**MINUTES OF THE MEETING OF THE**
**ECONOMIC FORUM**
**(*Nevada Revised Statutes* [NRS] 353.226 – NRS 353.229)**
**December 5, 2023**

The meeting of the Economic Forum (created by Senate Bill 23 of the 67th [1993] Legislature) was called to order by Chair Linda Rosenthal at 9:31 a.m. on Tuesday, December 5, 2023, online and in Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada.

**ECONOMIC FORUM MEMBERS PRESENT:**
Linda Rosenthal, Chair
Jennifer Lewis, Vice Chair
Michael Crome
Brian Gordon
Marvin Leavitt

**STAFF:**
Michael Nakamoto, Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB
Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, LCB
Christian Thauer, Deputy Fiscal Analyst, Fiscal Analysis Division, LCB
Hayley Owens, Economist, Fiscal Analysis Division, LCB
Tom Weber, Committee Secretary, Fiscal Analysis Division, LCB

**EXHIBITS:**

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| Exhibit A: | Meeting Packet and Agenda |
| Exhibit B: | Agenda Item IX - Year-To-Date Actual Tables through November - FY 2023 and FY 2024 |
| Exhibit C: | Agenda Item X - Forecast Accuracy Report |
| Exhibit D: | Agenda Item XII - FY 2016 - FY 2023 Commerce Tax by Business Category Pie Charts |
| Exhibit E: | Agenda Item XII - FY 2016 - FY 2023 Commerce Tax Tables - Summary by NAICS |

## I. ROLL CALL.

TOM WEBER (Committee Secretary, Fiscal Analysis Division, Legislative Counsel Bureau [LCB]) called roll; all members were present.

## II. OPENING REMARKS.

CHAIR ROSENTHAL:
The Economic Forum (Forum) will not be considering or approving any revised revenue forecasts at today's meeting, as that is not the intent of the meetings held in December of odd-numbered years. Fiscal Analysis Division staff will present on the actions

approved by the Legislature during the 82nd (2023) Session that impacted General Fund revenue sources along with the estimated revenue impact on forecasts approved at the Forum's May 1, 2023, meeting. Additionally, Fiscal staff will present on how the actual collections for FY 2023 compared to the Forum's forecasts for this fiscal year and on the detailed forecast accuracy report that has been updated to reflect the results for FY 2023 and the 2021-23 biennium.

## III. PUBLIC COMMENT.

There was no public comment.

## IV. APPROVAL OF THE MINUTES OF THE MAY 1, 2023, MEETING.

MR. CROME MOVED TO APPROVE THE MINUTES OF THE MAY 1, 2023, MEETING.

MS. LEWIS SECONDED THE MOTION.

MR. GORDON:
I will be abstaining from this motion as I was not a member of the Forum during its May 1, 2023, meeting.

THE MOTION PASSED (Mr. Gordon abstained from the vote).

## V. PRESENTATION ON THE STATE EMPLOYMENT OUTLOOK.

DAVID SCHMIDT (Chief Economist, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation [DETR]):
Regarding the state's unemployment outlook since the Forum's May 1, 2023, meeting, things have largely remained unchanged through the second half of FY 2023, with both the state's employment growth rate and unemployment rate remaining stable. As shown on page 66 of the meeting packet (Exhibit A), Nevada has continued to see steady employment growth since recovering from the COVID-19 pandemic. The chart on page 66 displays the employment growth Nevada has experienced following the last three recessions. As shown, not all recessions are the same, with the 2001 recession being fairly shallow, the Great Recession in 2007 being large and wide, and the 2020 recession caused by the COVID-19 pandemic being very quick and deep; however, Nevada recovered quickly following the 2020 recession.

Since recovering the jobs that it lost during the COVID-19 pandemic, Nevada's employment growth rate has been strong, increasing by approximately 4.2%. However, things have cooled slightly, with the state's employment rate currently growing at about 3.4%. In the time that Nevada has been recovering from the pandemic, the state has been ranked number one or two in the nation in terms of its employment growth rate each month – recent data shows that Nevada ranks second behind only Idaho and is experiencing some of the fastest employment growth in the nation. Page 67 of (Exhibit A) shows the employment growth rate of Nevada compared to that of other states, with Nevada's employment growth rate being a significant degree stronger than most other states. As displayed on the chart on page 67, about one-third of the states have employment growth rates above 2.0% and only two states have growth rates above 3.0%, with Nevada currently growing at 3.4%. Page 68 of (Exhibit A) shows that Nevada has continued to recover from the recession caused by the pandemic at a rapid pace in both the Reno/Sparks and Las Vegas/Paradise metropolitan statistical areas (MSA); depending on the time period, recovery in these areas can be slightly faster or lower. The Las Vegas/Paradise MSA is shown on the top of the chart on page 68 while the Reno/Sparks MSA is shown on the bottom, with both MSAs growing solidly and being well above the level they were at prior to the 2020 recession.

Page 69 of (Exhibit A) shows that employment growth is occurring across almost every industry and sector in the state, but the growth in the accommodation industry (casino/hotel industry) does continue to remain approximately 10.0% lower from where it was prior to the 2020 recession. Employment in the accommodation industry is not growing very fast and has been creeping up slowly, and I expect this trend to continue. I do not foresee there to be a large rapid recovery of the approximate 20,000 jobs that were lost in the accommodation industry as a result of the pandemic. As shown in green on the chart on page 69, the share of recovery across other industries in Nevada is strong, especially in the industries that pay well above the state's average annual wage. Growing into new industries should help support Nevada's wages in the long term, as the state is seeing more employment in higher-paid industries than it has experienced in the past.

The long-term trend of employment growth in the casino/hotel industry is shown on page 70 of (Exhibit A) and is nothing new, with peak employment in this industry occurring in 2006 for the Las Vegas/Paradise MSA and in 1997 for the Reno/Sparks MSA, with the employment growth of the latter being attributed to the opening of the Silver Legacy Resort and Casino in Reno. As shown, casino/hotel employment levels have not experienced significant growth and have remained relatively flat since coming out of the Great Recession in 2007. The Reno/Sparks MSA in particular has seen slow employment growth, with a long and flat trend in growth following the Great Recession. As the state goes through recessions, there will be an employment dip followed by a flat line as can be seen for the Las Vegas/Paradise MSA, or a slightly decreasing line for the Reno/Sparks MSA. While the casino/hotel industry is unique for the state, it has not been a source of growth for the last couple of decades. This is a counterpoint to the trepidation one might feel when wondering what casino/hotel employment being down means for the state as a whole – it just means things are largely as they have been.

Employment in other industries in Nevada has been growing for a while and is continuing to do so. As shown on page 71 of (Exhibit A), durable goods employment in Nevada is seeing relatively rapid growth, with the state being number one in the country in terms of employment growth in this industry; the durable goods employment growth rate in Nevada has been significant, being at 6.8% for the most recent month. The employment growth rate for Nevada's professional, scientific, and technical services is described on page 72 of (Exhibit A), with these services being a subset of the professional and business services industry. Occupations in professional, scientific, and technical services typically require a high-entry level academic background, but broad and temporary service occupations also fall into the professional and business services industry. Employment in scientific and technical services in Nevada has been seeing recent growth of nearly 11.0%, with Nevada ranking first in the nation in terms of employment growth in this area.

Diversification and employment growth in new industries should put some upward pressure on wages, but at the same time, Nevada's wage growth is currently relatively low, as shown on page 73 of (Exhibit A). Wage growth is averaged over a three-month period because the data can be turbulent, and Nevada ranks 49th out of 51 states (including the District of Columbia) over the last year, with the state's total average hourly wage for all employees being one of the lowest rates in the country. One of the factors contributing to Nevada's low wage growth is its unemployment rate. However, this can be a normal phenomenon, as a looser labor market equates to less pressure on wages.

Page 74 of (Exhibit A) shows that Nevada's unemployment rate is number one in the country, with the state having an unemployment rate of approximately 5.5% for the last year and a half. Nevada's unemployment rate has been very steady and refuses to budge, and the state still basically has the fastest employment growth in the country while also having the highest unemployment rate. Regarding the states that have very low rates of unemployment, such as Montana, Maryland, and the other states shown on the bottom of the chart on page 74, the average hourly wages of these states are usually the highest in the nation. Montana is number one in the country with a wage growth rate of nearly 10.0%, and Vermont's wage growth rate is over 7.5%. There are several states that have very rapid wage growth because their labor markets are very tight, making it hard to find workers. This results in tradeoffs because there is a lot of competition that benefits workers but can be costly for businesses.

Nevada's 5.0% unemployment rate is not high, with 5.0% being considered pretty much full employment in the past. Most states have a current unemployment rate that is significantly less than 5.0%, and there are a few states that have unemployment rates of less than 2.0%. This is a unique time, with the unemployment rate being very low nationally. While it is not very low in Nevada, the state's unemployment rate is not too far above what would have been considered full employment in the past, which does make it a little bit easier to find workers.

When discussing the number of people who are unemployed and the paradox of rapid employment growth occurring along with higher unemployment, thinking about reasons why people can become unemployed really plays into what is going on in Nevada. Page 75 of (Exhibit A) describes types of unemployment and a couple of the main reasons a person can be considered unemployed. One type of unemployment is job exit, which occurs when someone is laid off, quits, or the business they are working for closes – for whatever reason, a person lost their job or left the job they had. Another reason people can be unemployed is that they are just coming into the labor market. These people may have recently graduated from school, relocated to the area, or may have been retired before deciding they want to do some part-time work. They may also have been previously watching their children that have now gone off to school. There are many different reasons why people may have been outside of the labor market and are now coming into it.

