to hit the pause button until the economy improved; however, it was still questionable whether the COVID-19 crisis was going to cooperate relative to that plan, or whether there would be additional stimulus. He noted Nevada's GDP decline was $25.4 billion compared to its federal stimulus of $20.9 billion.

Mr. Aguero indicated there were many different elements associated with CARES Act funding (page 7, Exhibit C), but stimulus checks and unemployment insurance were direct payments to consumers that aided in buoying or bolstering spending activity. Mr. Aguero directed the members to the U.S. disposable personal income chart on page 8 (Exhibit C). He said the CARES Act increased personal incomes in the U.S. by $2.8 trillion, or roughly three times the level witnessed during the Great Recession relative to disposable income increases due to direct payments to individuals. (That number will drop as the stimulus works its way to actual consumers and is reduced from the initial inflow of capital to individuals). He said the U.S. government created the stimulus to release more money into domestic circulation, and, by doing so, it increased total disposable income of U.S. consumers.

The. U.S. personal savings rate increased dramatically and has dropped significantly since it peaked (page 11, Exhibit C). Many people received a lot of stimulus but did not necessarily spend the money. Mr. Aguero noted that those stimulus payments were extensively to provide relief to make sure people could pay their bills and put food on their tables. Other financial relief was provided to individuals that required no payment under certain circumstances, such as utility bills, the moratorium on evictions, and delayed mortgage payments. The offset amount of those expenditures caused increased flows in disposable income or spending income among those consumers. The chart on page 11 shows the difference between the average personal savings rate compared to current levels.

Consumer personal expenditures for the U.S. was trending upward until its sudden drop in 2020 to $12.1 trillion. Currently, U.S. consumer personal expenditure is roughly the same as February 2015 levels.

Mr. Aguero reported, per the U.S. Census Bureau poll survey for week-ending September 28, 2020, 77% of Nevada households reported using stimulus payments for mostly household expenses. The chart on page 13 (Exhibit C) shows a breakdown of how Nevada households used their stimulus, including food, utilities, household supplies, rent, vehicle payments, mortgage payments, clothing, household goods, and recreation. He noted that, in the past seven days, one out of every five households were using some type of stimulus to meet housing needs during the worst part of the economic downturn.

U.S. data on unemployment recipient spending supports the conclusion that unemployment payments, which are direct payments to individuals, have buoyed taxable spending throughout the U.S. and in the State of Nevada. For example, the chart on page 17 shows spending on apparel was down until the additional $600 unemployment stimulus was implemented. At that point, spending grew until the $600 stimulus expired in August 2020. The same trend was apparent in Nevada.

Nevada's taxable retail spending, trailing 12-month totals, reached $65.3 billion as of February 2020, prior to COVID-19, and dropped to $61.1 billion as of July 2020. Federal stimulus accounted for 32% of Nevada's pre-COVID taxable spending. Mr. Aguero said the decline seen in taxable spending as of July 2020 totaled $4.2 billion, whereas the stimulus amounted to $20.9 billion, which confirms the stimulus was significantly offsetting the decline that would otherwise have been seen in taxable retail sales.

Relative to retail sales per employee, Nevada's unemployment rate during the Great Recession increased to 13.9% compared to the 30.1% unemployment rate seen during the current recession. Taxable retail spending has been higher in inflation-adjusted terms in this current recession, which is another sign that stimulus is sustaining consumer expenditure activity.

Food Services and Drinking Places, which comprises most of the spending at hotels and casinos, was the largest share of Nevada's total taxable retail sales based on data from May through July of 2019, followed by Motor Vehicle and Parts Dealers. Compared to the same three months in 2020, Food Services and Drinking Places declined dramatically in terms of its share, and Motor Vehicle and Parts Dealers increased. Mr. Aguero recognized notable shifts in industries such as Motor Vehicle and Parts Dealers, Building Material and Garden Equipment and Supplies, and Non-store Retailers, which are expecting increased shares in taxable retail sales over the next couple of years.

Nevada taxable retail sales growth based on data from May through July of 2019, compared to the same period in 2020, showed dramatic growth in contributions from the Non-store Retail sector. Mr. Aguero reported the overall growth rate of retail taxable sales from May to July 2020 was down 9.8%; however, consumers were spending significantly more on merchandise such as building equipment, motor vehicles and general merchandise stores, while other major sectors saw declines (page 24, Exhibit C). Mr. Aguero conveyed that shifts in spending will largely depict the performance of taxable retail sales going forward.

Gross gaming revenue as of August 2020 totaled $743.0 million, which was approximately the same amount generated in Nevada in 2003. Stimulus spending was evident in the year-over-year/monthly change in gross gaming revenue for the Las Vegas Strip, down -39.2% in August 2020, and the Las Vegas Locals Market, up 10.3% from July 2020, which Mr. Aguero attributed to an unprecedented amount of stimulus getting into the hands of consumers, compounded by a limited number of ways those consumers could spend that money.

The Paycheck Protection Program (PPP) portion of the CARES Act funding allocation totaled $4.2 billion in aid to Nevada small businesses. Nearly 46,000 loans were issued mostly to small businesses that covered about 430,000 jobs. Mr. Aguero explained that the PPP loan is keeping many businesses in Nevada afloat and dampening the impacts that would otherwise have been apparent due to the COVID-19 crisis (page 28). The PPP has supported 33% of all jobs in Nevada and 35% of wages and salaries. He anticipates the PPP to last longer than the direct payment to consumers programs because of its nature, and because of the way businesses are managing the program.

Mr. Aguero acknowledged other allocations flowing into Nevada communities, such as the Coronavirus Relief Funds (CRF), other work programs, transit dollars, food assistance, healthcare, and education funding. He directed the members to page 32 (Exhibit C) that showed the allocation of the CRF, totaling $1.25 billion. The funds are allocated at state and local government levels in accordance with federal guidelines. These funds are used in different ways, some more aggressive than others in terms of insuring that wages and salaries are being paid. He noted there is a ripple effect associated with the debt, that Governments pay relatively little in terms of taxes to one another, but they pay a significant amount of money in terms of wages and salaries. Those wages and salaries go back to the neighborhoods of those employees and are spent in restaurants, doctor offices and grocery stores, many of which generate taxable retail sales.

Mr. Streshley asked when the PPP money flowing into the economy would taper off or run out.

Mr. Aguero corrected his earlier statement. He said he did not believe there was still money flowing in from the federal government into the PPP, but rather there is a significant amount of money that continues to be held today by those businesses. He stated those funds will probably carry through the first quarter of 2021.

Mr. Leavitt relayed that the Forum is required to project state revenues for the 2021-23 biennium in December 2020 and asked Mr. Aguero to identify the economic assumptions that he would consider for that period.

Mr. Aguero said he was very concerned about FY 2021 and FY 2022. The model used by Applied Analysis assumes that a vaccine will be generally available by the first quarter of 2021 and widely available within the next 12 months. Additionally, the model assumes the nation's economy will be able to adapt to living with COVID-19 as opposed to simply waiting for a treatment or vaccine to become available, which will allow some easing. He expressed concern about the combination of diminished stimulus going into calendar year (CY) 2021 and the reality of Nevada's tourism-based economy. Roughly 16% of all visitors are convention and meeting travelers and 14% of visitors are international travelers, of which both will take time to come back. Going into CY 2021, Nevada will be facing an elevated unemployment rate, reduced stimulus and continued economic downturn. Mr. Aguero said he was much less concerned about Nevada's economy operating at 25% or 30% of its productivity for three or four months versus operating at 70% or 80% for three years, which could potentially be the case because of COVID-19, as the state tries to regain its footing. He acknowledged the state for its remarkable work relative to economic development; however, Nevada remains the least diversified economy of its size in the U.S., which could potentially become problematic. Beyond that, there is uncertainty amongst consumers regarding what type of jobs will come back, how long small businesses can remain sustainable, the potential demand on public services associated with the instability on Nevada's social network, increases in homelessness, housing instability, the ability to get schools back up and running, etc. Mr. Aguero said pressures on state and local governments are going to be dramatic for the next couple of years; therefore, he urged the Forum to be conservative in its outlook.

VII. PRESENTATION ON THE RENTAL ASSISTANCE PROGRAMS FOR RESIDENTS AND BUSINESSES FUNDED WITH CORONAVIRUS FEDERAL AID.

A. NEVADA COMMERCIAL RENTAL ASSISTANCE GRANT (CRAG) PROGRAM.

Zach Conine, State Treasurer, Treasurer's Office

Treasurer Conine stated CRAG is a CRF-funded program that was designed by the Treasurer's Office, the Governor's Office of Economic Development (GOED), and the Department of Business and Industry (B&I). As background, on July 29, 2020, the Interim Finance Committee (IFC) heard the CRAG work program, which allocated $20.0 million of the Coronavirus Relief Funds to GOED to design the CRAG program aimed at supporting Nevada's small businesses and nonprofits that were negatively impacted by the pandemic. He noted the CRAG program is administered by state vendor National Development Council (NDC) via ZoomGrants (page 52, Exhibit A). From an eligibility perspective, the program was targeted at Nevada small businesses and nonprofits that employed 50 or fewer full-time employees and lost gross monthly revenue of more than 30% as a result of the pandemic.

CRAG program information was publicly announced on August 10 and applications opened on Monday, August 24 at 8:00 am. Treasurer Conine communicated that the applications were supposed to close on Monday, August 31, 2020, but the deadline was extended an additional week to give businesses more time to apply. As the program advanced, eligibility requirements were revised and the federal government worked with states, cities, municipalities, and counties around the country to streamline best practices to trend away from complexity and focus more on expediency to get dollars to those who qualified, effectively. Changes to the CRAG program included extending the application deadline; standardizing the award to $10,000 for all businesses, regardless of size of revenue loss; and eliminating the requirement that entities must not have received more than $5,000 in PPP or other funds. Treasurer Conine stated the original intent of the CRAG program was to get funding to businesses that were not able to take advantage of other programs; however, some businesses did not apply for enough PPP to get them through the pandemic and needed additional help.

Treasurer Conine explained that the application process was divided into two phases (page 55, Exhibit A). Phase 1 was the pre-application stage, which consisted of a series of questions to determine prequalification that was due Tuesday, September 5, 2020, by 5:00 pm. Upon approval of Phase 1, applicants were moved into Phase 2, which required additional supporting information to verify eligibility that was due September 23, 2020, by 5:00 pm. The program received 831 fully submitted applications, with an additional 33 applications that did not meet the deadline and were manually processed by staff. He noted that many of the late submittals were attributable to technology issues or emails landing in applicants' junk folders, but in general, the application process allowed flexibility in terms of deadlines in the attempt to get as much money out the door as possible.

Treasurer Conine reported that as of Wednesday, October 14, 2020, 648 of 864 applicants were approved for CRAG funding, totaling just under $6.0 million, and approval emails and instructions for landlords were being sent out by the vendor. Sixty-nine of the 864 applications were denied due to an inability to substantiate the minimum required gross monthly revenue loss of 30%, or because the applicant was the owner of the building rather than the tenant. He stated the CRAG program was originally designed for the dual purpose of rental relief and landlord relief, with payments going directly to the landlords. He noted that in some circumstances the business and the building owner were the same person with separate entities, which was not the intent of the program; therefore, the individual was denied. The remaining applications are pending final review and approval, and the applicants are being contacted directly for additional information.

Treasurer Conine stated that his meeting materials included additional data pertaining to CRAG program applications, such as location, employee counts, funding requests, additional support, and revenue loss, but in the interest of the committee's time and extensive agenda, was not going to address those statistics unless the members requested it.

Chair Billings asked Treasurer Conine to speak to the timing of the CRAG program and its duration going into CY 2021 in respect to assistance.

Treasurer Conine replied that, given the nature of the funding, all funds will be expended through this program by the end of October 2020, or slightly into November 2020. He said there would be no funding moving into CY 2021 for the CRAG program under current federal guidelines, and that an extension to the spending deadline was not anticipated.

Mr. Guindon announced that Chair Billings had to step out of the meeting to take care of an urgent business matter and instructed him to move forward with the agenda.

B. RESIDENTIAL RENTAL ASSISTANCE PROGRAM.

Steve Aichroth, Administrator, Nevada Housing Division, Department of Business and Industry

Mr. Aichroth asked Treasurer Conine to provide an overview of the Residential Rental Assistance Program.

Treasurer Conine said Nevada was one of the hardest hit states during the COVID-19 pandemic as thousands of workers lost their jobs and suffered reductions in pay. He indicated that, because housing instability leads to economic instability, the Treasurer's Office focused on ways to avoid the secondary effect of economic instability through housing instability, while being sensitive to the stay-at-home order. He said the Treasurer's Office started working on rental assistance relatively early in the COVID-19 process. The need for rental assistance created the Coronavirus Housing Assistance Program, a statewide program administered by different agencies in different parts of the state. Washoe County is administered by the Reno Housing Authority; the rural areas are administered by the Nevada Rural Housing Authority; and Clark County is administered through a series of 14 different community partners, all working to get rental assistance out on the street within their populations. Treasurer Conine reported that $30.0 million was allocated from state CRFs to the Nevada Housing Division to support rental assistance programs authorized under the CARES Act. The division allocated $20.0 million to Clark County, $5.0 million to the Reno Housing Authority, and $5.0 million to the Nevada Rural Housing Authority. Additionally, Clark County put $30.0 million into the rental assistance program for a total of $50.0 million in Clark County. Treasurer Conine indicated that an additional $10.0 million went to support the Eviction Mediation Program, with most funds expected to be deployed in Clark County. He clarified that, in addition to the $5.0 million allocated to the Reno Housing Authority, Washoe County received $2.0 million from the City of Sparks from their CRF allocation and $1.5 million from the City of Reno for a total of $8.5 million to support Washoe County. Based on current trend, Washoe County will utilize most of that money, if not all of it, and because Clark County makes up 75% of the state's population, Clark County is expected to exceed its available funds to a total of $73.5 million.

Treasurer Conine stated that the housing instability problem in Nevada is significant. The Aspen Institute published a report indicating that nearly 140,000 Nevada households are at risk of eviction by the third quarter of 2020 and increases to approximately 180,000 households by December 2020. He reminded the members that Governor Sisolak's eviction moratorium is due to expire; however, the CDC moratorium continues to prevent eviction for nonpayment of rent, meaning many Nevada families will not be able to get evicted if they avail themselves to the CDC program. The CDC eviction moratorium is effective through the end of calendar year 2020 and, coincidentally, all dollars used to spend for rental assistance programs also expire on December 30, 2020. The administrators of the funds have been working to get those dollars out early to use it as a preventative method as opposed to an at-risk of eviction method.