Most of the unemployed people in Nevada did not lose their jobs – they are either someone who voluntarily left a job, or they are coming into the labor market. To a large degree, many of these people come into the labor market before looking for and finding work. As a result, Nevada has seen more increases in its short-term unemployment rate than its long-term unemployment rate. There is also an increase in people who are unemployed for reasons other than job loss, but Nevada remains relatively flat regarding people who are unemployed because of job loss.

The chart on page 76 of (Exhibit A) displays the nation's short-term and long-term unemployment rates. The horizontal axis of the chart shows people who have been unemployed for 15 or more weeks and the vertical axis shows people who have been unemployed for under 15 weeks, with the data being comprised of the 12-month average through the third quarter of FY 2023. The black line on the chart represents the balance of a state if it had an equal number of people that were on long-term and short-term unemployment. As shown, every state is in the higher concentration of short-term unemployment, which makes sense because unemployment across the nation is very low. Even though it has the highest unemployment rate in the nation, it is interesting that Nevada is not shown as number one on the chart in terms of its long-term unemployment rate. While Nevada's unemployment rate is relatively high, it is not the highest in terms of long-term unemployment. Nevada stands out regarding its short-term unemployment, which is largely driven by people who are coming into the labor force and are looking for work, which is a positive sign for opportunities regarding ongoing economic expansion in the state.

Page 77 of (Exhibit A) describes types of employment and where there may be potential to grow further. The boxes in the chart on page 77 encompass Nevada's total labor force, with each box representing 10,000 individuals. The chart shows three shades of blue, with the darkest blue representing people who are employed full-time, which is the most common type of employment in the state. The next largest share of boxes represents people who are employed part-time by choice, and not for economic reasons. People who are considered to be employed part-time for economic reasons are those who have had their hours cut or are looking for full-time work and cannot find it; this is also wrapped into other ways of measuring unemployment but represents a small share. For example, most people who are working part-time do not say it is because they had their hours cut and they are now looking for full time work; instead, most of these people are voluntarily working part-time. This can act as a constraint on the labor force, as there are not a lot of workers left in the workforce who are seeking a full-time job but cannot find one. Most people who work part-time choose to do so, and there is relatively little space to grow full-time employment from people who are part-time and are just looking for something more.

The chart on page 78 of (Exhibit A) describes people who are both inside and outside of the labor force, with the gray squares representing people who are either employed or unemployed but are still within the labor force. Conversely, the dark red boxes represent people who are outside of the labor force and do not want a job. These people may be retired or want to stay at home, and for whatever reason, they have no interest in working and are not looking for employment. As shown on the chart, there are approximately 40,000 individuals who say that they want a job but have not searched for one in the past year. A person must have searched for a job within the last month to be considered unemployed. If a person has searched for employment in the last year, then they might be considered as being outside of the labor force, but they may remain in that pool of people who are potentially available for employment. Of those people who have searched in the past year and want a job, approximately 10,000 are not currently available for work – they have looked for employment, but something is preventing them from being currently available for work. Finally, there are approximately 20,000 people who have searched for a job in the past year and are available for work, but they have not searched for a job within the past month. As a result, there are some opportunities to continue pulling people in Nevada who are not currently in the labor force into the labor force, but this only represents a small number of people. As shown, most people outside the labor force do not want a job.

Another way of looking at what is going on in the state in terms of employment and unemployment data is to look at the U.S. Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS), the results of which are depicted on page 79 of (Exhibit A). The data from JOLTS can be volatile when it comes to Nevada as there is not a huge sample size to work from, so the data must be used cautiously. JOLTS measures the number of people coming into Nevada's labor force, the number of new hires in the state, the number of job openings, and the number of layoffs. Nevada's normal employment numbers are reported on a net basis and include the total employment number the state has grown by. The change in Nevada's net employment is typically 3.4% and is what DETR will usually report every month through a more robust survey.

JOLTS provides a look at the underlying data behind employment growth, which includes the churn rate shown on the bottom of the table on page 79 (Exhibit A). The churn rate can be used to compare how many new hires and how many separations Nevada has experienced. As depicted in the table, the latest data shows that Nevada has experienced 61,000 hires and 59,000 total separations, meaning that most of the hiring effort that is taking place in the state is meant to fill vacancies that have been created, which is normal. As shown, the lowest churn rate that Nevada has ever had was at 51.5%, which means the single lowest month for hires, not just those hires that were replacing separations, was still more than half of the total activity that happened during that month. This helps to explain why Nevada may be ranked 29th in the nation for hires even though it is ranked 1st for employment growth.

Page 80 of (Exhibit A) further describes the churn rate, with Nevada being very much in the middle when compared with other states. Nevada is not churning through a bunch of hires to replace a bunch of people who are leaving the labor force and is more balanced in this measure when compared to other states. Using Montana as an example because it is geographically large and easy to see on the chart, Montana has a high hire rate, a very high wage growth rate, and a high separation rate, meaning there is more turnover in its labor force that is pushing wage expectations higher. Additional turnover rate information for Las Vegas and Reno is depicted on page 81 of (Exhibit A) and is comprised of quarterly data that the U.S. Census Bureau puts together, showing just how much the Great Recession impacted the turnover rate in Nevada. Prior to the Great Recession, Nevada's turnover rate was in the 10.0% to 14.0% range for a long time, but after the Great Recession, Nevada's turnover rate dropped to just above 8.0%. The long recovery of Nevada's turnover rate is shown, with employees turning over more and more before the numbers really spiked during the COVID-19 pandemic.

Nevada is just now getting back to the point it was at in 2003 and 2004 prior to the housing boom and Great Recession. Without looking at the chart on page 81 (Exhibit A), someone might think that the current turnover rate in Nevada is the highest it has ever been. However, that is not the case, with the level of turnover that Nevada is currently experiencing just now recovering from the hit that it took during the Great Recession. The Great Recession impacted Nevada's labor market and the way that people approached their work and their willingness to look for other opportunities and find a better job with a different employment. Nevada's turnover rate has been low for a while, with the state recovering back to what will probably be a higher level of overall turnover going forward than seen in the past, which may put some upward pressure on total wages.

DETR's employment expectations for Nevada are summarized on page 82 of (Exhibit A). The state should maintain steady employment growth, but the growth will continue to slow. Instead of having a 5.0% unemployment rate, Nevada's unemployment rate should drop down to around 3.2% by the end of the year (DETR originally forecasted the rate to drop down to 3.0%). Nevada's unemployment rate should also continue coming down as the labor force participation rate recovers. The state is continuing to absorb people into the workforce, but as the unemployment rate starts to come down, labor force conditions will tighten. As a result, it will become harder to find workers, and there will probably be some upward pressure on wages.

In the long term, Nevada's population growth will be the biggest constraint on its employment growth. When the state was rapidly growing during the 1990s and 2000s, its employment growth was at 6.0%. However, as Nevada's population growth becomes slightly more constrained, its employment growth becomes more constrained as well. Additionally, the high cost of housing in Nevada will probably have some negative impacts on domestic migration, which supports the state's population growth and employment growth. Nevada will continue to see more employment growth outside of the casino and leisure industries in areas such as manufacturing, technical services, and others. As Nevada's employment growth diversifies and its labor market tightens, wage pressures will probably continue to rise.

MR. LEAVITT:
The Forum last met on May 1, 2023, during which it prepared revenue estimates for the state. How has DETR's view of the general economy changed since then? Does DETR see the economy getting better, worse, or staying the same?

MR. SCHMIDT:
DETR's perspective on the economy has not changed much since the Forum's May 2023 meeting, and Nevada's employment and unemployment data has remained steady. DETR expected there to be a small downward shift in the state's employment growth, but the data came in slightly stronger than anticipated. The general economy may be performing slightly better than predicted in May, but there are a few areas that are not meeting expectations. For example, DETR thought that the state's unemployment rate would be creeping down more than it has. Fortunately, the state's unemployment rate is being offset by people coming into the labor force. Nevada has had a high unemployment rate for good reasons, and I would rather have 5.5% unemployment with people coming into the labor force than having 4.5% unemployment and people staying on the sidelines.

CHAIR ROSENTHAL:
The manufacturing and technical services sectors in Nevada are growing. Historically, Nevada may have been overreliant on construction, which is a sector that has had trouble during times of economic turmoil. However, Nevada's construction sector seems very robust currently. Can you discuss the trends of sectors such as construction and mining and the other main industries that have been in Nevada for a while?

MR. SCHMIDT:
At a high level, the construction sector is solid, but it is still below where it was previously. Construction employment is just now starting to increase in the Reno/Sparks MSA to the levels that were seen during the housing boom from 2005 to 2007. However, in terms of total number of people, the Reno/Sparks MSA is also larger than it was during the housing boom. The Las Vegas/Paradise MSA is still lagging and is getting up to the construction employment levels that were seen in 2002, 2003, and 2004, prior to the housing boom. Even though it is solid, Nevada's construction sector is still below its potential capacity to develop without being overly reliant on just building a bunch of houses. As a share of the economy, the construction sector is still not what it was, but it is in a solid place with room to grow and is receiving support from nonresidential investments in the area. Employment in Nevada's mining sector has basically been flat and has not seen a lot of growth or change. However, there is potential over the next several years for the state to grow and move beyond its gold mining industries and into the mining of rare earth materials and other associated minerals.

CHAIR ROSENTHAL:
The employment sectors that offer higher wages in Nevada are growing, which presumably means that the state's overall average wage is also growing. There are also incentives for Tesla, Inc. and Tripp Enterprises, Inc. to pay above average wages. What is DETR seeing in terms of average wage trends in Nevada?

MR. SCHMIDT:
Overall, wage growth in Nevada has changed relatively slowly. By far, Nevada still has the highest concentration of employment in the accommodation sector when compared to the rest of the country, but this sector tends to pay wages that are well below the overall average wage, both in the state and nationally. However, there is significant wage growth within certain industries such as manufacturing. I conducted research to determine if the employment growth being seen specifically in the manufacturing industry was a result of an individual sector within that industry being incentivized to grow by a large amount, but growth is instead being seen in other sectors of the manufacturing industry as well. As a result, there is not one sector that is changing the data for the entire manufacturing industry, as it is growing in general. Wage growth is showing a positive trend in Nevada as a whole and is lifting industries up across the board in terms of employment.

Rapid growth is also being seen within the leisure and hospitality industry, which has recovered the total number of jobs that it had prior to the COVID-19 pandemic. However, wage growth has shifted within this industry, and while growth is still down in the accommodation sector, wage growth is higher in the arts, entertainment, recreation, and food service sectors. The food service sector actually has lower wages than the accommodation sector, with previous data showing that the accommodation sector would pay roughly $650 in average weekly wages, while the food services sector has average weekly wages closer to $450. As there has been more growth in the lower-wage side of the leisure and hospitality industry overall, people also seem to be spending money to experience the nice restaurants and additional options that the tourism side of the leisure and hospitality industry provides.

As shown in the green and red chart on page 69 of (Exhibit A), 42.0% of the jobs that Nevada has are in industries that are more than 10.0% recovered and that pay an average weekly wage above the state average. While this is less than half of the total number of jobs in Nevada, a lot of the growth being seen is in things that will be pushing up the state's average wages overall.

MS. LEWIS:
Will there be an increase in hotel employment since Nevada is getting a couple of new casinos, including the Durango Resort and Casino which opened today in Las Vegas? Will this have an impact on bringing sectors back to peak employment levels?

MR. SCHMIDT:
Regarding the Las Vegas/Paradise MSA casino/hotel employment trends, the chart on page 70 of (Exhibit A) shows an increase in overall employment levels in the middle of the recovery period due to the opening of a new property. However, this increase was then absorbed back into the baseline, with employment levels returning to what they were before the property opened and to what they were prior to the COVID-19 pandemic. This leads to the question of whether there can be an increase in employment levels that continues to grow. This has been seen in the past but was mainly experienced during the rapid expansion of the Las Vegas Strip back in the 1990s and early 2000s. While there is potential for the opening of a new property to create a shift in employment levels, until

I see it happen, my expectation is that there will likely be a temporary bump in overall employment before it returns to what was seen when Resorts World Las Vegas opened, with increases in employment levels being absorbed back into the baseline.

MR. GORDON:
DETR's presentation is very informative. How does DETR look at and report on gig workers, who are largely comprised of people that decided to go into business for themselves or into some other type of employment during the pandemic?

MR. SCHMIDT:
Not a lot of data is available regarding gig workers, which can make reporting on these workers challenging. Establishment-based employment estimates, which is what DETR uses for most of its total employment data, does not capture someone that is a gig worker. However, data on gig workers would be included in household-based employment estimates, which ask if a person is employed and if they earned money during a certain period; this data includes both people who are self-employed and people who work for a company. One of the challenges experienced in coming out of the pandemic is that the estimates from these two different employment estimate programs do not line up the same way that they used to. DETR is working to determine what is causing the different responses from the survey programs.

The total estimates of self-employment levels currently being seen in Nevada are similar to the levels seen around 2000 and 2001, being approximately 75,000 to 150,000 people who list self-employment as their primary form of income. Oftentimes, people will layer their self-employment on top of other employment that they have, resulting in one person who is entirely reliant on self-employment income as a gig worker and another person who is supplementing their self-employment income on top of another job.

MR. GORDON:
I understand. Does the self-employed segment of the economy mask anything that DETR reports on or are the trends generally consistent with what has been shared today?

MR. SCHMIDT:
Self-employment is probably a supplement for other types of employment, and I do not think that Nevada's unemployment rate would be significantly lower if it included the self-employed segment of the economy because the state's unemployment rate is also derived from the household survey, which should include people who are self-employed as well as people who are not. I do not think the presence of gig workers would significantly change the overall economic picture provided by the other data sources.

MR. LEAVITT:
Members who have been on the Committee for a while will remember when Nevada's construction employment was exceptionally strong. While we were happy with that at the time, what happens is that with the slightest indication the economy is going downhill, a substantial portion of construction employment can be lost. It sounds like construction employment is currently good, but it is not excessively good, which probably puts the state in a good position regarding future economic growth.

CHAIR ROSENTHAL:
I agree. It sounds like Nevada is in a great position. Even though its unemployment rate is high compared to other states, the rate is not high overall, and there is great growth and broad diversification among the sectors that are driving employment growth in the state. Nevada is also much less dependent on historical growth drivers that were more subject to economic downturns, and the state is set up for continued growth.

There was no further discussion on this item.

**VI. PRESENTATION ON THE STATE POPULATION OUTLOOK.**

CHRISTOPHER WRIGHT (State Demographer, Department of Taxation):
As shown on page 84 of the meeting packet (Exhibit A), my presentation will cover the components of change, demographic characteristics of the state, and the most recent population projections. Regarding the components of change, the basic demographic formula is discussed on page 86 (Exhibit A). To estimate a population at a given time, one needs to start with the population at a previous time before adding in the natural increase, which is the difference between total births and total deaths for the period. The net migration is also part of the basic demographic formula, which is immigration minus emigration.

Earlier this year, there were headlines stating that the U.S. birth rate has dropped as women wait to have babies. The charts on page 88 (Exhibit A) provide a more detailed representation by year and age group regarding the trend that women are waiting longer to have fewer babies. The chart on the left shows that birth rates from 2021 to 2022 declined for females aged 15 to 24 and increased slightly for women aged 25 to 29 and ages 35 to 44. The chart on the right of page 88 describes the provisional general fertility rate (GFR) for the U.S. In 2022, the GFR was 56.1 births per 1,000 women aged 15 to 44, which is down less than 1.0% from 2021, which was 56.3 births per 1,000 women. The provisional number of births for the U.S. in 2022 showed a decline from the number of births in 2021, which rose 1.0% from 2020.

In looking back over the last two decades, the chart on page 89 (Exhibit A) shows that there is a similar trend in Nevada for total births that mirrors the national trend. The chart also shows a steady decline in the fertility rate in Nevada for the population of women of childbearing age, ages 15 to 44. Natural population change is described on page 91 of (Exhibit A), which is derived by subtracting deaths from births. In 2019 (pre-COVID), there were eight counties in Nevada that were already reporting a negative natural change, which meant there were more deaths than births; one county reported a single digit increase in net births. By 2020, the number had increased to nine counties reporting a zero or negative natural change, with two counties reporting single digit birth increases. In 2021, 13 counties in Nevada reported having a negative natural change and 1 county reported having single digit net births. As of 2022, it is estimated that Nevada still has 13 counties with negative natural change, with only Clark, Elko, Humboldt, and Washoe Counties reporting significant births over deaths. Obviously, the COVID-19 pandemic impacted natural change in 2020 and 2021, but even when looking at pre-COVID trends, there is an obvious decline in natural growth in the state.

Domestic migration, which is how population migration shifts within the U.S., has been the primary driver for population growth in Nevada for the past several decades. As shown on page 92 (Exhibit A), there is not really a direct measure for these shifts, but the Internal Revenue Service (IRS) does produce data based on tax returns, which tends to lag by a couple of years. The latest data shown in the chart was published in May 2023 and shows the migration patterns based on tax returns filed between 2020 and 2021. Although the data does have its issues, it offers some information on domestic migration patterns into the state. As shown by the chart, most counties in the state showed net population gains from 2020 to 2021. However, comparing those gains to the previous period of 2019 and 2020, there was nearly a 33.0% decrease in the net inflow year-to-year, with some of the decrease being due to the pandemic.

Another way to look at domestic migration is discussed on page 93 of (Exhibit A). Certain moving companies put out a study that is published annually. For example, in U-Haul Holding Company's latest figures, Nevada rose from number 29 in 2021 to number 13 in 2022 for inbound moves. United Van Lines has shown Nevada consistently slipping since 2018, being down to number 31 nationally for inbound moves in 2021. For 2022, Nevada rose to number 26 in inbound moves, with North American Van Lines showing that in 2021, outbound moves have overtaken inbound moves in Nevada for the first time since 2012, with the trend continuing into 2022. To summarize the components of population change, fertility rates continue to decline nationally and in Nevada. The state's natural increase also continues to decline, which was initially accelerated by the COVID-19 pandemic. Indications are that domestic migration to Nevada is slowing, although more data is needed.

CHAIR ROSENTHAL:
The Department of Taxation seems to be reporting the trends in natural change based on the number of counties whose populations are increasing or decreasing. It was also mentioned that Washoe and Clark Counties are some of the counties with populations that are continuing to increase, with these counties also being home to most of the state's population. Is there a decline in natural change for the state overall?

MR. WRIGHT:
Yes, the statewide natural population change is decreasing.

MR. CROME:
Are you saying there is a decrease in the state's natural change overall, or is it just that the natural change is not increasing rapidly?

MR. WRIGHT:
There is an overall decrease in the statewide natural change as Nevada is seeing more deaths than births.

MR. CROME:
Regarding domestic migration, there is greater inflow than outflow in Nevada, but the amount of inflow is not causing the state's population to increase rapidly. Is that correct?

MR. WRIGHT:
There are different studies measuring these metrics which can make things confusing because the data is very subjective. The IRS data shows that domestic migration into Nevada is increasing, but at lower levels than seen in the past. The state's population growth rate is also less than in the past, but it is still growing.

When the U.S. Census Bureau's 2010 Decennial Census is compared to the latest 2022 vintage census estimates, the median age for Nevada has increased to 38.9 years old in 2022, which is equal to the national median age, as depicted on page 96 (Exhibit A). Looking at the change between 2010 and 2022, page 97 (Exhibit A) shows that the median age in most Nevada counties increased, with three counties experiencing a drop in median age. Statewide, the median age has increased by 2.6 years, which is faster than the national increase.