Treasurer Conine conveyed that, like the CRAG program on the commercial side of rental assistance, the requirements and processes for the Residential Rental Assistance Program have also shifted to make the process easier by using the attestation method. He elaborated that anyone impacted by COVID-19 who applies for assistance using CFR funds must attest that they meet the qualifications; however, the state retains audit rights and the ability to go back under penalties and perjury to confirm compliance. Additionally, the individual must show liquid cash assets of under $3,000 and meet certain median income thresholds. Treasurer Conine said more money was distributed during the first week of the program to the Nevada Rural Housing Authority than was distributed the entire month of September, which indicates the revised process was working. He noted the revised attestation process is expected to rollout in Clark County today and reiterated that all Residential Rental Assistance Program funds are required to be spent before the end of 2020.

Steve Aichroth, Administrator, Nevada Housing Division, Department of Business and Industry

Mr. Aichroth reported that as of October 8, 2020, Clark County spent $8.3 million in Residential Rental Assistance Program funding, assisting over 2,000 households. He reiterated that Clark County is expected to launch their attestation process call center and web-based portal today with links provided through *housing.nv.gov* as well as the Clark County websites. In Washoe County, $8.5 million in CRF is available to the Reno Housing Authority. Of the $5.0 million allocation from the state, administered by the Reno Housing Division), Washoe County spent down approximately $2.5 million, as they are going through the other funding levels first. Washoe County anticipates spending the bulk of the $8.5 million allocated to them; however, there is a clawback provision in the agreement. Mr. Aichroth stated that supply and demand chains are being closely monitored against the timing of the eviction moratoriums so that funds can be reallocated to Clark County, if necessary, or back to the Governor's Office prior to the spending deadline. He conveyed, in terms of the rural counties, $800,000 in assistance was dispersed to the rural counties; however, they anticipate spending close to $4.0 million of their funds by December 30, 2020.

Mr. Aichroth communicated that the Nevada Housing Division meets weekly with the Governor's Office, the Treasurer's Office, Chief Justice Hardesty, Legal Aid, Clark County, and the Department of Employment, Training and Rehabilitation (DETR) to provide updates on the funds extended.

Ms. Lewis stated that she did not see unemployment drastically improving by January 2021 and asked if another infusion of funding was expected in terms of evictions.

Mr. Aichroth stated the CRF funds are due to expire in December 2020; however, there are other funding sources that typically have not been used for rental assistance, such as the Emergency Solution Grants (ESG) program and the Community Development Block Grant (CDBG). He said the Nevada Housing Division has some oversight over the Nevada non-entitlement ESG funds and has a call today with the jurisdictions that also receive those funds, including Las Vegas, North Las Vegas, Reno, and Clark County, to discuss where those ESG funds will be used as well as the overall statewide plan. He said those funds are typically used for rapid rehousing, homeless shelters, things of that nature, but can be used for rental assistance. He said the state received ESG funds totaling $40.0 million that expire in about two years. He clarified that the attestation process cannot be used to verify eligibility, and that less people will qualify due to the 50% Area Median Income (AMI) limits required by the U.S. Department of Housing and Urban Development (HUD), whereas the Residential Rental Assistance Program is open to 120% AMI. He noted CDBG funding is administered through GOED, and clarified that rental assistance is an applicable use of CDBG funds; however, it is up to local jurisdictions to figure out to dispense that money because it can be used for a murid of different things.

VIII. PRESENTATION ON THE SOUTHERN NEVADA RESIDENTIAL AND NONRESIDENTIAL CONSTRUCTION OUTLOOK.

Brian Gordon, Principal, Applied Analysis

Mr. Gordon reported that the Southern Nevada residential market is moving counterintuitive to the broader economy. To-date, the residential housing market has been impacted very little by COVID-19 and is moving in the opposite direction relative to the economy. Real estate prices are continuing to rise, as well as sales.

Mr. Gordon said the fundamentals of the housing market tend to coincide with growth in population, employment, income, and interest rates. From a population standpoint, pre-COVID, Southern Nevada averaged about 5,900 new driver's license surrenders per month, which meant people were moving to Southern Nevada and exchanging out-of-state drivers licenses or I.D. cards for Nevada licenses or cards. These statistics were used as a method to measure the pace and volume of in-migration into the local market until the Department of Motor Vehicle offices and businesses shut down. In September 2020 about 4,800 people exchanged their driver's license, which signified a resurgence in terms of in-migration (page 5, Exhibit D). From an electric meter connection standpoint, data showed the number of homes connected to Southern Nevada's power grid has increased over the last year on average of 1.7% with continued expansion. From an employment standpoint, during the Great Recession, Southern Nevada lost over 135,000 jobs during the 2.5-year cycle, whereas, currently, that region has lost nearly 250,000 jobs within the last two months. Mr. Gordon indicated that 116,000 jobs were added in the last few months, meaning jobs in that area were still down about 126,000 jobs overall.

During the Great Recession, Southern Nevada lost about 100,000 jobs in a single year, followed by 8.5 years of recording year-over-year growth in employment. Mr. Gordon conveyed signs of improvement. The chart on page 8 (Exhibit D) shows of the 126,000 jobs lost from February 2020 (pre-COVID-19) through August 2020, the Leisure and Hospitality industry comprised 55% of jobs and was down 24.0% in terms of the number of people employed in that industry. The unemployment rate in Southern Nevada during the Great Recession peaked at about 14.1%, which is lower than where unemployment stands today in Southern Nevada. The official dates of the Great Recession spanned from the end of 2007 to June of 2009 — Mr. Gordon expressed concern that the peak unemployment rate in Southern Nevada of 14.1% was triggered in September of 2010, nearly 15 months after the official end of the national recession; therefore, there may be a run of continued elevated unemployment levels overall. In terms of personal income growth (annualized), growth was currently off-the-charts largely due to stimulus-related activity. Mr. Gordon recognized mortgage interest rates as the fourth fundamental of the residential market, which are currently at all-time lows. Low interest rates provide consumers with more buying power, which has helped support the thriving housing market. Interest rates are expected to remain relatively low over the next 12 to 24 months.

According to a national survey regarding the residential resale market, people continue to invest in residential properties with only 8.6% of people suggesting they were nationally delaying plans to purchase a home, and half of those suggesting that they would be waiting a year or longer to purchase (page 14).

Mr. Gordon relayed that Southern Nevada's resale market has about 1.5 months of effective availability, which is determined by the number of homes listed on the Multiple Listing Service (MLS) relative to the number of homes being sold. Data received from the Las Vegas Realtors Association shows single-family median home prices above $337,000 are up almost 9.0% year-over-year, and condo and townhouse prices are up 14%. Prices continue to rise despite the economic climate, and transactions continue to take place. Mr. Gordon indicated that Applied Analysis tracks sales of all real estate product types, including transactions that do not involve realtors. Applied Analysis shows the median price of a single-family home is about $300,000, up 9.0% year-over-year, which is reflective of all single-family product in other markets around the country. All single-family product is included to get a feel for where the median resale home price in Southern Nevada is positioned relative to other select markets. Mr. Gordon directed the members to page 18 (Exhibit D) of his presentation to illustrate median home prices in other large metro areas located in California as well as Southern, Midwestern and Eastern markets. He said he liked where Southern Nevada was positioned from an affordability standpoint relative to cities listed on the chart, as those cities represent where most in-migration was coming from. He noted over one-third of total in-migration to Southern Nevada came specifically from California.

Mr. Gordon theorized that, because of COVID-19 and stay-at-home orders, people are spending more time in their homes, rethinking their accommodations and lifestyles, and considering other opportunities in the local market, which has helped fuel the housing market.

Annual resale home closings in 2019 totaled over 46,000 in Southern Nevada. Over the last 12 months, nearly 41,000 closings took place with March being a phenominal month in terms of the number of closings. In April and May, closings exceeded 2,000 units per month. Mr. Gordon said the traditional spring selling season has shifted into the summer and fall months, creating decent demand overall in the resale market.

The U.S. average default rate on mortgages is about 8.0% compared to 9.0% in Nevada. The hardest hit markets are tourism-based economies, including New Jersey, Nevada, New York, Florida, and Hawaii. Mr. Gordon indicated that many Nevadans have equity in their homes which is providing some level of stability.

Nearly 10,000 homes were built and closed in Southern Nevada in 2019 and similar activity is on pace in 2020. Prices continue to fluctuate, which is a function of product mix versus price decline. The cost of labor, materials, and land have continued to remain elevated; however, housing permits remained stable over the past 12 months compared to previous years.

Mr. Gordon reported that the rental market has been impacted by the eviction moratoriums due to COVID-19, which are due to expire October 15, 2020, in Nevada and December 30, 2020, per the CDC. The U.S. Census Bureau Household Pulse Data demonstrates that approximately 11% of Nevada households did not pay their rent during the last month for the week ending September 28 (page 31, Exhibit D). He said as the local and CDC moratoriums expire and individuals are required to move, a shift is anticipated in the rental market, assuming individuals do not leave the market, and continued stability in rents is expected.

In terms of the commercial market, commercial mortgage-backed securities have shown volatility in delinquencies due to COVID-19 and remain below activity seen during the Great Recession (page 36, Exhibit D).

The Las Vegas office market is reacting, responding, and adjusting to challenges in the market due to COVID-19, specifically because of the number of people working from home. Mr. Gordon said not all effects of COVID-19 are reflected in current market data, as it will take some time for this activity to flow through. The Las Vegas office market currently has about 500,000 square feet of development actively under construction as product is still being absorbed from the Great Recession. He said developers have been taking a measured approach but, nonetheless, adjustments are expected to take place (page 38).

Mr. Gordon reported a significant amount of demand in terms of the Las Vegas industrial market. During the last five years, the industrial markets brought on about 24 million square feet of product, specifically accommodating the big-box distribution segment of the market filled with major distribution centers such as Amazon and other non-store retailers. Some of the smaller product is expected to vacate; however, 6.9 million square feet of product is currently under construction in the industrial market as online sales continue to grow and demand distribution space (page 46).

The Las Vegas retail market is developing at a measured pace but has softened in terms of overall development. Mr. Gordon referred to the vacancy rate trend by product type rents on page 55 (Exhibit D) and stated the retail market has seen several rent bankruptcies and reorganizations that has affected demand. The Las Vegas retail market currently has about 500,000 square feet of space under development with a number of planned projects in the queue that are unlikely to move forward.

Mr. Gordon summarized that the current health crisis will dictate the economic climate, nationally and locally in terms of the real estate market. To date, the residential market has been able to withstand activity in the broader economy and will probably continue to do so for another quarter or two. He said the longer the economic weakness continues, assuming it spans another 12 or 24 months, the more concerning the local economy becomes relative to the local housing market. On a positive note, homeowners have more equity during this current recession versus the Great Recession, providing a disincentive for homeowners to foreclose on their homes.

Chair Billings sensed that the stability in housing prices had a lot to do with states and cities that were harder hit than Nevada from other perspectives related to the virus versus the economy. He questioned if the real estate market dynamics could continue over the course of the next year despite the potential economic fallout of a lot of dissipation related to stimulus, while housing prices remain steady because of in-migration and worse conditions elsewhere in the country.

Mr. Gordon replied, in the near term, these trends could continue. He said anecdotal information suggests people are migrating to Nevada from high-density areas such as San Francisco, Los Angeles, and other areas of California, who know they will be working from home for the next 12 months and are looking to improve their lifestyle in alternative markets with a more suburban lifestyle. He said this in-migration activity has become apparent in Las Vegas, which is expected to continue in the near term over the next 3, 6, or 9 months, dictated by consumer response to the virus. He said about one-third of in-migration comes from high-density, high-priced markets from California, which is expected to continue going forward. In the near term, inventory is expected to remain low, but record-low interest rates and health concerns in California will continue to fuel demand in the housing market. If the economic weakness persists 12 months or longer, and it becomes a challenge for individuals to afford their rent or mortgage payments, then real estate prices could potentially be impacted. He said greater supply would have the potential to create opportunity for softness in terms of overall pricing, nonetheless, he did not think home prices could escalate 9% on top of 9% over the next year or two, consecutively. He expected some sort of resetting beyond the six-month timeframe that he referenced earlier but was more concerned about long-term effects.

Mr. Leavitt said large construction projects over the years have provided stability to Nevada’s taxable sales revenue as well as its employment during difficult times. Realizing that several large projects were completed or near completion, he questioned if there were projects in the pipeline to shore up taxable sales revenue, specifically residential construction.

Mr. Gordon said the multi-billion-dollar projects such as the stadium, convention center, and resorts were wrapping up and leaving few projects to backfill the gap in taxable sales revenue. Residential construction was moving forward; however, only 10,000 housing units were being built annually versus the 35,000 to 40,000 units built annually in 2005 and 2006. He said the for-sale and rental markets are both undersupplied, which provides greater leeway in terms of the ability to construct housing units and generate sales tax revenue.

Ms. Lewis asked, in consideration of the moratoriums as it relates to possible short sales and aggravation from landlords, if Applied Analysis was expecting a bump in real property transfer taxes as individuals start selling their houses and taking rental units off the market.

Mr. Gordon stated that type of activity was already occurring with leases locking in tenants on many single-family homes. He believed many landlords operating in the single-family market, in specific price points, had gains on their property of which they may want or need to realize to avoid any downturn, and other landlords were generating more equity in their properties versus the income being received from the rental of those properties. He reiterated that resale home closings were down approximately 10% due to lack of supply, and potentially there could be an upside to the real property transfer tax if more product emerged on the market. Mr. Gordon advised against being too aggressive in terms of a revenue forecast for Real Property Transfer Tax.

IX. PRESENTATION ON THE NORTHERN NEVADA ECONOMIC AND HOUSING OUTLOOK.

Brian Bonnenfant, Project Manager, Center for Regional Studies, University of Nevada, Reno

Mr. Bonnenfant reported that in 2020, Washoe County surpassed the number of new residential units added to its supply since before the Great Recession. However, beginning in 2019, more multi-family units were added to the tax rolls than single-family units (page 79, Exhibit A) causing Real Property Transfer Tax to remain flat. He reported over 13,000 residential units were under construction in the Greater Reno-Sparks area with another 14,000 units approved and 43,000 pending. He conveyed the National Association of Home Builders coined the term "5Ls" – labor, lending, lots, laws, and lumber – all limiting factors that can create significant challenges in terms of new housing. He said litigation could also be added to that list, which is a potential concern in both Northern and Southern Nevada.

Mr. Bonnenfant referred to the chart on page 81 of his presentation that references single-family home trends in Washoe County. He particularly focused on the available inventory for listings specific to owner-occupied (green) and vacant (red) units. There were roughly 2,000 summer listings in 2019, which significantly dropped due to COVID-19 and remained very low through the peak summer months in 2020, including June, July and August. He noted there was a total of 380 non-pending homes on the market in August 2020.