Page 98 (Exhibit A) describes race and ethnicity trends in Nevada, with the chart on the left comparing the racial and ethnic distribution of Nevada's population in the 2010 census estimate base (shown in the inner ring) with the latest 2022 vintage census estimate (shown in the outer ring). The chart shows the proportional increases for each racial and ethnic group except the White Alone category, which decreased during that time. This information is also illustrated in the chart on the right of page 98, which visualizes each category by the rate of change. The largest population increase was reported in the Two or More Races category followed by Black or African American Alone, Asian Alone, and Native Hawaiian and Other Pacific Islander Alone.

The Department of Taxation's latest population projections were published on October 1, 2023, and are primarily based on an independent econometric model produced by Regional Economic Models Incorporated (REMI). As described on page 100 of (Exhibit A), this model has been used by the State Demographer for over 20 years. REMI is a well-regarded model that has existed since the 1980s and is used by various state and local governments and academic institutions. The latest release for REMI's projections was published in June 2023 and was updated to include sector employment data through the third quarter of 2022; the employment forecast for upcoming economic development projects from the Governor's Office of Economic Development were also included.

Page 101 (Exhibit A) illustrates that overall, the REMI model showed a cumulative population increase in Nevada of over 500,000 over the course of the next 20 years. The model also showed a general slowing of the state's population growth rate during that period, as depicted on page 102 (Exhibit A). Although growth is projected, it is not forecasted to occur at the pace seen in recent decades. As described on page 103 (Exhibit A), the model showed a gradual decline in population growth for the two most populous counties in Nevada as well as the state's rural counties over the next 20 years. In prior years, projections showed rural counties to have a slight population growth, but the projections now show a gradual decline.

With projections, there are always risks to consider. Nevada's employment recovery coming out of the COVID-19 pandemic has been strong, which is also shown by the REMI model. As described on page 104 of (Exhibit A), housing availability is a potential limiting factor that is not considered in the model. Therefore, growth projections may not be realistic if counties do not have the housing to support the population. The model may not entirely predict employee commuting patterns, which can affect the population distribution among neighboring counties, especially in rural areas. The model does attempt to forecast international migration, but this is greatly dependent on policy set at the national level. Likewise, fluctuations in domestic migration patterns should be considered when interpreting the projections. Lingering effects of the pandemic, threat of global conflict, resource limitations, and economic volatility will certainly impact long-term population projections.

CHAIR ROSENTHAL:
Where does Nevada rank amongst other states in terms of affordability and access to housing?

MR. WRIGHT:
I do not have that information.

CHAIR ROSENTHAL:
It seems like there are multifamily buildings constantly being built around the state, which seemingly indicates that there is great demand for affordable housing. Additionally, to the extent that Nevada is a very big state with most of its land being owned by the federal government, the areas where there is opportunity for growth in housing seem to be getting smaller.

MR. GORDON:
Is there any coordination or crosschecks with local jurisdictions when putting together the statewide estimates? There are a bunch of organizations, including the university systems and local county governments, that may do some of their own forecasting at the local level. How does the Department of Taxation analyze this information as it works to prepare its projections for the state?

MR. WRIGHT:
When the department worked on the 20-year population projections this year, it did not have any coordination with the counties or the academic institutions. However, moving forward, and now that I am the State Demographer, I think that information would be helpful to make the population projections more accurate.

There was no further discussion on this item.

**VII. PRESENTATION ON THE TAX CHANGES APPROVED BY THE LEGISLATURE DURING THE 2023 SESSION, COURT DECISIONS RELATING TO ACTIONS APPROVED BY THE LEGISLATURE DURING THE 2019 SESSION, AND THE ECONOMIC FORUM MAY 1, 2023, FORECAST FOR FY 2023, FY 2024, AND FY 2025, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2023 SESSION AND THE 34TH AND 35TH SPECIAL SESSIONS.**

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB): The Fiscal Analysis Division along with the Governor's Finance Office serve as staff to the Economic Forum. The Fiscal Division also recently hired Hayley Owens, who was previously the Economist at the Department of Taxation for several years.

Agenda Item VII is the presentation on the tax changes approved by the Legislature during the 82nd (2023) Session and the 34th (2023) and 35th (2023) Special Sessions. Page 107 of (Exhibit A) displays the Economic Forum's forecast for May 2023 as approved at its May 1, 2023, meeting. The difference in this table compared to the table that was approved in May 2023 is that the table on page 107 includes the legislative changes, which are also covered in subsequent tables in the meeting packet.

Table 1 begins on page 117 of (Exhibit A) and was put together by Fiscal staff to be included in the *Nevada Legislative Appropriations Report*, November 2023, which the Fiscal Division publishes as a recapitulation of the legislative session. The Fiscal Division's Tax Team is responsible for incorporating the tax and revenue actions taken by the Legislature into the Appropriations Report. Table 1 basically provides an overview of the forecast that was approved by the Forum at its May 1, 2023, meeting, specifically as it relates to tax credits.

Table 2 begins on page 123 of (Exhibit A) and describes the adjustments that were made to the Forum's May 1, 2023, forecast based on actions that were approved by the Legislature during the 82nd (2023) Session and the 35th (2023) Special Session. While the 34th (2023) Special Session is mentioned in the description of Agenda Item VII, it was only the actions that the Legislature took during the 35th Special Session that affected the Forum's May 2023 forecast. Adjustments to revenue generated from the Net Proceeds of Minerals Tax are discussed on page 123 (Exhibit A), which were also discussed at the Forum's May 1, 2023, meeting.

At the beginning of the 82nd (2023) Session, the Legislature considered and approved Senate Bill (S.B.) 124 (2023), which dealt with the prepayment of the Net Proceeds of Minerals Tax that was put into place through S.B. 3 of the 31st (2020) Special Session to address the revenue shortfalls that were occurring because of the COVID-19 pandemic. At the time, there was a desire by the Legislature to ask that the General Fund portion of the Net Proceeds of Minerals Tax be prepaid for several fiscal years. Through S.B. 124 (2023), the Legislature reversed the payment of the tax back to its former method, which ended the prepayment period one year early. As a result, the previous forecast of approximately $71 million in Net Proceeds of Minerals Tax revenue was followed by a so-called hole, because the prepayment period was going to end and there would not be a prepayment for FY 2024; instead, the calendar year/FY 2024 payment would be made in FY 2025 based on actual activity for calendar year 2024.

However, during the 81st (2021) Session, the Legislature decided that the portion of the Net Proceeds of Minerals Tax revenue previously dedicated to the State General Fund would instead go to the State Education Fund for K-12 education beginning in FY 2024, and as a result, the hole in the General Fund became a hole in the State Education Fund. Additionally, the Legislature decided that instead of continuing the prepayment of the tax for FY 2023, the prepayment period should be ended in FY 2023, creating the hole in the General Fund in FY 2023. This resulted in the forecasts being reduced from $71.4 million down to approximately $1.4 million, with the bulk of the $70 million that was taken off the sheets going to the State Education Fund in FY 2024. The adjustment is not shown on page 123 of (Exhibit A) because it was taken into account in the Forum's May 1, 2023, forecast, but it has been documented, as an adjustment had to be made to the December 2022 forecast.

Senate Bill 428 of the 82nd (2023) Legislature dealt with the State 2% Sales and Use Tax and pertains to a question that will be submitted on the November 2024 General Election ballot relating to a proposed sales tax exemption for adult and children's diapers; if approved, there will be an exemption for those items beginning January 1, 2025, until December 31, 2050. This legislation is documented in Table 2 because it may impact General Fund revenue beginning in FY 2025, but this is contingent upon voter approval of the question at the next election. The legislation would not only affect the State 2% Sales and Use Tax, but it would also affect the General Fund commissions listed in Table 2. There are no estimates, and no adjustments were made to the Forum's May 2023 forecast because any impact will depend on the voters approving the ballot question. When the Economic Forum meets again during the next forecasting cycle, it will have an idea of whether S.B. 428 is going to affect revenue in FY 2025 and going forward.

Percentage fees on gross gaming revenue are also discussed in Table 2 on page 123 (Exhibit A). Senate Bill 266 of the 82nd (2023) Legislature created an exclusion for cash received as entry fees for the right to participate in contests or tournaments that are conducted on the premises of a licensed gaming establishment. These fees were previously considered as gross gaming revenue, but they are now excluded, which will not have a large impact on the State General Fund, being about $1.6 million in FY 2024 and $1.7 million in FY 2025. The impact for FY 2024 is slightly smaller because the effective date of S.B. 266 (2023) was July 1, 2023, and the timing of the tax only affects 11 months of FY 2024 while affecting the full 12 months of FY 2025.

The Insurance Premium Tax (IPT) is discussed on page 124 of (Exhibit A), along with S.B. 435 of the 82nd (2023) Legislature that had indirect effects on the tax. Senate Bill 435 (2023) dealt with a provider tax that would be paid by certain health care facilities and private hospitals. The Department of Health and Human Services, Division of Health Care Financing and Policy is working through the arrangements on this legislation where a tax would be paid on certain assessments made by facilities to the division, and certain proceeds from the tax would be used for support services offered by Nevada Medicaid for certain behavioral health conditions. The tax should take effect sometime in FY 2024, with the end result being that as soon as the money is paid to the state and is used for Nevada Medicaid, the capitation payments, which are the payments that are made to the managed care organizations through Nevada Medicaid, would be increased, which would also increase IPT collections (the capitation payments are considered as net direct considerations for the calculation of the IPT); as a result, some of the money would come back to the state in the form of tax revenue. Fiscal staff did not have an idea of the amount of revenue that could be generated from S.B. 435 (2023) at the time this information was put together as it was unknown if the assessments would be imposed, but it is now known that the assessments should begin sometime in FY 2024. When the Forum's next forecasting cycle begins, hopefully this information can be built into the forecast going forward.

The Real Property Transfer Tax (RPTT) is also discussed on page 124 of (Exhibit A). Assembly Bill (A.B.) 448 of the 82nd (2023) Legislature clarified that the current exemption from the RPTT for mere changes in identity, form, or place of organization does not apply if the purpose of the transfer is specifically to evade the tax. This information is shown in Table 2 because it pertains to a legislative action that could potentially affect the RPTT, but until the Department of Taxation comes up with regulations on how to determine which entities were formed for the purpose of evading the tax, the revenue effects on the tax remain unknown. Even though the estimated impact is unknown, this information was included in Table 2 to make the public and members of the Forum aware of potential effects in the future.

The Governmental Services Tax (GST) is described next in Table 2 on page 124 (Exhibit A). Since the Great Recession in 2007, there has been a portion of the GST that is paid upon the registration or renewal of the registration of a vehicle, that goes to either the State Highway Fund or the State General Fund, with the percentage floating between 100% to the State General Fund down to as low as 25.0% to the State General Fund and 75.0% to the State Highway Fund; the amount alternated year-to-year, with the percentage and forecasts being different for every Economic Forum meeting. Senate Bill 452 of the 82nd (2023) Legislature ended this trend, and now 100% of the GST proceeds go to the State Highway Fund with none of the proceeds going to the State General Fund. The original intent when S.B. 429 of the 75th (2009) Legislature was put into place was that the proceeds from the GST would eventually go to the State Highway Fund, and the Legislature achieved this through the passage of S.B. 452 (2023). The estimated impact shown in Table 2 as a result of this legislation basically took what the Economic Forum approved for FY 2024 and FY 2025 and zeroed those numbers out because the money is now going to the State Highway Fund.

The last item discussed under the Taxes category in Table 2 is the Other Tobacco Tax, which is one of the minor revenue sources. The Other Tobacco Tax is 30.0% of the wholesale price of tobacco that is not cigarettes. The tax was revised by A.B. 232 of the 82nd (2023) Legislature to specify that if it is other tobacco that is considered a premium cigar, which by definition does not have a filter or mouthpiece and is hand wrapped in a leaf, then the tax should be calculated at 30.0%. However, the tax must be a minimum of 30 cents per cigar and a maximum of 50 cents per cigar. Assembly Bill 232 (2023) went into effect on July 1, 2023, and will stay in effect until June 30, 2027. As shown in Table 2, the estimated effect on the tax is relatively small, being approximately $1 million per fiscal year.

The last item discussed on page 124 (Exhibit A) is Commercial Recordings under the Licenses category, which are the filing fees that the Office of Secretary of State collects and administers. Assembly Bill 260 of the 82nd (2023) Legislature provided an exemption from any of those fees for certain veterans services organizations. As shown in Table 2, the legislation resulted in a very small effect on the tax based on its effective date of January 1, 2024.

As discussed on page 125 (Exhibit A) under the Fees and Fines category, S.B. 145 of the 82nd (2023) Legislature revised the fine structure that may be imposed by the Labor Commissioner for certain violations of provisions relating to the intentional misclassification of employees, removing the $2,500 fine that could be imposed upon an employer for a first offense of these provisions. By taking out the $2,500 fine, the Labor Commissioner estimated this would result in a revenue reduction of approximately $10,000 per year.

MR. LEAVITT:
The Government Services Tax is a very generic name to give a tax.

MR. NAKAMOTO:
Changing the name of the Nevada Motor Vehicle Privilege Tax to the GST occurred in 2001 or 2003, before my tenure.

The information shown under the Use of Money and Property category on page 125 (Exhibit A) pertains to loans that the state makes for various purposes, the bulk of which went toward IT projects. The loans will be repaid, but the estimated impact from legislative actions on the loans is left blank in Table 2, primarily because the repayment of the money does not occur in this biennium and will begin in FY 2026.

The only loan described under Use of Money and Property that does have an impact amount shown is for the City of North Las Vegas Repayment - Windsor Park Relocation (S.B. 450 of the 82nd [2023] Legislature). Basically, the state provided a loan from the General Fund in the amount of $12 million to the Department of Business and Industry's Housing Division to provide funding for the relocation of residents living in the Windsor Park neighborhood of the City of North Las Vegas. There have been issues with groundwater subsidence in the neighborhood, as a lot of groundwater that has been pumped out from the area has caused the ground to sink, resulting in significant structural problems for the houses and other buildings that are located there. As a result, the Legislature approved a program by which money would be put toward allowing the residents of the neighborhood to relocate to other parts of the Las Vegas Valley. A portion of the funding for the program came from the General Fund, which will be paid back by the City of North Las Vegas through its consolidated tax distributions at a rate of $250,000 a month for four years beginning in FY 2024.

The first item discussed under the Other Revenue category on page 126 (Exhibit A) is S.B. 448 of the 82nd (2023) Legislature. Prior to the passage of the bill, previous law under NRS 176.059 required that anytime someone was found guilty or pled guilty to a misdemeanor or some other municipal ordinance violation, the person would have to pay an administrative assessment to the court in addition to their fine, with the amount of the assessment varying from $30 to $120. A $5 portion of the assessment already went to the State General Fund, but a balance remained after certain amounts were paid to the court that was set aside and used for various programs and agencies such as the Department of Public Safety's Central Repository for Nevada Records of Criminal History, the Administrative Office of the Courts, and the Nevada Supreme Court. After the allocations were made, any remaining portion would go to the State General Fund. Senate Bill 448 (2023) eliminated this distribution, and instead of having state agencies rely on this funding for their budgets, the Legislature started appropriating money to the agencies. As a result, instead of having just the $5 portion of the administrative assessment going to the General Fund, now everything that is left over that would have previously gone to the agencies instead now goes to the General Fund. As shown on page 126, the estimated impact of this legislative action is an increase in the revenue forecast of about $15.6 million in FY 2024 and FY 2025, which is the balance of the assessment that would have previously gone to fund certain state agencies but is now going to the General Fund.

The Cost Recovery Plan shown on page 126 (Exhibit A) pertains to the Statewide Cost Allocation Plan (SWCAP) that is used as part of the state's budgeting process, with a certain amount of the SWCAP coming back to the State General Fund. A forecasted revenue amount for the plan is shown in Table 2, but the final amount is dependent on legislative actions and the state budget as it closes. The forecasted amount for this item was slightly reduced because it came in lower than expected after the 82nd (2023) Legislature ended.

The last item described in Table 2 on page 126 is the impact of A.B. 45 of the 82nd (2023) Legislature on unclaimed property. Under current law, there are already two transfers from the Abandoned Property Trust Account for various purposes. The first is a transfer of $7.6 million per year to the Millennium Scholarship Trust Fund, and the second is a $1 million transfer that goes to the Grant Matching Account that was approved by the 81st (2021) Legislature. Assembly Bill 45 (2023) added two additional transfers. After the transfer of the $7.6 million and the $1 million, there is $2.5 million that is transferred to the Account for Student Loan Repayment for Providers of Health Care in Underserved Communities. Additionally, there is another $250,000 that is transferred to the University of Nevada's School of Medicine for the purpose of obtaining matching funds for the Nevada Health Service Corps from the federal government. In addition to the two existing transfers, A.B. 45 added another $2.75 million that gets reduced from unclaimed property every year, which is the money that gets taken in from banks and various other places that goes into the Abandoned Property Trust Account. Any money that is held by the state that banks then receive must go out first, with the remaining proceeds going to the State General Fund.

The net impact on the Forum's May 1, 2023, forecast is shown on the bottom of page 126 (Exhibit A) and is a total net negative adjustment to revenue of approximately $15.3 million in FY 2024 and $16.2 million in FY 2025, which is what the Economic Forum's forecast for those fiscal years was reduced by.

Page 129 of (Exhibit A) details information that Fiscal staff provided in the Appropriations Report and is not necessarily relevant to this Committee because it pertains to the State Education Fund. However, there were a couple of legislative actions that affected the State Education Fund as shown in Table 2 on page 129.

Table 3 is described on page 134 of (Exhibit A) and summarizes the General Fund revenue forecast after legislative adjustments, before and after tax credits. The last portion of Table 3 is shown on page 137. During the 35th (2023) Special Session, the Legislature considered and ultimately approved legislation regarding a stadium project at the southeast corner of Las Vegas Boulevard and Tropicana Avenue for a qualified Major League Baseball stadium. The relevant part of the legislation that relates to the Forum is the issuance of transferable tax credits in the amount of $36 million per year for five fiscal years, which is anticipated to begin in FY 2026; there are no numbers listed in Table 3 as a result of the legislation because the effect on the General Fund will occur after the 2023-25 biennium. However, when the Forum convenes and considers forecasts in November 2024 and again in December 2024 and May 2025, the forecasts that will be shown anticipate $36 million in tax credits that will be available against the Modified Business Tax (MBT), the gaming percentage fee, and the IPT beginning in FY 2026 and for five fiscal years in total. There were no other changes to the tax credit programs.

The Nevada New Markets Jobs Act Tax Credit Program is discussed on page 134 of (Exhibit A) and was originally put into place by the 77th (2013) Legislature. The program allows insurance companies to make investments into development corporations who then make low-interest loans to businesses in distressed census tracks and low-income areas. The program was originally funded for $200 million of total investment of which there was a 58.0% tax credit return (equating to $116 million in tax credits). The program was reauthorized again through A.B. 446 of the 80th (2019) Legislature, with those tax credits being available beginning in FY 2022 and for five years afterward.