As of September 11, 2020, Zillow showed only 100 single-family home listings in Washoe County in terms of rental inventory. Mr. Bonnenfant said one-third of all single-family units in Washoe County, or 44,000 homes, are rentals, and approximately 2,000 units in the multi-family product are rentals. He quoted a 3.4% vacancy rate across all products, including single-family, multi-family, and townhomes/condominiums.

Mr. Bonnenfant provided an outlook of new residential construction in Washoe County. He said the ratio of new units to new population calculated to 0.41% from 1989 to 1999; 0.51 from 1999 to 2009; and 0.41 from 2009 to 2019 (page 83, Exhibit A). Per the State Demographer, population is projected to grow 42,000 over the next five years, or about 8,500 persons per year, which calculates to 3,500 new units per year. Using that same formula, a forecast of approximately 10,000 new persons per year would amount to about 4,100 new units per year.

Mr. Bonnenfant reported that new population totals by year in Washoe County are based on data from the U.S. Census Bureau and the State Demographer. In 2020, new population totaled over 9,000 persons. He said new population growth rates in Washoe County have yet to match pre-Great Recession growth rates. The State Demographer reported just over 2.0% growth in 2019, whereas the US Census Bureau reported only 1.5% growth. He said the 2020 Decennial Census should provide better accuracy of population growth in Nevada and its counties; however, he expressed concern regarding the unprecedented challenges that the U.S. Census Bureau is facing due to COVID-19.

Regional population trends from 2018 to 2019 shows Washoe County's population grew 2.1% and Lyon County surpassed Carson City's population by 346 people. Prior to the Great Recession, Lyon County outpaced all Nevada counties in terms of its population growth rate at 3.0% to 3.5%.

Mr. Bonnenfant conveyed that two-thirds of housing demand is "organic," meaning households that move within the same county. In 2018, this demand consumed 13% of households in Washoe County, 14% of households in Clark County, and 8.0% of all households nationally — the remaining one-third of housing demand is a factor of in-migration, including one-third to Washoe County from California, one-third of states from outside California and Nevada, and one-third from Nevada counties and foreign countries. Clark County represents the largest source of in-migration to Washoe County, which is predominantly composed of students (page 88, Exhibit A).

In-migration to Washoe County greatly increased after Tesla announced Nevada as the official site for its Gigafactory in 2014, which brought many jobs over the last five years. Mr. Bonnenfant indicated that if housing availability in Washoe County continues to remain low, and prices continue to double-digit appreciate, then net in-migration is expected to drop.

Newcomers to Washoe County in 2019 were millennials, age 20 to 29-years old, and represented 1 out of 3 new persons to Washoe County, which compared to 14% of overall U.S. population in 2018. Statistics show that incomes of in-migrants to Washoe County in 2019, compared to incomes of Washoe County residents age 15 and over, revealed income in the upper brackets as well as less population, which Mr. Bonnenfant attributed to student in-migrants, age 20 through 29, with no income or very low income. Relative to in-migration by education attainment, statistics show 1 out of 8 in-migrants who moved to Washoe County in 2019 have graduated or earned a professional degree.

Mr. Bonnenfant said, pre-COVID-19, 2020 started off with a substantial jump in demand in new single-family sales because of prices; however, since March 2020, median new home sales prices have "gone through the roof!" He indicated that builders and developers have figured out how to deal with increasing construction costs, specifically lumber, and have lowered their margins to make the product valuable for the buyer.

The existing single-family market in Washoe County took a hit in late 2019 due to a decrease in listings, which carried over into 2020. Mr. Bonnenfant reported significant spikes in the existing single-family market in June, July, and August, backed by anecdotal reports of more in-migration, more demand. Based on a 12-month moving average, single-family homes prices have increased slightly and continue to appreciate due to the high demand.

Mr. Bonnenfant communicated that the Reno-Sparks multi-family market vacancy rate was at 3.32% as of the second quarter (Q2) of 2020 when typically, the Q2 rate comes in below 3.0% and sometimes below 2.0% (page 98, Exhibit A). Mr. Bonnenfant said

1,500 single-family units are currently under construction in Washoe County, which is adding to the inventory and causing vacancy rates to increase. He noted the 3.32% vacancy rate was the highest Q2 rate seen since 2013 — seasonally adjusted, that vacancy rate begins to bottom out with increased inventory and puts downward pressure on lease rates.

Mr. Bonnenfant emphasized the affordability issue in Reno-Sparks. He referred to the chart on page 100 that references quarterly, year-over-year median values of existing single-family homes in the Greater Reno-Sparks, which does not include Lake Tahoe. The blue line represents a 4.0% annual appreciation rate based on average appreciation trending from 1990 through 2001. He said, going back six quarters, the median price of existing single-family homes started to correct and soften to that 4.0% annual appreciation rate, which was more reflective of income and wage trends for the area. However, with the effects of COVID-19 and incoming demand for housing, the supply began to disappear which triggered existing single-family values to increase to $436,000 in July, $442,000 in August, and $440,000 in September. He anticipated double-digit appreciation rates in Q3 (2021) and continuing throughout the year unless there is an increase in supply.

Mr. Bonnenfant reported that the median household income in Washoe County increased approximately 14.0% from 2018 to 2019, which has been recorded as one of the biggest jumps since World War II. The median family income in Washoe County increased approximately 8.0% and is averaging 5.0% to 6.0% annual growth (page 101, Exhibit A).

Home to the Tahoe Regional Industrial (TRI) Center, and part of the Reno MSA, Storey County recorded approximately 17% growth in year-over-year employment and wages for 2020, with hourly wages of $33 per hour or $7.50 more than the average wage in Washoe County. Mr. Bonnenfant commented that the media reports stagnant wages and incomes as well as affordability; however, compared to inflation growth, Washoe County incomes and wages have grown over the last few years, especially in 2019. He said record-low mortgage rates combined with Washoe County's housing affordability, along with increasing wages and income, has improved the rate of affordability in the last six quarters.

Mr. Bonnenfant stated that analysis has been done regarding industry and job-related income in relation to housing product, which included new single-family, existing single-family, attached product, apartments, and rentals, and based on Washoe County incomes and wages, it was determined that workforce in all industries can afford at least an apartment at the current rent rates.

Mr. Bonnenfant indicated that Northern Nevada's future in non-residential construction is the industrial market, specifically in the TRI Center area and eastward. He reported that contiguous to the TRI Center, the Northern Nevada Industrial Center has an approved development agreement with Lyon County to develop 10,000 acres of industrial product. He named additional projects, including TRI II, Victory Logistics District located north of Fernley, possible data center and industrial product by the Pyramid Lake Paiute Tribe, Churchill Hazen Industrial Park in Churchill County, and the Fallon Naval Air Station

(NAS) base expansion, as well as NV Energy's new power corridor that stretches from Southern Nevada to these new projects.

Mr. Bonnenfant referenced the dot plot on page 106 (Exhibit A) that identifies residential developments, and specifically highlighted Dayton, south of the TRI Center, and Fernley to the east. He said those areas set the barriers for housing and growth over the next decade. He noted that in-migration fulfilling jobs at the TRI Center fall in the 20 to 29-year-old cohort and emphasized the need for amenities, as well as the infrastructure of water, sewer, and power to this mostly vacant land.

Mr. Bonnenfant voiced the region was "blowing up" in terms of regional home sales activity. He explained that a decrease in listings affects new and existing home prices. He noted that residential real estate prices in Washoe County, Carson City, and Dayton exceeded median values in Las Vegas, but an individual could buy a new home in outlying areas for below $300K, and an existing home for $275,000.

Eugenia Larmore, President, EKAY Economic Consultants, Inc.

Ms. Larmore said EKAY Economic Consultants created the Reno MSA leading and coincident indices in 2015 to look at expectations for the Reno economy as represented by the leading index, which combines several local, national, and state series into one number that is tracked over time. She said the goal of the leading index is to predict growth in the Reno-Sparks economy over the next 6 to 12 months. The coincident index, which is a combination of two employment indices, presents the economy in its current state. Page 110 (Exhibit A) reflects the index through February 2020, prior to the pandemic impact, which shows a slightly slower expectation of future growth. She said expectations in terms of the next recession was pushed off to late 2021 and 2022, which shows a slight slowdown, but significant growth. A portion of that growth was due to major economic development efforts in the area, including Tesla and the result of growth in manufacturing and construction of warehousing industries.

The location quotient data for the region, represented by Washoe, Storey, Lyon, and Churchill counties, show construction and manufacturing industries in the region are not only more concentrated than those at the national level, but are growing in terms of employment, which earned them the label of being a "Star" industry (page 111). Transportation & Warehousing is listed as a "Mature" industry, which means it is very concentrated, but industry growth has slowed. Prior to COVID-19, Nevada experienced significant diversification as it moved away from the leading industry, Accommodation & Leisure and Hospitality, in the early 2000s to Manufacturing and Construction.

Ms. Larmore turned to the chart on page 112 that compares employment and wages in each month of the COVID impact period in 2020 to the same month in 2019. She said the impact in March 2020 was insignificant because the shutdowns did not occur until mid- to late-March; however, the loss of employment peaked in April 2020 followed by declines in job losses as the state economy reopened. August 2020 measured about 14,000 jobs less than August of 2019, with Leisure and Hospitality making up nearly 6,000 of those jobs. Government and Manufacturing jobs showed job growth in August 2020 by 400 and 200 jobs, respectively. Ms. Larmore highlighted the impact made on different industries, and the wages associated with those industries, and noted the lowest average-wage jobs in Northern Nevada were the most negatively-impacted, specifically jobs in the leisure and hospitality industry.

In February 2020, Northern Nevada unemployment was significantly below natural unemployment levels, and subsequently reached the highest unemployment rate in the country in 2020. Reno MSA unemployment peaked at about 20.0% in April and dropped to about 7.2% in August, or about 2.5% above what the Federal Reserve considered natural unemployment (page 113, Exhibit A). Anecdotal evidence of the labor pool shows persons who were unemployed primarily in Nevada's leisure and hospitality industry were moving into the growing industries of manufacturing.

Taxable gaming revenue in Washoe County in 2020 was down 8.2% in June, down 7.2% in July, and down 13.0% in August compared to those same periods in 2019. Ms. Larmore attributed the declines in gaming revenue to the cancellation of special events due to COVID-19 that typically attracted visitors to the area, specifically Hot August Nights and the loss of Harrah's, which closed in March 2020.

The reopening of the economy in May 2020 boosted taxable sales revenue in Washoe County above 2019 levels, up 3.0% in May, up 13.2% in June, and up 11.0% in July compared to the same reporting periods in 2019.

Ms. Larmore reported significant declines in taxable sales compared to 2019, specifically in the Food Service and Drinking Places subsector due to the shutdown and strict guidelines in terms of space restrictions as businesses reopened (page 116, Exhibit A). The Motor Vehicle and Parts Dealers subsector was also significantly impacted, but in a positive direction, reflecting gains of almost $17.5 million in revenue. The Clothing and Clothing Accessories Stores subsector took a big loss during the pandemic, as some stores were having issues prior to the pandemic that were exacerbated by the pandemic. Big gains were also seen in Building Equipment and Garden Equipment/Supplies and Non-store Retailers. Amazon and online retailers were the biggest beneficiaries of the pandemic as people switched from in-person purchases to making online purchases.

Ms. Larmore indicated that airport passengers and cargo shipped through the Reno-Tahoe International Airport saw a major decline in early stages of the pandemic. She said cargo numbers have fluctuated over time, which makes it difficult to gauge the impact of the pandemic and recovery. Passenger numbers show a significant increase in trend but remain low as people are still nervous about flying.

Ms. Larmore referred the members to the charts on page 119 (Exhibit A) that illustrate the rises and falls of the leading and coincident indexes from 2006 to current. The leading index considers gaming revenue, airport passenger count, taxable sales revenue, and statewide unemployment benefits, as well as some national series, which shows a significant trend of recovery and positivity in the Reno-Sparks MSA. The coincident index, or the employment index, does not show significant recovery to previous levels.

In closing, Ms. Larmore provided a summary of her economic outlook. She said economic development activity in Northern Nevada has shifted focus from leisure and hospitality, the industry most impacted by the pandemic, to manufacturing, transportation, and warehousing industries that may benefit from the pandemic. She mentioned talk of companies onshoring and nearshoring operations to either the U.S. or U.S. neighbors to avoid future production disruptions given pandemics or other global uncertainty. Another positive outlook relates to the area's population growth, specifically baby boomers leaving cities with higher tax rates for a better quality of life and people moving to the area to fill jobs, including those working remotely. She said population growth will continue to drive housing prices and necessitate a regional approach to housing.

Mr. Streshley asked if data was available identifying in-migration to Northern Nevada specifically related to those who have purchased homes, broken down by primary reason of move, such as retirement, job, lifestyle, etc.

Mr. Bonnenfant indicated that builders survey their buyers, and the results show that a large percentage of in-migration comes from California. He said Rancharrah, a luxury community, reported 45% of their product was purchased by Californians, while Ryder Homes, $400,000 to $600,000 price range, reported one-third of their buyers were from California.

Mr. Streshley asked if the data was broken down by cohort or referenced the city that was migrated to, such as Fernley, Fallon, Carson City, Dayton, the more affordable areas.

Mr. Bonnenfant stated he had not seen data pertinent to home purchases in the rural regions. He said the sweet spot for baby boomers is to purchase in places like Dayton, Fernley, or Carson City that offer larger lots and less congestion. Fernley has shown an increase in home sales attributed to the commute from Reno-Sparks to the TRI Center, selling about 150 homes per year compared to 4 or 5 new homes in 2015. He emphasized the rural area product would work well for retirees, but not for the millennials because of lack of amenities.

Chair Billings commented on the potential dissipation of federal stimulus and the impact it could have particularly in Southern Nevada. He questioned how the lack of stimulus relative to the leading and coincident indicators would impact Northern Nevada, particularly in early 2021 to the extent there is no additional federal stimulus.

Ms. Larmore voiced federal stimulus had a positive impact throughout the state. She agreed that a portion of taxable sales was driven by stimulus expended through the economy, but because Northern Nevada suffered less unemployment and less impact on wages than Southern Nevada, a lack of stimulus and drop in taxable sales would have a less dire effect in Northern Nevada versus Southern Nevada.

Mr. Leavitt found the differences between Southern and Northern Nevada interesting, where Northern Nevada gradually shifted away from travel and leisure industries and into manufacturing and other industries, resulting in substantially less impact than seen in Southern Nevada.

Mr. Bonnenfant provided his opinion, stating Tesla and other tech companies at the TRI Center are proven success of the abatement program, especially in Storey County.