During the 82nd (2023) Session, the Legislature passed S.B. 440 which authorized tax credits for a third round beginning in FY 2027 and continuing for five years afterward. As a result, for FY 2027, FY 2028, FY 2029, FY 2030, and FY 2031, there will be tax credits for new markets that will continue. When the next forecast cycle occurs, which would begin during the last year of the 2025-27 biennium, the tax credits for new markets will need to be considered, as there will be another round of those credits and subsequent reductions relating to the General Fund.

There was no further discussion on this item.

## VIII. REPORT AND DISCUSSION OF FY 2023 ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM DECEMBER 3, 2020, MAY 4, 2021, DECEMBER 5, 2022, AND MAY 1, 2023, FORECASTS, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2023 SESSION AND THE 34TH AND 35TH SPECIAL SESSIONS.

CHRISTIAN THAUER (Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
Discussion of Agenda Item VIII begins in Table 1 on page 139 of the meeting packet (Exhibit A). Table 1 compares actual revenue collections with forecasts adjusted by legislative actions for selected major and non-major revenue sources for FY 2023. As shown, there are four major columns of data reflecting that there is a total of four different forecasts for every odd-numbered fiscal year, two per forecast cycle. The left side of Table 1 shows the first forecast cycle for December 3, 2020, and May 4, 2021, where Economic Forum meetings included forecasts for FY 2023 as the second or last fiscal year of the 2021-23 biennium. The right side of Table 1 shows the December 5, 2022, and May 1, 2023, Economic Forum forecasts for FY 2023 as the current year of the 2023-25 biennium. The difference between the 2023-25 biennium forecast, which has FY 2023 as the current year, and the previous forecasts is that the forecast for the current biennium can already account for actual revenue collections of the year that is being forecasted. As a result, the May 2023 forecast could make use of up to eight months of data showing actual revenue collections in FY 2023. The May 2023 forecast effectively forecasts the last four months of FY 2023, which provides a higher level of accuracy, at least under normal conditions, than the forecast of the previous cycle that included the December 2020 forecast and the May 2021 forecast that were forced to forecast FY 2023 while that fiscal year was still two years away.

As a reminder, in December 2020 and May 2021, when the Economic Forum and forecasters were looking at FY 2023, forecasters were still experiencing the COVID-19 pandemic and the restrictions and economic disruptions the pandemic induced. At that time, there was no real way to foresee or anticipate how the situation would develop going forward into FY 2023. The hope was that the pandemic-induced restrictions would be lifted, and that the economy would recover, but the extent to which the economy would bounce back or issues like inflation and pent-up demand would drive revenues in FY 2023 were difficult, if not impossible, to forecast in December 2020 and May 2021. When looking at the numbers in Table 1, relatively significant variances are shown between the forecasts and actual collections for the December 2020 forecast and the May 2021 forecast. However, the current year forecasts for December 2022 and May 2023 show that the variance is very small between actual collections and forecasted amounts. This is not only a result of the current year forecast being able to take into account actual collections that have already occurred, but it is also a result of the tremendous uncertainty under which forecasters were forecasting revenues for FY 2023 during December 2020 and May 2021.

When looking at the rows in Table 1, information on the State 2% Sales and Use Tax actual collections are shown in bold. As shown for FY 2023, the sales and use tax generated $1.722 billion in revenue. The Economic Forum's forecast is shown directly below, including the difference between the Forum's forecasted revenues and the actual revenues. Further down in Table 1, the forecast presented to the Economic Forum at the respective meetings by the state agency, the Fiscal Analysis Division, and the Governor's Finance Office (GFO) are shown. The forecasts from Moody's Analytics (Moody's) are also shown for the sales and use tax and the percentage fee tax. Apart from the sales and use tax forecast, page 139 (Exhibit A) also shows the forecast accuracy analysis for the percentage fee tax, the IPT, and the Live Entertainment Tax (LET). Page 140 (Exhibit A) details the forecasts for major revenue sources such as the Commerce Tax, the MBT, and the RPTT. Page 141 (Exhibit A) provides the same analysis for selected non-major General Fund revenue sources such as the Cigarette tax, the GST, and other taxes.

Page 143 (Exhibit A) provides information on tax credit programs. The bottom of page 144 (Exhibit A) shows the forecast accuracy analysis for total General Fund revenues, net of any tax credit programs. As depicted, the actual total General Fund revenues net of any tax credit programs in FY 2023 amounted to approximately $5.762 billion. When looking at the Economic Forum's forecast and the individual forecasts, the December 2020 and May 2021 forecasts are shown to have significantly under forecasted General Fund revenues. General Fund revenues were under forecasted by about $1.4 billion in December 2020. The right side of Table 1 at the bottom of page 144 shows that the Forum's May 1, 2023, forecast under forecasted actual revenues by approximately $43.8 million.

Table 2 begins on page 147 (Exhibit A), and like Table 1, provides information on adjusted forecasts compared to actual collections for FY 2023. Unlike Table 1, Table 2 only provides information with respect to the December 5, 2022, and May 1, 2023, Economic Forum forecasts, and does not include the two-year ahead forecast for FY 2023 or information on the forecasts presented to the Forum by the state agency, the GFO, the Fiscal Division, and Moody's; in Table 2, it is only the Forum's forecast for FY 2023 that is being compared with the actual collections. However, Table 2 provides more information than Table 1, and shows a detailed account of all General Fund revenue sources and the actual numbers for FY 2022 and FY 2023 in comparison to the Forum's December 2022 and May 2023 forecasts for FY 2023.

The Mining Tax and the State 2% Sales and Use Tax are described on page 147 (Exhibit A), with the sales tax including the commissions that are being deposited into the General Fund for the collection of the local sales tax portions. The gaming percentage fee tax and other gaming taxes are also described, along with information on the forecasts and actual collections for the LET, the Commerce Tax, the Transportation Connection Excise Tax, and the Cigarette Tax. Page 148 (Exhibit A) further describes the state's major revenue sources and the forecasts and actuals concerning the MBT. Page 149 (Exhibit A) provides information on the RPTT, the IPT, the GST, and other taxes. The last line in the bottom of Table 2 on page 151 (Exhibit A) describes the total General Fund revenues after tax credits, showing actual revenue collections amounted to $5.62 billion in FY 2023, which is about a $43.8 million difference when compared to the Forum's May 2023 forecast.

MR. LEAVITT:
The difference between actual collections and what was forecasted is fairly close. Regarding the sales and use tax, the Forum's forecast was a little higher than what actually came in. Considering that sales taxes have grown and even performed well during the pandemic, is there something else that can be analyzed to identify why there was a difference between what was forecasted and actual collections?

MR. NAKAMOTO:
Fiscal staff is working to identify why there is a difference between the forecast and actuals. Nevada is doing well regarding taxable sales, with the Forum even increasing its FY 2023 forecast during the May 2023 meeting because taxable sales were holding up through the first several months of FY 2023. However, after the May 2023 meeting, collections suddenly stopped performing as well and did not come in as high, which is something that Fiscal staff is keeping an eye on. It was thought the trend could be temporary, but before long, actual collections for the sales and use tax were almost $27 million short of what was forecasted by the end of the year. The trend is continuing, but the state fortunately does have some other taxes that are currently propping up actual collections. Fiscal staff is determining whether something specific happened to sales and use tax collections or if the expectations for the forecasts were just too high, being something that was not necessarily sustainable.

MR. LEAVITT:
Of all the taxes, the sales tax is probably the broadest and reaches almost every sector of the economy.

MR. NAKAMOTO:
The Forum's May 2023 sales and use tax forecast was short by $26.1 million when compared to actual collections, which is only a difference of 1.5% when compared to the $1.722 billion in revenue that the sales and use tax generated in FY 2023. However, I agree that $26.1 million is a big number in the grand scheme of things, especially given that revenue net of tax credits was $43.8 million above what was forecasted. The fact that Nevada was showing very strong taxable sales coming out of the pandemic before weakening suddenly is something that is being considered because it was not anticipated at the Forum's May 2023 meeting.

MR. LEAVITT:
At the time of the May 2023 meeting, I felt the Forum's sales and use tax forecast was conservative, which turned out to be right. However, I agree the difference between the forecast and actual collections is small in comparison to the totals.

MR. NAKAMOTO:
Fiscal staff will continue to monitor this trend for the Forum going forward.

Regarding the totals shown on page 144 (Exhibit A), the difficulty of forecasting during a recession is commonly discussed among forecasters. However, it is also difficult to forecast when coming out of a recession. When presenting the forecasts to the Forum back in December 2020 and May 2021, if the forecasters had said that the General Fund was going to be at $5.8 billion by this time, the Forum would not have believed it – it could not have even fathomed talking about the type of revenue that the state has experienced coming out of the pandemic. The General Fund revenue forecast was approximately $4.4 billion in December 2020 and even climbed to $4.6 billion in May 2021, but the forecasts were still $1.1 billion below actual collections.

There was no further discussion on this item.

## IX. REPORT AND DISCUSSION OF FY 2024 YEAR-TO-DATE ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM MAY 1, 2023, FORECAST, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2023 SESSION AND THE 34TH AND 35TH SPECIAL SESSIONS.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB): Discussion of Agenda Item IX begins on page 157 of (Exhibit A) and pertains to tables that describe both major and select non-major revenues before and after tax credits. Due to the Thanksgiving holiday among other reasons, the Fiscal Division did not receive the most recent information from the Department of Taxation, the Gaming Control Board, and some of the other agencies until last week. Fiscal staff was made aware of a number of technical issues that several of the agencies are currently experiencing, and rather than report incomplete collection data, the information contained within the tables is through the end of October instead of through the end of November 2023. The information in the tables contains only two months of sales tax data and four months of gaming percentage fee data.