Chair Billings called for a recess at 11:26 am.
The meeting reconvened at 11:32 am.

X. PRESENTATION ON NEW AND EXPANDING BUSINESS DEVELOPMENT IN NEVADA BASED ON ECONOMIC DEVELOPMENT ACTIVITIES OF THE GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT, LAS VEGAS GLOBAL ECONOMIC ALLIANCE, AND THE ECONOMIC DEVELOPMENT AUTHORITY OF WESTERN NEVADA.

Bob Potts, Deputy Director, Governor's Office of Economic Development

Mr. Potts described a location quotient as an analytical statistic that measures an area's distribution of employment by industry, ownership, and size class compared to the national average. He referred the members to the chart on page 123 (Exhibit A) and communicated that industries identified above the horizontal line represent a higher concentration of workers than the national average, and industries below the line represent a lower concentration. Industries identified to the left of the vertical line represent those that lost ground based on annual data, where the location quotient has fallen closer to the national average or below, and industries identified to the right of the vertical line represent those that have grown. In terms of statewide statistics, the Tourism, Gaming, and Entertainment industry, located in the "Mature" quadrant, has 2.2 times more workers than the national average. The size of the bubble reflects the number of workers in that industry. In the "Stars" quadrant, Mining is the lone industry with approximately 14,000 workers and measures above the national average and still growing. Mr. Potts pointed out that none of Nevada's industries are recognized as "Transforming" sectors, which ultimately means GOED is not focused on any industries that are losing ground. He said the "Emerging" quadrant is the priority. Many other sectors are below the national average but are gaining ground, which indicates the state's diversification efforts are working.

Mr. Potts focused on Southern Nevada's industry base, stating 75% of its economy works in the Tourism, Gaming and Entertainment industry, with 2.5 times more workers than the national average. There are no industries represented in the Stars and Transforming quadrants, and the rest of the industries located in the Emerging quadrant are growing and gaining ground (page 124, Exhibit A).

Mr. Potts acknowledged Northern Nevada's resiliency in terms of the pandemic. Tourism, Gaming, and Entertainment measures 40% larger than the national average; Logistics, Manufacturing and Natural Resources are identified in the high-ranking Stars quadrant, and Information Technology (IT), Aerospace and Defense as well as Mining are showing growth in the Emerging quadrant. He expressed slight concern with Health and Medical in the Transforming quadrant that represents only two-thirds of the national proportion. He said GOED will keep their eyes on where the lines cross (page 125).

Regarding industries in the balance of the state, Mr. Potts said mining is the sun that everything revolves around. The location quotient for the Mining sector in the last quarter of 2019 was 42.5, or over 42 times larger in proportion to the national average (page 126, Exhibit A). He said the table on page 127 shows the balance of the state without Mining, to get a better idea of how the other industries were performing. In the Mature quadrant, Tourism, Gaming, and Entertainment; Natural Resources, specifically water technologies, clean energy, and agriculture; and Aerospace and Defense are relevant. The Stars quadrant is unoccupied; Health and Medical, and Information Technology appear problematic in the Transforming sector; however, growth has been realized in all regions in the state; and the Emerging quadrant is represented by Logistics and Operations and Manufacturing industries. Mr. Potts noted that diversification is occurring at different rates of speed and in different places in the state, regionally.

Mr. Potts reported, as of August 2020, Nevada's job counts totaled 1.3 million workers. He emphasized that the economic downturn was the result of a policy decision in response to a health threat, and not the result of economic forces. Lost jobs were expected to bounce back, but it was uncertain as to what level and if federal funding assistance would bridge the gap back to normalcy. He reported month-over-month increases in employment of 8.5% in June, 1.3% in July, and 0.5% in August, followed by an immediate slowdown. He summarized that statewide jobs totaled approximately 1.4 million in February 2020 and by April 2020, 287,000 jobs were lost due to the shutdown, which set a state unemployment record at 30.0%. Approximately 242,000, or 84%, of the 287,000 jobs lost were in Clark County, mostly tied to the service-based industries. In comparison, jobs in service-producing industries were down 22.0% versus the 3.0% drop in goods-producing industries. Mr. Potts emphasized that 290,000 people in the Las Vegas MSA are employed in the Leisure and Hospitality industry, which makes up 25% of all jobs that are most at risk to the downturn, whereas the Leisure and Hospitality industry comprises 14.7% of all the jobs in the Reno MSA.

Mr. Potts indicated that prior to COVID-19, GOED was working on their State Plan and their five-year strategic plan, but pivoted their focus when COVID-19 struck to establish a recovery and resiliency plan that would support the rebound in employment and adjust for the different effects going on in separate regions of the state. He acknowledged the challenges working with fluid data related to unemployment statistics, stating it is modeled, has error terms, and is subject to benchmarking. However, the coalescence of different data series, as it relates to job series, provided through various methods of data collection from unemployment statistics, payroll job numbers, and regular unemployment insurance claims, has offered a better sense of awareness. Mr. Potts noted that, as of October 2, 2020, statewide regular continued Unemployment Insurance (UI) claims totaled 190,000, whereas unemployment statistics data showed about 197,000 lost jobs and payroll data showed about 134,000 lost jobs (not including self-employed).

Mr. Potts said GOED's expectations going forward are built into the resiliency and recovery plan with input from the Governor's Economic Advisory Group. He said their weekly meetings are predicated on updates from Health and Human Services, with special focus on specific headwinds, namely the severity of COVID-19 cases, vaccine availability and the advocacy of that vaccine, fear and uncertainty and the approach to economic recovery in terms of consumer and producer confidence, and the additional tranche of federal financial virus-related relief.

Mr. Potts said GOED contracted with John Restrepo from RCG Economics and Brookings-SRI to produce GOED's recovery and resiliency plan. The charts beginning on page 129 (Exhibit A) reflect conversations revolved around the four headwinds mentioned above. He said the chart on page 129 illustrates Nevada GDP growth from the first quarter of 2014 to the fourth quarter of 2021, based on no pandemic, and shows the most likely scenario (base case) as well as upside (best case) and downside (worst case) scenarios. Taking into consideration the four headwinds, Mr. Potts summarized the following scenarios:

- Best Case: Nevada GDP to grow approximately 10% below its target had there not been a pandemic, and requires the following:
    - The severity of COVID-19 in the fall and winter of 2020 to resemble summer activity
    - A vaccine made widely available and affordable by spring 2021 (April)
    - A small amount of lingering fear and uncertainty
    - Receive another tranche of federal financial assistance by the end of 2020

- Base Case: Nevada GDP to grow 4.8% below its target had there not been a pandemic, and requires the following:
    - A minor surge in COVID cases and hospitalizations
    - A vaccine made available by July of 2021
    - Self-isolation and possible shutdowns and pullbacks
    - Receive modest tranche of federal financial relief in December 2020 or January 2021

- Worst Case: Nevada GDP to grow 19.0% below its target (which drops to 2015 levels) had there not been a pandemic, and requires the following:
    - A large surge in cases sustained through the fall and winter
    - A vaccine made available in 2022
    - Self-isolation and heightened fears, uncertainty, and drops in consumer confidence
    - No additional tranche of financial relief

Nevada Nonfarm job growth from the first quarter of 2014 to the fourth quarter of 2021 were charted similar to Nevada GDP growth, using the same scenarios based on the same headwind criteria (page 130, Exhibit A).

- Best Case: Nevada nonfarm jobs to grow approximately 1.3% below its target had there not been a pandemic, and requires the following:
    - Fairly minor surge in cases
    - A vaccine made widely available and affordable by spring 2021 (April)
    - A small amount of lingering fear and uncertainty
        - Receive another tranche of federal financial assistance by the end of 2020

- Base Case: Nevada nonfarm jobs to grow 6.8% below its target had there not been a pandemic, and requires the following:
  - A minor surge in COVID cases and hospitalizations.
  - A vaccine made available by July of 2021.
  - Self-isolation and possible shutdowns and pullbacks.
  - Receive modest tranche of federal financial relief in December 2020 or January 2021.

- Worst Case: Nevada nonfarm jobs to grow 28.0% below its target (which drops to 2010 levels) had there not been a pandemic, and requires the following:
  - A large surge in cases sustained through the fall and winter.
  - A vaccine made available in 2022.
  - Self-isolation and heightened fears, uncertainty, and drops in consumer confidence.
  - No additional tranche of financial relief.

Mr. Potts said the intent of the best-case, base, and worst-case scenarios was to have some sort of deliverable on a regular basis to help with policy decisions at the governor briefings. The chart on page 131 shows the three scenarios as they pertain to growth in unemployment, jobs, visitor volume, and taxable sales. The growth rates shown on the chart are compared to February 2019 and are target projections through March 2021 based on pandemic conditions as of October 1, 2020. He said the results are organic and shift with current health conditions, national and international trends, etc. He emphasized the difficulty in making projections without knowing how the headwinds play out, and how the $21.0 billion received in federal assistance largely masked a lot of underlying economic fundamentals. He argued that the federal stimulus boosted retail sales; however, it skewed clarity on how the fundamentals will play out moving forward; thus, the reason for presenting various scenarios with associated error terms. Relative to the "most likely" consensus scenario projections shown in the chart, the unemployment rate is up 14.0%, job growth is down 11.7%, visitor volume is down 28.0%, and taxable sales is down 18.0% at the end of the first quarter of 2021 (March).

Lastly, Mr. Potts provided an update on GOED's business development pipeline compared to 2019. He explained that bi-weekly discussions with regional development authorities (RDAs) imply that, in orders of magnitude, Nevada is receiving more interest from companies now than they did a year ago (page 132, Exhibit A). He explained that mid-pipeline, when projects are considered "active," the number of companies were on the rise; however, the number of jobs those companies provide; build-out job estimates, meaning when those jobs are fully staffed; and capital investment in the state have dropped. The last stage of the pipeline, when companies submit an incentive (abatement) application to GOED, yielded a major pause in activity in 2020 compared to 2019. Mr. Potts stated that the federal funding pumped into the economy was making things blurry, making it difficult to identify if retail sales was being held up by productivity-generated revenues or by stimulus distributed by the Treasury.

Jared Smith, Chief Operating Officer,
Las Vegas Global Economic Alliance

Mr. Smith said the mission of Las Vegas Global Economic Alliance (LVGEA) was revised in 2020 to grow the economy in Southern Nevada through business recruitment and business retention and expansion, versus business attraction, to keep companies afloat. The LVGEA partnered with economic developers and local municipalities through its Economic Development Advisory Group, Counsel of Chambers, and local education partners.

Mr. Smith explained that the LVGEA targets companies that produce 50 primary jobs, offer average hourly wages of at least $24 per hour, subsidized 65% of healthcare premiums, commit to $1.0 million in capital equipment investment, and generate 51% of their revenue outside of the State of Nevada (page 4, Exhibit E). He said most business development includes industries such as Business Headquarters and Services; Logistics and Manufacturing; Emerging Technology; Finance, Banking and Insurance; and Autonomous Systems; however, approximately 60% to 65% of its pipeline relates to Manufacturing and Logistics industries.

Mr. Smith referred to the chart on page 6 that shows annual results of project wins from 2016 to 2019, totaling 120 projects. He stated 2020 numbers have not been published but are estimated at half of 2019's totals because of the number of projects put on hold. He clarified those companies have not cancelled, but instead are on hold until they get through the pandemic and revisit their outlook. In 2020, the average wage dropped to $20.00 per hour versus $22.82 per hour from 2016 to 2019. He noted that in terms of current companies in the pipeline, entry-level jobs in logistics are paying anywhere from $16 to $19 per hour. Capital investment climbed through the roof in the past couple of years with major project announcements, such as Haas in Henderson, Nevada. Mr. Smith estimated capital investment in 2020 would total half of 2019's investment total, as most companies in LVGEA's pipeline are not looking to build or buy, as many companies plan to lease with minimal capital expenditure. He explained that LVGEA classifies their projects by A, B, and C, with Class C representing those companies that are either just coming in the door or on their way out of the pipeline and not considered a prospect. Class B companies are those that have either come to the market or scheduled a site visit. Class A projects are wins, or close to being a win. In 2020, the LVGEA Class A project wins were down 52% from September 2019; Class B projects were down 33%; and Class C projects were starting to see a lot more interest in Southern Nevada, which will provide benefit in 2021 (page 11).

Nationally, Consumer News and Business Channel (CNBC) ranked Nevada #29 among states in the "Top States for Business" category, yet Business Facilities ranked Nevada #10, and dropping, in the "Best Business Climate" category. Mr. Smith expressed concern in Nevada's economic job growth, which is ranked #43 by the Bureau of Labor and Statistics (BLS). He emphasized the mixed results in rankings.

Mr. Smith gauged 2021 as a year of slow economic recovery. He relayed that states will be incredibly competitive in terms of incentives, marketing, and their approach to job wins because all states are looking for ways to replace lost jobs. The competitiveness between

Nevada and its neighboring states is expected to increase, as well as industry needs for accelerated automation to bring down operation costs. Small companies are expected to be more nimble with expansions than larger companies, which will likely be reflected in LVGEA's project pipeline announcements in 2021 versus large company announcements of 2,000 jobs or more.

Mr. Smith indicated that 2021 could be a year of opportunity with talk of reshoring and nearshoring. Nevada competes with Mexico for manufacturing projects, and Mexico has a low cost of doing business. He said it was possible that products manufactured in China and Mexico could be shipped to Southern Nevada as components of a larger product and subsequently assembled and exported, which would designate the area as a foreign-trade zone for the U.S. Mr. Smith recognized an increased opportunity to attract companies vacating California because of its extremely high-cost market, as inquiries coming from west of Las Vegas have been on the rise. Another area of state competition is the ability to provide quality workforce, which will require workforce investment boards, universities, colleges, high schools, and anyone else involved in training to pay particular attention to retraining and reskilling people who have been furloughed or laid off. He acknowledged the layoffs that occurred in the leisure and hospitality industry that so badly impacted Southern Nevada, and placed emphasis on retraining those state residents for higher paying jobs.

Mr. Smith reiterated the large amounts of activity seen in new projects for 2021. He clarified that once a project is announced, it takes time for that company to get up and running as well as see its economic impact. For example, a technology company relocating to one of Southern Nevada's innovation centers would provide a larger return than if it had to build a facility.

Mike Kazmierski, President/CEO, Economic Development Authority of Western Nevada

Mr. Kazmierski described the Economic Development Authority of Western Nevada (EDAWN) as a non-profit community board, the only community board in Western Nevada that lends itself to government, business, education, and other partners to address economic development needs and community needs. EDAWN's area of responsibility is the metro area of Reno-Sparks and the I-80 corridor, including the TRI Center to Fernley, as the more rural opportunities in the region are addressed by the Northern Nevada Development Authority out of Carson City. EDAWN's strategic plan is to attract and maintain great companies and to help organic growth through startup activity.

Prior to COVID-19, EDAWN's attraction priorities included technology companies, corporate headquarters, and high-paying jobs with focus on the San Francisco (Bay) area. Mr. Kazmierski said none of the technology companies listed on page 141 (Exhibit A) were in the community six years ago.

Mr. Kazmierski recalled Mr. Bonnenfant's presentation regarding the annual average growth rate in median household income (page 101, Exhibit A), and how it was dramatically flat before the state began its aggressive economic development plan coming out of the Great Recession. He reiterated that the median household income has increased 47% in seven years, which has allowed EDAWN to deal with other challenges such as affordable housing.

Mr. Kazmierski indicated that the impact of COVID-19 was less volatile in the Reno-Sparks area because its diversification radiated over 200 companies in non-tourism and nongaming industries, including advanced manufacturing, logistics, distribution technology, and others. This diversification began in 2014/2015, which helped maintain a lower unemployment rate in Reno-Sparks compared to the Las Vegas Metro area. He said recovery from the pandemic was happening fairly quickly in this area, which has resulted in an unemployment rate below the national average (page 143, Exhibit A). Additional to less layoffs and furloughs, sales tax revenues over the last several months were above 2019's numbers by more than 10%, which was quite different than the impact seen in the tourism-based economy down in Las Vegas.

EDAWN continued to work their Bay area attraction efforts throughout the pandemic, shifting their focus to pharma and medical manufacturing, and onshoring. Mr. Kazmierski emphasized the importance of attracting remote workforce talent as the region brings in more companies that need quality workforce.

A list of companies that have agreed to relocate to the Reno-Sparks area can be found on page 146 (Exhibit A). (Announcements are expected to occur in the next 90 days, which consist mostly of manufacturing and technology companies.) Mr. Kazmierski reported that EDAWN is currently working with about 150 companies as referenced on page 147 of "hot prospects." He said EDAWN receives an average of 15 leads per month; however, in August 2020, 42 leads were recorded even though corporate travel with the East Coast and Midwest were basically shut down. EDAWN is placing additional focus on retention, expansion, and workforce to assist local companies that are dealing with the pandemic and other challenges. Mr. Kazmierski pointed out that many companies relocating to the area are paying higher wages which entices employees to leave one employer and move to another for pay raises, forcing more local companies to raise wages.

Mr. Kazmierski reported that many of the gaming and tourism jobs will be replaced with robotics. It will be important that the state invests in reskilling the people who held those jobs, which will allow individuals to easily fill jobs that pays more. He said EDAWN is working in partnership with the community colleges, universities, and other state programs in terms of their upskilling initiatives (page 152), as robotics requires coding knowledge and other skills to build and operate, skills that are not permeating Nevada's education system adequately. He noted a robotics lab is scheduled to launch in December 2020, a partnership between Tesla and UNR.

EDAWN has a team dedicated to entrepreneurial growth to attract startup companies to the region. Mr. Kazmierski reported that tech attraction has been off the charts, especially from the Bay area. Startup founders and investors are looking at Northern Nevada, positively, because of its desirable location. He explained that EDAWN has a seed fund used to invest in companies which allows them to attract companies and support their concepts, so they grow their company here rather than somewhere else.

Housing has proven to be a large concern in the Reno-Sparks area. The lack of inventory drives up pricing, effects homelessness, and increases traffic congestion. Prior to the recession, housing demand in Washoe County was filled with more single-family units than it is today, and with two-thirds the population. Mr. Kazmierski said new single-family housing flattened post-recession and has shifted to townhouses and condominiums due to housing affordability. He noted that housing affordability is a national problem; however, it is expected to be an increasing concern in the state, notably in the Reno-Sparks area where housing costs have hit a critical level.

Education is an increasing concern as the state's recovery will force budget cuts over the next two years at a time when educational institutions are already underfunded, which affect institutions' abilities to meet the needs of future employers through technology and stem training. Mr. Kazmierski stated Nevada's education system scored "F" ratings by the Education Law Center as it relates to funding effort, funding distribution, and funding level (page 163, Exhibit A). Nevada is one of two states that received all F's.

Mr. Kazmierski said EDAWN reports metrics to its board (includes GOED), monthly, that focus on attraction, retention, entrepreneurial growth, workforce development, financial status, and media. He said EDAWN could use help in the following areas: workforce development training, specifically robotics and coding; reset upon sale legislation to help fund education and local governments; support for entrepreneurs; support for affordable housing; and funding support for RDAs because every state dollar received equates to $5 in local support. He said RDAs are struggling from an investment perspective, as some of the companies that generally provide support such as gaming institutions are struggling to manage the pandemic.

XI. PRESENTATION ON THE CURRENT STATUS AND OUTLOOK FOR THE TOURIST AND CONVENTION/TRADE SHOW MARKET IN NEVADA.

Steve Hill, Chief Executive Officer/President, Las Vegas Convention and Visitors Authority

Mr. Hill indicated that among the top ten U.S. tourism markets in the country, Las Vegas has the highest dependence on tourism with the largest employment share in leisure and hospitality (page 2, Exhibit F), as tourism is the driving economic engine of Southern Nevada.

In respect to the drive market, domestic traffic has recovered well since April/May 2020 and the Las Vegas market has recovered close to pre-COVID levels. Domestic air travel was significantly down and leading a slow recovery; however, Las Vegas is over-performing in comparison to the rest of the country. International travel is down significantly across the country and in Southern Nevada. Mr. Hill stated the international market is split, as Canada and Mexico in normal times function like other states in terms of visitation and are Southern Nevada's largest international markets, whereas the overseas market is virtually nonexistent at this time.

The Leisure and Hospitality industry was the hardest hit in Southern Nevada in terms of employment, down 25% from where it was prior to the virus (page 5, Exhibit F). Mr. Hill explained that employment in this industry will rely on increased visitor volume to Southern Nevada; however, some jobs will be permanently lost even without growth in destination.

Las Vegas visitation is down 57% in the convention meeting segment, defined as events that bring 50 or more people to Southern Nevada. In 2019, Las Vegas hosted 24,000 of those types of events, including weddings, that attracted 6.6 million people. Mr. Hill said the convention meeting segment is starting to recover but, functionally, it barely exists. Leisure segments recovered about 50%, propelled by the drive market and gradual return from the fly-in market. Visitation has improved since August 2020 (page 8). The I-15 daily traffic has started to mirror those same weeks in 2019, which represents a nearly full recovery of the Southern California drive market, but also represents the majority of Southern Nevada's visitation versus 45% or 50% of its visitation in 2019. Mr. Hill noted that McCarran International Airport passengers were down 61% at the end of August with gradual improvement seen in September and October. Mr. Hill reported room nights occupied (total rooms in the destination) is down 58% and occupancy rates are down 45%, which triggered room rates to drop, down 18% at the end of August.

Mr. Hill communicated that gross gaming revenue has not dropped at the same levels as visitation or occupancy for reasons such that the locals market is a larger portion of the entire group of visitors or customers of resorts across Clark County, given its visitor segment is down, and locals are visiting casinos on a higher level because of less entertainment options and other opportunities for spending. In addition, customers visiting Las Vegas are a large proportion of casino customers and, in terms of spending and entertainment in the destination, the casino floor is really the only option, which has driven the gaming per room night occupancy up to $350 per night, since June 2020, compared to historical numbers of approximately $200 per night (page 11).

Available room inventory has been affected by property closures. Room nights available is calculated by multiplying rooms available (150,000) by 30 days in a month. Mr. Hill conveyed that 15% of the 150,000 rooms were available in April and May of 2020; however, the resort corridors and gaming establishments were basically closed.

The timing and rollout of the vaccine are critical to projecting visitation recovery of Las Vegas. Mr. Hill said the most likely outcome is for a vaccine to be available in the first quarter (Q1) of CY 2021, with distribution over the next 6-12 months. The Las Vegas Convention and Visitors Authority (LVCVA) reports customers have shown willingness to live in an environment where they know COVID exists, and they have expressed the need to "get back to their lives," which has aided in a gradual recovery. Additionally, travel indicators move in close correlation with the health metrics and the general trend reflects a slight improvement in consumer travel behavior in the face of the health situation. International recovery will take time to recover due to travel restrictions, which has a significant effect on Las Vegas and its economic situation. Mr. Hill pointed out that meetings and conventions have become increasingly important to Southern Nevada's recovery, and they need to return as soon as possible. Customers have been faced with decisions regarding future meetings and conventions, which has caused timelines to stretch. Meetings that took three to four months of planning have stretched to six to eight months, which has extended meetings into 2021(Q2). Mr. Hill stated that a clear path needs to be paved in terms of whether those meetings can occur, because customers are looking to potentially cancel or move to a different location that offers the opportunity to solidify their meeting or convention. Lastly, additional government stimulus was exceptionally helpful in bridging over the economic issues in terms of visitation recovery; however, it is about to expire. Additional stimulus will be needed to recover, particularly in the hard-hit tourism industry.

Chair Billings said the impact from the dearth of group and convention business in Las Vegas cannot be understated. Convention business drives pricing power mid-week, it drives a tremendous amount of operating leverage through the town, and employment is dependent on its return. He stated that it is easy to fill an integrated resort on the weekends, but it is very difficult to fill it on weekdays, and the loss of revenue cannot be made back on the weekends.

Chair Billings asked if discussions with large convention organizers indicate the likelihood of a pre-vaccine return to the extent that we have better clarity on rapid testing and other measures to create a safe group experience. He also questioned the likelihood of the return of citywide conventions, such as the Consumer Electronics Show (CES), in 2021 and 2022.

Mr. Hill replied that corporate events and citywides need to be bifurcated. For example, Consumer Technology Association organizes the CES and several citywide events are organized by associations or for-profit tradeshow companies. The profit motive for those associations or for-profit companies drives the need to have these shows happen as soon as they are available to happen, and they are willing to do virtually anything that they can to assure both their state and their exhibitors and attendees can have that show in a safe and healthy way. Moving those shows to a different destination is possible, but difficult, so most are having to respond to the situation in Nevada. From a corporate standpoint, many of those meetings are more of an expense center than a profit center for the corporation hosting, and there are more of those types of events. Mr. Hill said the attendance is very similar, but corporate events are exceptionally important to Las Vegas, as both the citywide association tradeshows as well as the corporate events must spend a fair amount of money in advance of the shows to make them happen. He reiterated that corporate event organizers are evaluating whether events will be able to occur within six to eight months and are making decisions as to whether it is worth investing the money to keep that show viable for six months. Corporate shows are looking further out and generally are more at risk, and major citywide organizers want to come back as soon as Nevada allows them to.

Chair Billings asked if corporate events would require a much longer notice to the extent that those events may not happen, and regarding citywide shows, those organizers will tend to make decisions to move forward a little bit later in the process.

Mr. Hill stated that was a fair assessment and is what the properties and destinations are experiencing. Currently, shows scheduled for 2021(Q2) are cancelling, causing concern for 2021(Q3) if the LVCVA cannot convey a different message for those types of events.

Jennifer Cunningham, Interim Chief Executive Officer, Reno-Sparks Convention and Visitors Authority

Ms. Cunningham directed the members top page 169 (Exhibit A) of the meeting packet and stated that cash occupied room nights in Reno-Sparks totaled 539,000 rooms in August 2019 compared to the 25.6% decline in August 2020. Northern Nevada's average room rate realized a 12% decline for August of 2020 versus August 2019, and taxable room revenue decreased 39% as of August 2020 compared to August 2019. She said continued improvement has been observed based on preliminary room tax collections data that is due to be released on October 15, 2020.

The Reno-Tahoe International Airport departures are down; however, airlines are expressing interest in adding seasonal routes to Northern Nevada as a leisure destination. For example, Alaska Air is looking at adding nonstop service from Reno to Palm Springs, CA, which has not been seen for a decade. JSX flies directly to Reno from Burbank, and is in discussions regarding a direct flight to Orange County, CA. Reno is benefitting from outdoor recreation, during the pandemic, because travelers are looking for that kind of vacation as a result of the pandemic.

Ms. Cunningham stated that travel trends specific to the Reno area could be found on page 175. Vacation rentals remain strong in comparison to hotels, as travelers want exclusivity. Because of the demand for outdoor activity, Lake Tahoe has become a very desirable vacation destination during COVID-19; however, over-tourism created a challenge that was difficult to harness.

Ms. Cunningham echoed Mr. Hill's comments in terms of convention groups, specifically associations, as they are a major revenue source on an annual basis. The Reno-Sparks Convention and Visitors Authority (RSCVA) is researching ways to continue to accommodate annual conventions but in a hybrid version to reduce in-person numbers. In terms of meetings, activity from sports groups remain steady. For example, small events that adhere to the Governor's protocols and restrictions have been occurring during COVID-19, such as bowling events at the National Bowling Stadium, equestrian events at the Livestock Events Center, and baseball events and tournaments at local ballparks.

Vacation rental taxable room revenue has seen a shift. In the 2017 to 2020 timeframe, taxable room revenue from vacation rentals increased 36% as they grew in popularity. In the 2019 to 2020 timeframe, taxable room revenue from vacation rentals grew 9% over the COVID-19 period when hotels were realizing a decrease, and contributed 4.7% and 6.5%, respectively, to Northern Nevada's total room revenue for those years. In August 2020 (FY 2021), vacation rentals generated 12% of Northern Nevada's taxable room revenue. Ms. Cunningham noted that vacation rental occupied room nights are increasing and are highly supported by properties located in Incline Village, and their healthy, nightly rates.

Brenda Scolari, Director,
Department of Tourism and Cultural Affairs

Ms. Scolari relayed that her forecast represents economic indicators that the Department of Tourism and Cultural Affairs (Tourism) watch as a statewide destination marketing organization. She said her forecast includes charts that are predictive of travel trends and speculative of outcomes, based on data modeling using three assumption levels, including best-case, mid-level, and worst-case scenarios compared to actual data.

Nevada COVID hospitalizations are a key indicator as it relates to travel. Ms. Scolari referred to the chart on page 183 (Exhibit A) and pointed to the red line that depicts actual hospitalizations per month to-date. Relative to her forecast, the worst-case scenario depicts another business closure or restrictions due to seasonal caseload or other factors, such as the spike in July when restrictions were lifted; the most-likely scenario assumes slow and steady recovery; and the best-case scenario assumes a vaccine comes to market in the spring.

In March 2020, potential travelers were given the survey question, "In the next month, how (if at all) do you expect the severity of the coronavirus situation in the U.S. to change"? The greatest percentage of respondents who expected COVID severity to worsen in April measured 71.3%. Respondents who perceived the COVID severity to improve peaked in early June 2020 and has since declined.