Table 1 on page 157 (Exhibit A) describes the FY 2023 actual collections of Nevada's major and select non-major revenues along with the actual percentage change and what the forecast percentage change was from the May 1, 2023, Economic Forum forecast. The FY 2024 forecast percentage change based on actual collections is also provided. As shown in Table 1, at its May 1, 2023, meeting, the Forum forecasted that actual collections for the sales and use tax would be approximately $1.843 billion in FY 2024, which is a 5.5% change above what was forecasted for FY 2023. However, because actual collections for FY 2023 were below the forecast, a 7.1% increase in sales and use tax collections is needed to reach the forecast. Table 1 also provides this information for the other major and non-major General Fund revenues as well as total General Fund revenues.

Table 2 begins on page 158 (Exhibit A) and shows year-to-date actuals and the year-to-date forecast for FY 2024. The yellow column in Table 2 shows actual year-to-date collections through the reference period for each of the revenues listed for FY 2023. The orange column shows the year-to-date actual collections for FY 2024 for that same reference period, with the reference period being shown next to each of the tax types. For example, regarding the sales and use tax, the reference period is for the first two months of actual collections in July and August of FY 2023 and FY 2024. The green column shows the Forum's year-to-date forecast, which is calibrated back to a monthly collection amount to show what the forecast is. As shown, through the first two months, collections are approximately $3.6 million below the FY 2024 forecast for the sales and use tax. The actual percentage fee collections are shown to be approximately $9.4 million through October 2023, which encompasses the first four months of collections. The IPT, the MBT, and the RPTT are collected quarterly and would show the same information had November's data been included because the first quarter collection information for the taxes is available; however, because of the technical issues previously mentioned, all of the collection data was rolled back. The information will be available as part of the report that the Forum provides to the IFC and will be provided to the Forum members shortly.

Regarding the LET, Table 2 shows that Nevada is approximately $10.2 million above the forecast for the combined gaming and nongaming portions of the LET, with about a 50/50 split between the two taxes for the first three months of the LET-Gaming and the first two months of the LET-Nongaming. Information regarding the Commerce Tax can be misleading because that is an annual tax that is paid at the end of the fiscal year, but so far, the early collections, and the late returns from the previous fiscal year that get paid at the beginning of the next fiscal year, are coming in a little under forecast. This is something that will sort itself out as the fiscal year progresses and with the bulk of collections coming in at the end of the fiscal year. As shown on page 158, the total major General Fund revenues are approximately $12.1 million above the forecast, and the select non-major General Fund revenues are approximately $9.8 million below the forecast.

Close to half of the select non-major General Fund revenues can be attributed to the Transportation Connection Excise Tax, otherwise known as the Uber or Lyft tax, which is approximately $4.3 million below the forecast, and the Business License Fee administered by the Office of the Secretary of State, which is approximately $2.8 million below the forecast. Collections from all other General Fund revenues are also shown on the bottom of Table 2, which is everything else on the Economic Forum sheets that is not listed in the table and is approximately $6 million above the forecast. The bottom line of Table 2 shows that total General Fund revenues are approximately $8.4 million above the forecast through October 2023, before tax credits. New information will be input into the tables when the November 2023 data is processed.

Table 3 begins on page 159 (Exhibit A) and shows the collections for FY 2023 and FY 2024 that are needed to either hit the FY 2023 actuals or to hit the FY 2024 forecast. As shown, 100% of collections still need to come in for the RPTT, the IPT and the MBT, with the rest of the revenue sources being reduced due to collections that have already come in; the GST is excluded from this, as the forecast for this tax is at $0 because no collections from this tax will be deposited in the State General Fund beginning in FY 2024. Tables 4 and 5, shown on pages 160 and 161 (Exhibit A) respectively, basically contain the same information shown in Tables 1 and 2, net of tax credits. Because it is Fiscal staff's practice to not balance or account for the tax credits until the end of the fiscal year, the amount of General Fund revenues net of tax credits shown on the bottom of Table 4 of approximately $8.4 million is identical to what is shown in Table 2.

When forecasting tax credits, Fiscal staff does not allocate or try to forecast the individual tax types against certain tax credits that could be applied to the IPT, the gaming percentage fee, or the MBT. Instead, the full amount of net and gross revenue is shown at the bottom of Table 3 and is accounted for at the end of the year. Table 6 begins on page 162 (Exhibit A) and accounts for tax credits by type and revenue source. Currently, the only tax credits that are being carried forward as actual collections for the current year are approximately $1.8 million in Film Transferrable Tax Credits that have been taken against the gaming percentage fee and for which a few months of collections data is available. When the tables are updated with the November 2023 data, they will include Commerce Tax Credits and tax credits taken against the IPT and MBT. Even though it is early in the fiscal year, collections are slightly above the forecast, and additional information for the next month and the first quarter of FY 2024 will be provided as it becomes available.

MR. GORDON:
This information is very detailed and informative. The LET revenues for both FY 2023 and FY 2024 appear to be coming in strong, which may be related to a number of special events taking place in the state, particularly in Southern Nevada. Several concerts and major events including Formula One have already occurred in FY 2024. Showing the timing of certain LET collections in the tables would be helpful. Is there a difference between when LET-Gaming and LET-Nongaming revenues are collected?

MR. NAKAMOTO:
There has been much discussion about various events and how they relate to the LET. Formula One and the Super Bowl, and whether the Las Vegas Raiders are going to be in the Super Bowl or not, have been discussion points. The impact of the residency of Garth Brooks, along with the Miranda Lambert tour, and everything else coming up on the Las Vegas event schedule and their impact on LET-Gaming revenue is being followed. Michael Lawton, Senior Economic Analyst with the Gaming Control Board, has had discussions with several casino/hotel properties and has provided information the Fiscal Division uses in its forecasts.

Regarding LET-Nongaming revenue, the 2023 Wrangler National Finals Rodeo will take place in Las Vegas from December 7 to December 16, 2023, and ticket sales from the Rolling Stones, Barry Manilow, and Depeche Mode concerts will also impact LET-Nongaming collections. The cheapest ticket available for the Rolling Stones' concert was just under $200, and that was to sit in the upper deck of Allegiant Stadium. As soon as all these activities and events are accounted for in the forecast, something new is announced. Additionally, the 2023 PAC-12 Football Championship Game, the 2023 Mountain West Conference Football Championship Game, and basketball games at the MGM Grand Garden Arena have all occurred recently.

The timing of when collections are reported is slightly different between LET-Gaming and LET-Nongaming. The Department of Taxation requires that the taxes be collected and remitted when tickets are sold, which caused issues when forecasting Formula One revenue, as original forecasts anticipated that the effect of the race on LET-Nongaming would occur in FY 2024 because the race was in November 2023. However, between the Forum's December 2022 and May 2023 meetings, tickets for Formula One started going on sale, which then triggered the collection and remittance of the LET, with collections starting to come in during FY 2023. For example, if Taylor Swift is having a concert in August, but the tickets go on sale in April, then the timing of when collections are reported must be considered. This is different from LET-Gaming where the tax is not remitted to the Gaming Control Board until the event occurs.

MR. GORDON:
Formula One may be one of the biggest LET-generating events in Nevada's history, and it is important to understand the timing of collections for the purpose of evaluating the forecast moving forward.

MR. NAKAMOTO:
Many of the increases being seen in LET collections above what was forecasted are due to Formula One already occurring and the timing of when the tickets were sold. Had a gaming event occurred instead, Fiscal staff would still be waiting for the taxes from the event to be remitted and reported by the Gaming Control Board. Fiscal staff is still waiting for data associated with Formula One's nonracing activities and their impact on the gaming percentage fee, for which information should be reported by the end of December 2023. Regarding the sales tax generated from Formula One, when the Department of Taxation releases taxable sales data at the end of January 2024, the data will include November collections. As a result, by the time the Forum meets on or before June 10, 2024, Fiscal staff will have a good idea of how much revenue was generated from Formula One and other special events such as the Super Bowl.

CHAIR ROSENTHAL:
Can the Forum be provided with a breakdown of the taxes generated from the top five nongaming events at its next meeting?

MR. NAKAMOTO:
I am not sure, as the Fiscal Division must work within confidentiality statutes regarding taxes that are administered by state agencies such as the Department of Taxation. I will need to speak with the department before I can commit to providing any information because it is oftentimes unlawful to identify specific tax revenues generated from individual events or taxpayers.

MR. LEAVITT:
The collection data appears strong, but I am concerned about the slight dip in sales tax revenue. It is interesting that the IPT is performing better than forecasted, as it is also a general tax that is impacted by multiple sectors of the economy.

MR. NAKAMOTO:
Fiscal staff will continue monitoring collections from the sales tax and other taxes. Nevada is fortunate that some of its other taxes are holding up, and even though the state is not experiencing $1 billion in excess revenue, its revenues are still strong. Regarding

the IPT, my auto insurance premiums increased by about 20.0%, which appears to be happening to many people as we come out of the pandemic. I am curious about the effect this will have on collections going forward through FY 2024 and into the next forecast cycle.

There was no further discussion on this item.

## X. REPORT ON FORECAST ACCURACY BY FORECASTER FOR SELECTED REVENUES.

CHRISTIAN THAUER (Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
The Forecast Accuracy Report (Exhibit C) is a regular item on the agenda of Forum meetings that occur in December of odd-numbered years and provides information on the historical average variance between forecasts and actuals for selected major revenues. As shown in the table of contents, (Exhibit C) begins with several introductory and background sections that provide a summary of the report, information on the Forum's forecast process, and a description of the method used to evaluate forecast error in the report. The table of contents also shows the selected major revenues featured in the report.