Statewide airport volume for both McCarran International and Reno-Tahoe International airports showed a sharp decline at the point of state closure in early spring. Ms. Scolari said her forecast for airport volume growth with lifted restrictions depict a best-case scenario showing monthly volume over 4.0 million by April of 2021 and a worse-case scenario showing another shutdown.

In terms of traffic volume, the Nevada Department of Transportation for both Northern and Southern Nevada show road travel has recovered faster with less variability between likely recovery scenarios. When surveyed, respondents continued to show high preference for road trips over air travel.

Ms. Scolari reported that convention attendance has come to a virtual standstill since the pandemic. Her best-case scenario forecast does not assume any attendance activity until January 2021, which remain at low levels, and her worse-case scenario assumes no convention attendance through the end of 2021. Among those surveyed, sentiment around attending conferences or conventions has shown to be very stable throughout, since surveys began in March 2020, indicating they would be unlikely to attend any conference or conventions until the coronavirus situation is resolved. Nearly three-quarters of travelers remain hesitant to travel for a conference or convention.

Ms. Scolari summarized additional economic indicators for the Forum to consider:

- Consumer confidence fell almost 30 points after the start of the pandemic and has yet to show any form of robust recovery related to spending.

- U.S. payroll employment growth has slowed every month since June 2020, suggesting that recovery to pre-COVID levels of employment is still a long way off.
- Wages and salaries showed very low growth over recent months.
- The U.S. unemployment rate decreased only slightly over recent months, currently at 7.9%.
- The U.S. employment by industry is above 4.0% in many industries (page 195). The Leisure and Hospitality sector records the highest unemployment rate of any sector at 19%.

Ms. Scolari turned her focus to the travel industry and shared the following travel sentiments taken from survey questions posed to travelers:

Concern about contracting the virus: Survey results clearly express concern about contracting the virus at a steady level since March 2020.

One-word description regarding travel: Though negative descriptors still predominate such as "scared," "unsafe" and "cautious," positive words like "excited," "ready" and "confident" were established as of September.

Comfort in Community: People gain comfort engaging with their own local communities, and it becomes more likely that their comfort zone for travel will expand.

Avoiding Travel: Roughly half of travelers currently say they plan to avoid all travel until the coronavirus situation is resolved. This concern has flattened recently and current sits at 53% (page 200).

Travel Mindset: Over half of travelers now indicate they are ready to travel in some way, up from 43% in July 2020.

Destinations Associated with the Virus: Las Vegas fared well below New York, Florida, California, and Texas.

Desired Destinations: Both Las Vegas and Nevada scored among top destinations to visit in the next 12 months, indicating both will recover relatively well once a vaccine is available.

Travel Spending: Results of the survey showed compounding losses in visitation during the pandemic. Travelers signaled they have disposable income to spend on travel and expect to spend less in the coming 12 months.

In summary, Ms. Scolari said high-level economic indicators show slowing rates of improvement, suggesting a long recovery period. Return to travel will depend on health situations and concerns. Fear levels around contracting the virus largely unchanged over the past few months, suggesting similar lengthy recovery in travel. Though fear levels remain elevated, many travel sentiment indicators are either slowly trending in a positive direction or remaining stable; however, travel sentiment is still far from normal levels. Though travel levels remain depressed, Las Vegas and Nevada remain top destinations for travelers, which provides hope that pent-up travel will lead to a quicker travel recovery when the COVID-19 crisis passes.

Ms. Scolari presented Tourism's visitation forecast. She said Nevada room demand is well below pre-COVID levels, and best-case scenario will depend on the availability of a vaccine in the spring of 2021, with room demand approaching 2014 levels by fall of 2021. She noted that room demand in 2018 was just over 58.0 million compared to best-case scenario in 2021 at 51.9 million. Best-case scenario has the average daily room rate (ADR) returning fastest in Las Vegas and Washoe County, and worse case depicts a large dip in early 2021.

Ms. Scolari explained that Travel Nevada is funded entirely by lodging tax equivalent to three-eighths of 1% of statewide collections. Reflective of both the average daily rate and room demand, best-case scenario shows a return to pre-COVID monthly room tax collections in July of 2021 (page 211). She pointed out that funding levels in 2018 were high at $26.6 million compared to the most-likely funding scenario forecast in 2021 of $15.5 million.

Ms. Scolari clarified that limitations impacting Tourism's forecast includes a small sample size of the surveys that were conducted by Destination Analysts at the beginning of the pandemic; about 1,200 people were surveyed weekly since March 2020. Many volatile factors are at play, including health concerns, domestic and international political outcomes, distribution of a vaccine and its availability, consumer confidence, travel sentiment, etc., and any of those factors could significantly affect or skew the outcomes depicted in some of the modeling.

Chair Billings asked what assumptions were considered regarding vaccine timing in the best-case forecasts, and if it related to vaccine development or vaccine distribution.

Ms. Scolari clarified that her best-case forecast was based on a vaccine coming to market in the spring of 2021.

XII. PRESENTATION ON THE NEVADA INSURANCE MARKETS.

Jeremey Gladstone, Assistant Chief Insurance Examiner, Division of Insurance, Department of Business and Industry

Mr. Gladstone asserted that his focus is on products in the life and health markets, which include premiums for Nevada's life, annuities, accident, and limited health products. The table on page 214, (Exhibit A) shows historical written premiums for those products, which reflects consistent growth over the last seven years except for 2016. He said, based on the written premium projections for 2019, the premiums collected on these products have grown almost 34% since 2013. While preliminary numbers are not available for CY 2020, the division projects 2020 will end with good premiums, flat with little or no growth due to COVID-19.

From 2009 to 2019, life insurance premium written and deposits increased 40%, starting at $2.76 billion in 2009 with projections to reach $3.86 billion by year-end 2019. Prior to 2013, life insurance premiums and deposits were relatively flat and spiked in 2015 at $3.8 billion, only to decline in 2016 and 2017. Years 2018 and 2019 saw growth of 15.4% and 4.72%, respectively. Mr. Gladstone stated that life insurance tends to be more resilient during economic downturns; however, the COVID-19 pandemic represented an unprecedented event in Nevada's history with no certainty on how the pandemic will impact premiums. He said historically life insurance premiums have experienced a decline in economic downturns, and the division will continue to collect data to determine if similar experience will occur with the COVID-19 pandemic. At present, the division is projecting flat premium with little or no growth for 2020.

Mr. Gladstone directed the members to the pie chart on page 216 (Exhibit A) that represents data as of year-end 2019. Overall, these numbers have remained relatively consistent over the last several years. He noted that from a tax perspective, not all health plans sold in Nevada are required to pay premium taxes. The fully insured plans in the individual and group markets pay premium tax along with manage care organizations (MCOs) in the Medicaid market. The plans offered in the self-funded group market, Medicare and Tri-Care VA Healthcare markets are not subject to premium taxes. With increased unemployment from COVID-19, and the loss of medical coverage for employees, the division anticipates a shift in how Nevadans are covered. While it is unclear as to how the shift will occur, given the impact of COVID-19 on the gaming industry and the increased unemployment in that sector, some of the loss of covered lives will most likely occur in the self-funded group market and the large group fully insured market. Based on Medicaid's projection of an increase in covered lives of approximately 100,000 lives in the next two fiscal years, the division anticipated an increase slightly above 3% to Medicaid's share of Nevada's population, and a drop in the self-funded group market below 30% of the state population. Given that self-funded group plans do not pay premium taxes, this shift could result in an increase of taxable premiums between these two segments and may offset tax premium decreases in other taxable segments.

Mr. Gladstone communicated that the top three health lines of business in Nevada based on written premiums for CY 2019 were Medicare, Medicaid, and Group Comprehensive insurance, which made up 85% of the written premium in 2019. When considering the potential impact of COVID-19 on the health premiums in the commercial markets for 2020 and beyond, the division looked at a variety of factors, including market shifts due to loss of employment, premium rebates due to COVID-19, and special enrollment periods. Based on these factors in the division's premium projections, the division estimated a drop in premium tax for health lines ranging from $11.0 million for the optimal scenario to $25.0 million for the worse-case scenario, or 11.8% and 26.8%, respectively, of the projected tax premium. Mr. Gladstone noted that the division's projections do not consider the additional premiums that would be collected due to the shift to plans in the Medicaid MCO market.

Mr. Gladstone reported a decline in overall premium for all ACA health insurance markets over the last few years; however, year-over-year change from 2018 to 2019 demonstrates a shift in the premiums collected. The individual and small group markets experienced a drop of 6.29% and 14.85%, respectively, in written premiums, while the large group market saw an increase of 5.16%. He said contributing factors in terms of these changes are the elimination of the individual mandate for ACA plans, as well as the introduction of the association health plans, which offered additional options to sole proprietors that were forced into the individual market under the original guidelines of the ACA as well as small employers seeking alternative, more cost-effective options.

The overall price of healthcare under the ACA has seen significant increases for Nevadans in the individual market; however, recent years show stabilization of those rates. While the average rate change continues to increase, the high rate increases that Nevada's individual ACA market experienced through 2018 have stabilized, and the last three years have seen more modest rate increases. The higher approved rate change for plan year (PY) 2021 is a result of continuing increases in plan costs driven by an increase in costs in utilization trends, deductible leveraging, expensive technology, and the potential impact of COVID-19. While there are some downward drivers, which are expected to offset the magnitude of these increases, the net effect is an increase of the PY 2021 premium in the individual health insurance in Nevada. Relative to the rate changes for the small group market, Mr. Gladstone conveyed the historical changes have seen less dramatic swings, with the highest rate change occurring in 2018 at 7.91%. Overall rate changes have consistently remained at 3.0% to 5.0% for the small group market.

Mr. Gladstone referred to the graph located in the top, left corner on page 220 (Exhibit A) that shows average premium for a 40-year-old by rating area. While the premiums for more rural areas of the state have been higher, there was a clear spike in premiums for individuals in rating area 3 in 2018. This spike is visible for all rating areas and is followed by a period of stabilization where rates dropped and leveled off in comparison to the heights of 2018. Another sign of historical instability of the market has been the exit of carriers from both the on-exchange and off-exchange individual market. In the early years of the ACA, Nevada saw the greatest participation in both markets, but as rates increased and the profitability of the market came into question, Nevada saw many carriers make the choice to not offer plans in certain rating areas or to exit the market completely. Since that time, and with the stabilization of the market, Nevada has seen a return of carriers to both the on-exchange and off-exchange markets. Plan year 2020 saw the entrant of a new carrier, and PY 2021 has two new carriers in the market. The on-exchange market participation matches previous heights for several rating areas with five carriers in area rating 1, four carriers in rating area 2, and three carriers in rating areas 3 and 4. While the off-exchange market has not experienced the same return to the market, there have been several new entrants to the market since the lows of 2018. Going into PY 2021, there will be six carriers in rating area 1 and 2; four carriers in rating area 3; and two carriers in rating area 4.

Nick Stosic, Deputy Commissioner, Division of Insurance, Department of Business and Industry

Mr. Stosic said health insurance accounts for 39% of the state's written premium; life and annuities along with other health-related products makes up 28%; and Property and Casualty (P&C) insurance represents approximately one-third of Nevada's total insurance written premiums (page 221, Exhibit A). Written premiums are reported by carriers to the National Association of Insurance Commissioners (NAIC). He clarified that reports released by the NAIC are based on calendar year versus fiscal year, but nonetheless, there were delays in NAIC reporting due to the pandemic; therefore, the 2019 Nevada report card utilized to provide information to the Forum was not available for this meeting. He clarified that some of the 2019 written premiums reflected in his report are based on estimates generated from other NAIC reports that were available. Nevada's report card is expected to be available by the end of October.

Direct written premiums for P&C insurance has steadily risen over the past seven years from $4.0 billion in 2013 to over $6.0 billion of annual written premium during 2019.

Mr. Stosic testified that numerous lines of insurance make up the P&C market; however, automobile insurance accounts for over 50% of the P&C direct-written premiums in Nevada, with annual written premiums exceeding $3.0 billion. He said 89% of the state's automobile market is derived from personal auto lines, such as cars, passenger trucks, motorcycles, and recreational vehicles, while the other 11% are vehicles written in the state's commercial markets.

Nevada's automobile written premiums experienced significant increases in 2016, 2017 and 2018, with annual increases of 9.6%, 11.6%, and 14.6%, respectively. The division estimated automobile written premiums to increase 9.2% increase in CY 2019 due to a combination of growth in Nevada's economy and population, rate increases due to high frequency and severity of losses, and the 2017 Nevada Legislature's increase in Nevada's minimum automobile liability limits. He said, because automobile liability insurance is mandated by Nevada law, written premiums have historically been fairly insulated from an economic slowdown; however, during the Great Recession, the state saw a reduction of 1.7% in 2008 followed by a larger reduction in 2009 of 4.9%. From that point on, written premiums dropped 2.3% in 2010 and 1.3% in 2011, followed by an increase in 2012.

Mr. Stosic indicated that the state's automobile insurance market was impacted by COVID-19 in ways not seen during the Great Recession. He reported significantly reduced driving associated with stay-at-home restrictions and people working remotely. With seismic shifts in driving patterns, some insurers changed their assumptions in terms of miles driven. It is estimated that in Nevada, approximately $109.0 million of premium relief was provided to Nevada's drivers due to this pandemic, or $109.0 million of expected reduced written premium for FY 2021. Mr. Stosic stated the division expects written premium impacts due to carrier refunds and credits to be relatively minor in absolute terms; however, annual auto written premiums for 2021 are projected to decrease by approximately 4.0% because of a single wave of COVID-19.

Unlike automobile insurance, average premiums for homeowners insurance have remained relatively unchanged over the last nine years. The premium is reflective of the relatively stable, healthy home insurance market. Mr. Stosic stated that the health of the economy impacts home insurance written premiums through the purchase of new homes and increased rebuilding costs. In recent years, Nevada home insurance written premiums grew by 6.8% in CY 2018 and 6.3% in CY 2019 compared to a $1.7 million reduction in 2008, a 1.5% increase in 2009, a 1.1% reduction in 2010, a 1.3% reduction in 2011, and an increase of 0.1% in 2012. Mr. Stosic said the division projects written homeowners insurance premiums will be minimal in FY 2021 due to the effects of COVID-19, or possibly show a slight gain similar to that seen in 2009 (page 225, Exhibit A).

Mr. Stosic directed the members to page 226 that contains a 12-year snapshot of Nevada's total written insurance premiums from 2008 through 2019. Written premiums grew from $10.9 billion in 2010 to a projected $18.8 billion in 2019. Prior to the Great Recession, written premiums experienced increases of 9.5% in 2005, 8.2% in 2006, and 4.7% in 2007. Following those healthy increases, written premiums reduced in Nevada for three straight years, from 2008 to 2010, and remained relatively flat from 2011 to 2013. In 2014, the first year of the Affordable Care Act and the state's Medicaid expansion, written premiums increased by 12.4% followed by an 11.5% increase in 2015. Mr. Stosic provided that, while it is difficult to predict the length of COVID-19's impact on Nevada's economy, the severity of the Great Repression provided some relative perspective of potential impact on Insurance Premium Tax (IPT) going forward.

Mr. Stosic revealed that the Nevada Department of Taxation shared their IPT collections for the past four years with the division. He noted that, during this four-year period, IPT collections increased every quarter compared to the same quarter of the previous fiscal year. He said the FY 2020 fourth-quarter results reflected in the chart on page 227 (Exhibit A) included written premiums from April through June of 2020, which represents insurance premiums and tax collections after the start of the pandemic. In spite of the pandemic, the fourth-quarter FY 2020 premium collections were roughly $3.5 million higher than in the same period during FY 2019.

Mr. Stosic relayed that, while it is a challenge to prove a definitive trend using only four years of data, FY 2017, FY 2018, and FY 2019 fourth quarter (Q4) collections exceeded their corresponding third quarter (Q3) collections by an average of 11%. In FY 2020(Q4), the April through June premiums and collections reduced by 6.3% compared to FY 2020(Q3) collections. While FY 2020(Q4) represented an increase over FY 2019(Q4), it represented a 16% change from the average fourth-quarter results of the previous three years.

In closing, Mr. Stosic said the pandemic created some unique circumstances regarding Nevada's insurance markets. From discounts and credits given to consumers due to reduced driving, expected reductions in workers compensation premiums due to unemployment and lower risk classifications from working at home, to the effects of unemployment on workers' health insurance premiums and the expected increase of premium taxes due to increased enrollment in the state's Medicaid MCOs. He said the division performed an analysis of the potential impact of COVID-19 on the FY 2021 state's premium taxes, but it was difficult without knowing the severity and duration of the virus. He said the division looked at best-case and worse-case scenarios, but the results did not consider the potential increase in premium taxes from the enrollment of increases in the Medicaid MCOs. Mr. Stosic conveyed that the division's forecast, excluding the Medicaid MCO affect, reflects a decrease of 3.5%, or $15.0 million, in total premium taxes in the best-case scenario and a decrease of 6.8%, or $31.0 million, in the worse-case scenario.

Chair Billings stated that fully insured providers in the market are offering lower premium plans to help employers who are suffering from a decline in revenue, with lower benefit levels. He assumed that would have an immaterial impact on the division's view of premium taxes relative to the decrease in the number of lives covered. He asked if the biggest lever on the health side was lives covered as opposed to changes in premium overall.

Mr. Gladstone stated that lower premiums would make a minor impact because approximately 85% of individuals in the individual and small group markets have subsidized plans.

Heather Korbulic, Executive Director,
Silver State Health Insurance Exchange

Ms. Korbulic communicated that when she last presented to the Economic Forum, the Silver State Health Insurance Exchange (SSHIX) was operating as a state-based exchange that used the federal platform otherwise known as *healthcare.gov*. Since then, the SSHIX transitioned to a fully autonomous state-based exchange.

The mission of the SSHIX is to increase the number of insured Nevadans. Ms. Korbulic explained that the SSHIX, also known as the Exchange, is a self-funded, state-based exchange that runs and operates the online marketplace known as Nevada Health Link, which connects uninsured Nevadans, by Medicaid or Medicare, to health insurance. Nevada Health Link is the only place that Nevadans can get access to federal subsidies that offset the cost of monthly premiums.

In plan year (PY) 2021, through the Exchange, many consumers will have access to 50 qualified health plans from 5 carriers compared to the 27 qualified health plans from 3 carriers offered in PY 2020. Existing carriers from PY 2020, including Health Plan of Nevada, SilverSummit Healthplan, and Anthem, will be joined by Friday Health Plans and Select Health in PY 2021. In PY 2020, residents from Washoe, Clark and Nye counties had access to select plans, including 2 catastrophic, 8 bronze, 14 silver, and 3 gold plans, of which 17 of those plans were available to the balance of the state's counties. Ms. Korbulic indicated that in PY 2021, Clark and Nye counties will be able to select plans from all 5 of the qualified health plan carriers, and the balance of the state's counties will have access to 3 carriers.

In PY 2020, most Nevada Health Link consumers were enrolled in silver-level plans with average premiums of $775 per month before subsidies, and $186 per month after subsidies were applied. Ms. Korbulic reported that 80% of Health Link consumers qualify for an Advance Premium Tax Credit (APTC) subsidy, and 41% of consumers qualify for additional savings through Cost Sharing Reductions (CSRs).

Jennifer Krupp, Chief Financial Officer,
Silver State Health Insurance Exchange

Ms. Krupp referred to the chart on page 7 (Exhibit G) that demonstrates year-over-year enrollment in plans offered by Nevada Health Link. PY 2020 was the first year of transition into an autonomous state-based exchange, which allows access to local statewide data statistics that establish the new enrollment baseline. She pointed out the decline in enrollees from 2018 to 2019, which was the first year the Affordable Care Act individual mandate was not in affect. In PY 2020, 14% of Nevada's overall population, or just under 400,000 people, were uninsured. Of those who were insured, roughly 30% were covered by plans on the exchange. She said prior to COVID-19, the exchange was aware that 100,000 uninsured Nevadans were likely eligible for subsidies. That number is expected to increase as people lose access to their employer-sponsored plans, and unemployment rates remain high.

Ms. Korbulic reported that as of December 15, 2019 (operating on a calendar-year basis), for PY 2020, the Exchange enrolled 77,410 consumers of which 26%, or 20,111 consumers, were new enrollees and 57,229 consumers were re-enrolling from PY 2019.

Regarding enrollment demographics as of September 20, 2020, Ms. Krupp said the highest age bracket for enrollments is age 55-64, which makes up 16.7% of the state's unemployed population compared to the 45-54 age group that makes up 20.4% of that population. The Exchange expects there will be additional enrollments as people fall off their employer-sponsored plan. She reported that the Asian population makes up 8.7% of Nevada's total population; 23% of the Exchange's total enrollment; and 10.9% of Nevada's unemployed population (page 10, Exhibit G). She added that per the Department of Employment, Training and Rehabilitation (DETR), the Hispanic/Latino population makes up 26.7% of the state's unemployed population and the white population makes up 49.7%.

Ms. Krupp explained that people can qualify for special enrollment if they have a life qualifying event, such as the birth or adoption of a child, a change in income, or the loss of a job. As of June 30, 2020, there were 58,543 total special enrollments, which was a 24% reduction over open enrollment plan selections. She reported that 83% of active plans through June 30, 2020, received subsidies whereas 17% were unsubsidized. Plan selections with the APTC subsidy increased by 3% and CSR plans increased 15%. The Exchange observed a decrease in unsubsidized plans attributable to unaffordable premiums, transitions to Medicaid, and disenrollment.

Government subsidies through the Exchange are based on the consumer's income level based on the federal poverty level (FPL). On-exchange plans qualify for a subsidy if qualifying income is within 138% and 400% of the FPL. In reference to the chart on page 14, Ms. Krupp acknowledged the high percentage of enrollments located in the 100% to 150% FPL range, as of June 30, 2020. She said that measure included special enrollments that did not qualify for Medicaid; however, those enrollments still fall within a percentage of the enrolled population who receive subsidies. She said 75% of subsidized plans provide coverage to those who are living at or below 250% FPL. To provide context, a family of four with an annual household income of $65,500 falls within 250% of the FPL.

The median household income in Nevada, reported by the U.S. Census Bureau, is $57,598 with an average household size of 2.68 persons, which means half of Nevadan households have an income above the that figure, and half fall below that figure.

Ms. Krupp conveyed that as of June 30, 2020, there were 50,367 requests for special enrollment of which 35%, or 17,000 enrollees, were Medicaid eligible, and 4.0%, or 2,300 enrollees, had lost qualifying health coverage. She said the Exchange expects these trends to change through PY 2020 and into PY 2021.

The Exceptional Circumstances Special Enrollment Period (ECSEP) was offered by the Exchange, from March 17, 2020, to May 15, 2020, to consumers who lost their existing PY 2020 plan due to a COVID-19-related event. The ECSEP attracted a total of 4,676 enrollees, specifically 1,397 in March; 2,026 in April; and 1,253 in May.

Ms. Korbulic transitioned into the insurance landscape for PY 2021.

- Unemployment and people losing their minimum essential coverage (MEC) will have an impact on Exchange enrollment.
- The presidential election will have significant consequences on the future of health care and the future of the ACA.
- The Medicaid agency is holding off on redeterminations as a result of rules written into the Families First Act. Ms. Korbulic said that as Medicaid processes redeterminations, many people will become ineligible for Medicaid because they have either gone back to work or their income exceeds the eligibility threshold.
- The Exchange partners closely with Medicaid to capture those who become ineligible to provide alternative options in terms of health insurance.
- With the anticipation of high-level, special enrollment activity, the Exchange is enhancing its technology to be readily available and consumer friendly.
- The Exchange is providing training to their partners, over 700 licensed brokers and navigators across the state, specifically relating to health reimbursement accounts. Many small employers are finding it difficult to continue offering health insurance benefits to their employees and instead are offering health reimbursement accounts. The Exchange is working hard to make employers and employees aware that the best options in terms of comprehensiveness and affordability are on the Exchange.

Ms. Korbulic expressed concern regarding COVID-19 in relation to the future of claims for hospitals and providers. She reported a significant decrease in claims that will impact the medical loss ratio that insurance companies can collect and expressed uncertainty regarding unanticipated and unsubstantiated ideas on how much coverage is going to cost as cases continue to grow.

Ms. Korbulic reported that carriers on the Exchange had minimum average rate increases in PY 2021. Additionally, the Exchange's Board of Directors extended the enrollment period for PY 2021 from December 15, 2020 to January 15, 2021, giving Nevadans 30 extra days to enroll. The Exchange is training its partners on how to navigate through enrollment during the pandemic by offering virtual and telephonic enrollments, as well as enforcing state and CDC protocol during in-person enrollments.

Ms. Korbulic communicated that the Supreme Court is hearing the ACA repeal case on November 10, 2020. She said the election will play a role in the outcome of the Supreme Court case in terms of the longevity of the ACA and/or the quality and cost of benefits that would follow. Additionally, confusion exists in terms of how the federal government counts income on the Exchange versus Medicaid. In terms of unemployment, the federal pandemic compensation of $600 per week, and the soon to be deployed lost wages program, are both counted as income relative to the Exchange; however, that is not true when counting income for Medicaid. She reiterated that a significant turn is expected with Medicaid due to redeterminations as Nevadans go back to work or fall into long-term unemployment. The Exchange also competes with aggressively marketed plans, such as short-term limited duration plans, health sharing ministries, and other indemnity plans that sometimes present themselves as ACA compliant, or subsidized, but are not. She said the Exchange has a robust marketing and search engine optimization plan that tries very hard to combat that.

Chair Billings asked if the drop in PY 2020 enrollment, from 77,410 enrollees to 58,543 (June 30, 2020), was attributable to natural attrition, such as lack of premium payments, etc.

Ms. Korbulic concurred and clarified that, historically, natural attrition averaged approximately 15%. Chair Billings asked how that related to the 50,367 enrollees during the special enrollment period as of June 30, 2020. Ms. Korbulic clarified there were 50,367 requests made for special enrollment periods; however, not all requests were granted and many of them were Medicaid determined.

Chair Billings commented that total enrollment during the Exceptional Circumstances special enrollment period, totaling 4,676 enrollees, seemed relatively low. He asked if that number fell below expectations. Ms. Korbulic agreed that number appeared low; however, unemployment data showed people who became unemployed were in the lower income range, thus making them eligible for Medicaid. She noted that nearly 18,000 people became eligible for Medicaid in the month of May.

Chair Billings commented that many of the furloughs up and down the Las Vegas Strip included continued coverage of health insurance, oftentimes through the end of October 2020, which fell during the commencement of the open enrollment period through the Exchange.

Ms. Korbulic emphasized that many people were purchasing Cobra plans, as they were in furlough status and unsure about the continuation of their work; therefore, the Exchange has performed outreach to alert Nevadans of equally comprehensive and more affordable plans available on the Exchange versus the high cost of Cobra plans.

XIII. REPORT AND DISCUSSION OF FY 2020 ACTUAL COLLECTIONS COMPARED TO THE FOLLOWING:

A. ECONOMIC FORUM MAY 1, 2019, FORECAST, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2019 SESSION.

B. GOVERNOR'S OFFICE OF FINANCE, BUDGET DIVISION AND LEGISLATIVE COUNSEL BUREAU, FISCAL ANALYSIS DIVISION JUNE 29, 2020, CONSENSUS ESTIMATE.

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau

Mr. Guindon referred to page 229 (Exhibit A), TABLE 1. He explained that TABLE 1 rendered information that was presented at the December 10, 2019, Forum meeting that compared actual collections to forecasts made December 3, 2018, and May 1, 2019, for FY 2019 and FY 2020 (1-Year Ahead Forecast). TABLE 1 itemizes the forecasts by major General Fund revenue source as well as major minor General Fund revenue source, and clearly identifies areas of under- and over-forecasting, which can provide beneficial information going into the next forecast cycle. Mr. Guindon turned to page 234 and pointed out that, based on the Economic Forum's May 1, 2019, forecast for FY 2020, total General Fund revenue for FY 2020, which is the net actual after all applicable tax credits are considered, was missed by approximately $369.0 million, or -9.0%.

TABLE 2 on page 237 compares actual collections for FY 2020 compared to forecasts dated December 3, 2018, and May 1, 2019, for FY 2020 for all General Fund revenue sources.

Mr. Guindon explained that TABLE 3 on page 247 shows General Fund revenue activity as it relates to the Economic Forum's May 1, 2019, forecast adjusted for legislative actions for FY 2020, and the June 29, 2020, consensus forecast produced by the Fiscal Analysis Division (Fiscal) and the Executive Budget Office (Budget) for FY 2020, along with comparisons to FY 2020 actual data. He pointed out the forecast error associated with the State 2% Sales Tax revenue source came in below the Economic Forum's May 1, 2019, adjusted for legislative actions, but above the June 29, 2020, consensus estimate. He explained that at the time the June 29, 2020, consensus estimate was made, Fiscal and Budget had business activity information available through April 2020, which included one month of a partial shutdown and a complete shutdown of the gaming industry. He emphasized the degree of difficulty in preparing the June 29, 2020, forecast in terms of factoring in the significant drop in visitor volume and the timing associated with the release of stimulus money, as well as the impact it was making in Nevada's economy. Mr. Guindon also highlighted the Cigarette Tax, and stated he expected degradation in this tax because of the pandemic and potential pullback on the supply curve due to the significant loss of visitors to the state as well as curtailed smoking behaviors by consumers who faced personal financial impacts due to unemployment. He said the June 29, 2020, consensus forecast was $12.3 million below the Forum's May 1, 2019, forecast, yet actual collections for the

Cigarette Tax for FY 2020 came in $44,000 above the May 1, 2019, forecast. He said June 2020 (FY 2020) was the highest revenue-producing month for that tax in that 12-month fiscal year period at around $15.7 million, close to the two highest months of FY 2019.

In closing, Mr. Guindon emphasized that he was not making light of the importance of the data that was available, but instead was more concerned about how to approach forecasts for FY 2021, 2022 and 2023 versus the data results for FY 2020 given its informational content.

Mr. Leavitt commented on the effects of the federal stimulus money, which was about to expire. He said employment has increased since early spring and summer, which has produced an offset as it relates to future revenue; however, other unknows such as vaccine availability and the lag in conventions was going to create a tough situation for the Forum when considering forecasts for the 2021-23 biennium in December 2020.
Mr. Guindon concurred with Mr. Leavitt's comments.

XIV. REPORT ON FORECAST ACCURACY BY FORECASTER FOR SELECTED REVENUES.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau

Mr. Nakamoto referred to the *Report on the Forecast Accuracy of the Economic Forum for Selected Revenues*, page 249 (Exhibit A). He said that Fiscal staff updates the report annually based on the historical record of the Economic Forum's performance in terms of forecasting. The report includes historical statistics on the State 2% Sales Tax; Gaming Percentage Fees Tax; Insurance Premium Tax; Live Entertainment Tax; Cigarette Tax; Modified Busines Tax (MBT) for nonfinancial and financial institutions and mining companies, as well as total MBT; Real Property Transfer Tax, and total General Fund revenues. Additionally, the report includes historical data for the special Economic Forum meetings that were held in January 2010 and June 2008.

An overview of the forecast error analysis could be found on page 263 of the packet, which summarizes the Economic Forum's forecast process and performance over the last twelve forecast cycles as it relates to select major revenue sources. The error analysis shows the average and absolute average dollar forecast error for each forecast that the Forum has produced for each of the major General Fund revenues listed, as well as the total General Fund. Mr. Nakamoto said the only revision made to this report opposed to the report presented by Mr. Guindon at the December 10, 2019, Forum meeting, is the 1-Year Ahead Forecast, which were the December 2018 and May 2019 forecasts that were prepared for FY 2020. He noted the following differences from previous reports:

State 2% Sales Tax: Over the Economic Forum's lifespan going back to the 1994-1995 forecast cycle, which included the 1-Year Ahead Forecasts made December 1, 1994, and May 1, 1995 forecasts, on average, the Economic Forum over-forecast those

December and May forecasts by approximately $8.4 million and $10.4 million, respectively. Mr. Nakamoto directed the members to TABLE 1 on page 229 (Exhibit A) and pointed out that the forecast approved by the Economic Forum on December 3, 2018, for FY 2020, over-estimated actual State 2% Sales Tax revenue by $85.0 million, and the forecast approved May 1, 2019, was over-estimated by approximately $96.3 million, which would obviously affect the average dollar forecast error. He said the -$8.4 million average forecast error for the 1-year ahead December forecast for this report, including FY 2020, compares to approximately -$2.0 million presented to the Forum in December 2019 that did not include FY 2020. For the 1-year ahead May forecasts, the average forecast error of -$10.4 million, including FY 2020, compares to -$3.2 million excluding FY 2020 that was presented to the Forum in December 2019..

Mr. Nakamoto indicated that the average error rate he just described was a common theme with most of the select major revenue sources and emphasized how one forecast can change the results of this report, especially when considering the pandemic and the affects that it had on our economy, specifically the state's revenue sources. He said the May 1-Year Ahead forecast for the Cigarette Tax only missed by $44,000, with an average error rate of -$3.5 million for this report compared to -$3.8 million for the December 2019 report.

XV. PRESENTATION ON PERSONAL INCOME AND WAGES IN RELATION TO POPULATION, EMPLOYMENT, AND INFLATION ON A NATIONAL LEVEL AND THE STATE OF NEVADA.

Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau

Mr. Reel referred the members to his presentation on personal income and wages that began on page 311 (Exhibit A), which included one additional year of data since he last presented this information to the Forum at their December 10, 2019, meeting.

Starting with U.S. total nonfarm employment on page 312, from the first quarter (Q1) of 2020 to the second quarter (Q2) of 2020, U.S. employment fell 12.0%, or -18.2 million jobs, while Nevada's employment fell 16.1%, or -229,000 jobs, during that same period. This drop in employment was much bigger in percent terms and lost jobs than seen during the Great Recession.

In terms of employment, Mr. Reel communicated that the Construction sector was the hardest-hit industry during the Great Recession, whereas the Leisure and Hospitality sector suffered the biggest impact during the current economic downturn due to the pandemic. Nevada leisure and hospitality employment declined 31.1% between the first and second quarters of 2020 with a loss of 109,000 jobs; however, half of those jobs have been regained. He said employment growth rates in the U.S. dropped 11.2% from 2019(Q2) to 2020(Q2) compared to a 15.9% drop in Nevada employment over that same period.

The charts shown on pages 317 through 319 (Exhibit A) present information on the U.S. Consumer Price Index (CPI). Mr. Reel reported that as 2020(Q2), CPI growth was at 2.2%, up 0.4% from 2019(Q2) at 1.8%. CPI growth was at 2.0% in 2018. He said the energy component of the CPI is holding down inflation rates; therefore, improvement has been seen in the data series on inflation-adjusted terms (page 319, Exhibit A).

Mr. Reel noted that the charts on pages 320 and 321 are new to his presentation, and outline components of total personal income. He said the wage component in terms of a share of personal income, at the national level, decreased from 50.2% in 2020(Q1) to 43.3% in 2020(Q2); however, transfer payments, which include stimulus payments, unemployment compensation, etc. increased from 17.1% to 27.9%. In Nevada, wages and salaries decreased from 48.9% to 38.6% of total personal income, in that same period, and transfer payments increased from 17.0% to 32.3%.

When comparing total personal income to wages and salaries, U.S. total personal income increased 7.6% from 2020(Q1) to 2020(Q2), driven by stimulus and transfer payments, and wages fell 7.2%. In Nevada, personal income increased 11.9% and wages decreased 11.7%. Mr. Reel said that personal income growth rates showed a sharp increase both at the state and national levels; however, Nevada outpaced the U.S. at 15.6% growth versus 10.4% growth in the U.S. in 2020(Q2). In terms of the wage component, wage growth decreased 4.7% nationally and decreased 8.1% in Nevada.

Mr. Reel explained that from 2020(Q1) to 2020(Q2), U.S. personal income increased 7.2% on a per capita basis, and increased 8.1% on inflation-adjusted terms, whereas Nevada saw an increase of 11.7% on a per capita basis and a 12.7% increase in inflation-adjusted terms (page 327). In a side-by-side comparison, as of 2020(Q2), Nevada per capita personal income reached the U.S. level that was reported in the 2020(Q1). He noted that federal stimulus is expected to disappear, which will result in a drop in personal income levels. Similar increases in personal income were observed in inflation-adjusted terms.

When measured per employee from 2020(Q1) to 2020(Q2), U.S. wages and salaries increased 5.5% on a nominal basis and 6.5% when adjusted for inflation. In Nevada, wages and salaries per employee increased 5.2% on a nominal basis and 6.2% in inflation-adjusted terms. U.S. and Nevada wages and salaries per employee grew 7.5% at the U.S. level and 9.3% in Nevada from the second quarter of 2019 to the second quarter of 2020. Mr. Reel noted that as employment returns, wage growth rates tend to drop.

Mr. Reel reported substantial growth rates were observed in median household income from the peak in 2008 to 2019 and were not subject to the current downturn due to COVID-19. He communicated that, in that period, median household income increased 36.6% in the U.S. and increased 29.5% in Nevada. In inflation-adjusted terms, Nevada surpassed the previous peak in median household income recorded in 2007 as well as the U.S. level. Mr. Reel noted strong growth in median household income particularly in 2019.

In closing, Mr. Reel reported that State General Fund revenue per $1,000 of personal income fell considerably between FY 2019 and FY 2020 (pages 342 and 343, Exhibit A).

Mr. Guindon indicated that the information received from the various presenters poses a slightly different context, because the information set changes. For example, the charts show sharp increases in transfer payments and personal income; however, wages and salaries show declines, which appear counterintuitive. He reiterated that unemployment insurance (UI) is a component of transfer payments. By removing that component and recalculating the series through 2020Q1, the Great Recession UI payments look like a mountain; however, when displaying the series through 2020Q2, it makes the Great Recession UI payments look like a hill. This example shows the magnitude of how much money was dispersed through UI benefits, which can be traced back into the economy through Nevada's tax base, specifically taxable sales, and the Modified Business Tax. Mr. Guindon indicated that some business sectors continued to pay their employees' wages and insurance benefits, which is driving some of the tax bases. He emphasized that the additional stimulus, such as the $1,200 stimulus payments issued by the Internal Revenue Service, the $600 federal UI, and the state's regular $400 UI, is showing up in statistics reported by the Bureau of Economic Analysis in terms of wages, transfer payments, income, etc. He said additional federal stimulus will be an important element to consider in the next forecast cycle.

XVI. PRESENTATION OF HISTORICAL TAXABLE SALES AND GAMING MARKET STATISTICS.

Mr. Guindon stated the taxable sales and gaming market statistics charts have been updated through August business activity (taxable sales) and September collections (gaming). The tables and charts have been posted on the Nevada Legislature website. Mr. Guindon pointed out that the inclusion of April and May 2020 data produced a contorted version of many of the charts, because the results fell to zero; which produced an "end" line and a "start" line where the data picks up again, especially for the win per unit and hold percentages, because of the effect of the pandemic on that business sector and the data being reported by the industry to the Gaming Control Board. He recommended the members review the charts to familiarize themselves with the data used by the forecasters going into the next forecast cycle.

Mr. Guindon reported that taxable sales were down in three counties through February 2020 compared to the same period in FY 2019. At the end of FY 2020, those three same counties remained down with the addition of Clark County, which was up 6.5% through February, but finished down 4.5%. He said the balance of Nevada's counties were up through February 2020 and remained up through the end of FY 2020. Mr. Guindon confirmed that monthly data reported by the Department of Taxation showed activity triggered by the stimulus money; however, projections would be difficult without knowing if people were going to spend their stimulus or save it.

Mr. Guindon referred to a set of charts that list taxable sales by NAICS business category in order of largest to smallest that include statistics pertaining to Statewide, Clark County and Washoe County. He said the Motor Vehicle and Parts Dealers category, which includes autos, recreational vehicles, ATVs, boats, etc, showed very strong results in Clark County and in Northern Nevada, especially in Carson City and Washoe County. Some categories showed double-digit growth during the partial shutdown or the shutdown, which was an indication that the stimulus money was impacting those categories.

Mr. Guindon called out NAICS 722 Food Services and Drinking Places and reported declines in FY 2020 compared to FY 2019 of -15.7% Statewide, -17.0% in Clark County, and -9.6% in Washoe County. He indicated that staff would analyze the data and try to piece together the information in preparation for their upcoming forecasts as they think about loss of visitor volume with the recent infusion of stimulus money, a timeline as to when visitors might return to Nevada, and impacts to the state with and without additional stimulus money.

Chair Billings commented that part of the rationale behind all the presentations was to get a broad-based picture of available levers going into the forecast process. The juxtaposition between Northern and South Nevada was striking! He said the dependency on stimulus all the way through to the point of broad-based distribution of a vaccine is clearly going to have an impact, particularly in Southern Nevada. Having a sense for stimulus and stimulus activity will be incredibly relevant in terms of making decisions around the projections going into the next forecast cycle. He said it was certainly a unique time, but two or three big-picture themes were apparent throughout the presentations.

XVII. INSTRUCTIONS TO THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) CONCERNING THE GENERAL FUND REVENUE FORECASTS.

Mr. Guindon said direction was provided by Chairman Billings at the June 10, 2020, meeting to keep the revenue sources classified as they currently exist in terms of major and non-major revenue sources. This agenda item provided the opportunity for the members of the Forum to change those instructions from the June meeting. He explained that the Economic Forum Technical Advisory Committee for Future State Revenues (TAC) would meet late October or early November depending on the release of data from the Gaming Control Board and the Department of Taxation. Mr. Guindon noted that requests have been sent to all Executive Branch agencies asking them to provide their forecast for FY 2021, FY 2022, and FY 2023, for the revenue sources they collect that make up the TAC's duties and responsibilities as directed by the Economic Forum.

XVIII. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

Mr. Guindon stated that, after polling the members' availability for the November meeting, results confirmed availability on November 10th or 12th, as the 11th is a state holiday (Veteran's Day). Taking into consideration member Lewis's request to meet on November 10th, Chair Billings suggested having the meeting on November 10 if it satisfies member Rosenthal's schedule.

Mr. Guindon stated that Ms. Rosenthal communicated a possible conflict with the proposed meeting dates, but that she would try to accommodate the Forum. He suggested the Forum meet on November 10, 2020, as to allow staff more time to prepare for the December 3, 2020, meeting. Chairman Billings agreed to schedule the next Economic Forum meeting for November 10, 2020. Mr. Guindon reminded the members that December 3rd is the latest date, statutorily, to prepare a written report of its projections of economic indicators and estimate of future state revenue and present the report to the Governor and the Legislature. He proposed the Forum meet on December 3, 2020, to allow sufficient time for staff and the forecasters to prepare their forecasts. Mr. Guindon noted that the November and December meetings would likely be held virtually given the environment due to the pandemic.

XIX. PUBLIC COMMENT.

Chair Billings asked for public comment. There were no callers in the queue.

Mr. Guindon thanked the members and presenters for working with staff to successfully execute the virtual meeting. Chair Billings expressed gratitude to the presenters and staff for bringing forth their analysis.

XX. ADJOURNMENT.

The meeting adjourned at 2:48 pm.

Respectfully submitted,

Judy Lyons, Committee Secretary

APPROVED:

Vice Chair Rosenthal

Date:

Copies of exhibits mentioned in these minutes are on file in the Fiscal Analysis Division at the Legislative Counsel Bureau, Carson City, Nevada. The division may be contacted at (775) 684-6821.