Page 35 (Exhibit C) provides information on total General Fund revenues beginning with the FY 1995 to FY 1997 forecast cycle. Page 36 (Exhibit C) provides information on forecast accuracy for the 2019-21 and 2021-23 biennia. When looking at the May 2019 forecast and how it fared over the 2019-21 biennium, the bottom of page 36 shows that the forecast was 6.6% higher than actual revenues collected, which was correlated with the pandemic that at the time was unknown to the forecasters in May 2019. As previously mentioned, there is a lot to say about the difficulties of forecasting a recession, which is the exact situation that characterized the forecast accuracy over the 2019-21 biennium. The bottom of page 36 also shows the forecast for the 2021-23 biennium and that the Economic Forum under forecasted actual revenues by 18.8% in May 2021, further proving that not only are recessions difficult to forecast, but it can also be very difficult to forecast the economic growth that unfolds afterward.

Regarding the overall picture of forecast accuracy over time, the table on page 2 (Exhibit C) is instructive and shows the average percent forecast error and absolute average percent forecast error listed for the State 2% Sales and Use Tax, the gaming percentage fees, the IPT, the casino/LET, the Cigarette Tax, total General Fund revenues, the MBTs, and the RPTT. The last biennium included in the statistics with respect to the State General Fund is the 2021-23 biennium, which includes the Forum's May 2021 forecast for FY 2022 and FY 2023 and its variance from actual revenues collected in FY 2022 and FY 2023 in terms of absolute and relative percentages. The absolute average percent forecast error is probably the most relevant indication for forecast accuracy because it measures the average distance of forecasts from realized actual revenues without allowing positive and negative forecast errors to cancel each other out. For example, if the absolute average forecast error of the May forecast for a specific revenue source is 5.0% for the biennium, it means that the May forecasts for each biennium are on average within +/- 5.0% of the actual collections.

The table on page 2 (Exhibit C) shows the absolute average percent forecast error for each major revenue source based on the May forecasts. The averages shown include the forecast error percentages of periods affected by major exogenous shocks, recessions, and bounce backs to the economy, which are difficult if not impossible to forecast, and include the Great Recession during the 2007-09 biennium and the disruption the COVID-19 pandemic caused on the economy during the 2019-21 and 2021-23 biennia. For reference, once the two biennia most affected by recessions are omitted from the statistics, the absolute average percent forecast error for the State 2% Sales and Use Tax goes down to 4.1%, down to 5.2% for the gaming percentage fees, and down to 4.2% for total General Fund revenues. When taking the difficult-to-forecast scenarios or events such as the COVID-19 pandemic and the Great Recession out of the statistics, the forecast error converges to a margin between roughly 4.0% and 5.0%.

There was no further discussion on this item.

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

SUSANNA POWERS (Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
The presentation for Agenda Item XI starts on page 179 (Exhibit A), with the slides on pages 180 to 184 overlapping with the employment and population outlook presentations given earlier by DETR and the Department of Taxation. The slide on page 185 (Exhibit A) shows select components for the Consumer Price Index (CPI). The CPI for all items is represented by the red line; the CPI for food is shown by the green line; the core CPI, which covers all items less food and energy, is represented by the blue line; and the CPI for energy is displayed by the purple line. While inflation has been noticeable for decades, it has become a top concern in recent times. Additionally, while there has been a robust recovery in many economic metrics, the country is struggling in inflation-adjusted terms because inflation has eroded its purchasing power.

The red line in the chart on page 186 (Exhibit A) represents the overall CPI, which is the measure used as the headline inflation indicator for all items. As shown in the chart, inflation has been trending down from the peak of 8.6% reached at the mid-year mark of 2022. The inflation rate was also down to 3.6% year-over-year in the third quarter of 2023. The blue line in the chart represents the core inflation which removes the volatile food and energy components of the CPI. Based on this measure, there is still a 4.4% inflation rate compared to a year ago.

Select CPI components are described further in the chart on page 187 (Exhibit A). As shown by the purple line, the energy component has been the largest contributor to change in the CPI, with energy prices being down 5.6% year-over-year in the third quarter of 2023. Food prices remain elevated, and the food component of the CPI, represented by the green line in the chart, is up by 4.3% year-over-year.

The chart on page 188 (Exhibit A) describes personal income components for the U.S. and shows the pieces and respective shares of the total personal income for the U.S. through the second quarter of 2023; the data is from the U.S. Department of Commerce's Bureau of Economic Analysis. Personal income encompasses all earnings including wages and salaries, investments, and other sources. The largest share of personal income is wages and salaries as represented by the red line on the chart. Typically, wages and salaries represent approximately 50.0% of all personal income, with the shape of the letter W that formed in the red line during the time of the COVID-19 pandemic being a result of lost wages and salaries. Government transfer payments in the form of money, income, and in-kind benefits accounted for about 17.0% of total personal income prior to the federal government's response to the pandemic as represented by the blue line on the chart. Government transfer payments now represent approximately 18.0% of total personal income. The magnitude of the role the government transfer payments played in 2020 and 2021 in response to lost wages and salaries due to the pandemic is a key takeaway from the chart on page 188.

The chart on page 189 (Exhibit A) describes personal income components for Nevada. Nevada's story for personal income components is similar to that of the U.S. except that the drop in the share of wages and salaries as a percent of total personal income was larger in Nevada than in the U.S. The increase in the share of transfer payments as a percent of total personal income in 2020 and 2021 was also more pronounced in Nevada than it was for the U.S. The chart on page 190 (Exhibit A) describes total personal income and total wages and salaries for the U.S. The red line representing U.S. personal income shows two spikes which coincide with the federal stimulus package and other programs in 2020 and 2021. As a result, the typical peak-to-trough and recovery pattern associated with economic downturns is not shown in the chart; the pattern looks more like peak-to-peak and back-to-trend. When compared to the first quarter of 2020, which is the last period before the pandemic started, personal income is up by 21.9%. The wages and salaries represented by the black line on the chart show a more typical pattern of the last peak-to-trough and subsequent recovery. When compared to the first quarter of 2020, wages and salaries are up by 22.1%.

The chart on page 191 (Exhibit A) describes total personal income and total wages and salaries for Nevada, and the narrative is very similar. When compared to the first quarter of 2021, personal income in Nevada is up by 25.8% and wages and salaries are up by 26.5%. The chart on page 192 (Exhibit A) compares the growth rates for personal income between the U.S. and Nevada, with the key takeaway being that since the onset of the pandemic, Nevada's personal income growth has averaged 7.4% when compared to the 6.2% average for the U.S. Nevada's personal income growth is slightly stronger than that of the U.S.

The chart on page 193 (Exhibit A) provides the same growth rate comparison for the U.S. and Nevada but is specific to wages and salaries. The chart shows that during normal times, Nevada's wage and salary growth tends to outpace that of the U.S. When looking at the recent shocks to the economic system, the magnitude of the decline in wage and salary growth is deeper for Nevada than for the U.S. Since the second quarter of 2020, Nevada has outpaced the U.S. with a growth rate of 8.5% compared to a growth rate of 6.3% for the U.S.

The chart on page 194 (Exhibit A) examines U.S. per capita personal income and brings in the population component. Compared to the quarter preceding the start of the pandemic, per capita personal income is up 20.5%; however, when adjusted for inflation, it is up 2.8% during that period. Looking at this information for Nevada in nominal terms, the chart on page 195 (Exhibit A) shows that Nevada per capita personal income is up 21.2% since the first quarter of 2020; when adjusted for inflation, it is up by 3.4% during that period.

The chart on page 196 (Exhibit A) considers per capita personal income growth rates on a nominal basis between the U.S. and Nevada. As shown, when comparing the recovery from the first quarter of 2020 to the most recent quarter available (second quarter of 2023), the growth rate for the U.S. is at 20.5% versus 21.2% for Nevada. The chart on page 197 (Exhibit A) does this same comparison on an inflation-adjusted basis, showing that the U.S. per capita personal income percent change was up 2.8% versus 3.4% for Nevada. The chart on page 198 (Exhibit A) compares per capita personal income growth rates between the U.S. and Nevada and shows that since the onset of the pandemic, in terms of per capita personal income growth rates, Nevada has performed slightly better when compared to the U.S. Over the last three years, the U.S. per capita personal income growth has averaged 5.9% compared to 6.2% for Nevada. The chart on page 199 (Exhibit A) shows per capita personal income growth is only 1.1% for the U.S. and 1.4% for Nevada on an inflation-adjusted basis.

The chart on page 200 (Exhibit A) describes wages and salaries in the U.S. on a per employee basis. When the COVID-19 pandemic hit, there was a large decline in lower-wage jobs leading to a somewhat sharper increase in wages and salaries per employee; this is shown in the chart by the sharp increase in wages and salaries per employee in 2020. The increase in wages and salaries corresponds with the year 2020 because the cost of the pandemic-induced recession was disproportionately borne by lower-wage workers as they experienced a bigger share of job and wage losses than workers with higher incomes. As employment has recovered, there has been robust growth in employee wages and salaries. When compared to the quarter that preceded the start of the pandemic, wages and salaries per employee are up 18.9%, yet when adjusted for inflation, wages and salaries are up by only 1.5% during this period.

The chart on page 201 (Exhibit A) describes wages and salaries in Nevada on a per employee basis and shows the same pattern of a sudden upward movement in wages and salaries per employee in response to large losses of jobs in lower-wage sectors such as leisure and hospitality. In nominal terms, Nevada wages and salaries per employee are up 18.0% since the first quarter of 2020; however, when adjusted for the effects of inflation, wages and salaries on a per employee basis are up by only 0.7% for that period. The chart on page 202 (Exhibit A) summarizes what was shown on pages 200 and 201 regarding wages and salaries per employee in nominal terms and provides a comparison between the U.S. and Nevada. It is interesting to note that the widened gap between the

U.S. and Nevada that occurred after the Great Recession in 2007 has never really narrowed.

The chart on page 203 (Exhibit A) provides an inflation-adjusted comparison between the U.S. and Nevada when it comes to wages and salaries per employee; as shown, the U.S. percent change from the first quarter of 2020 to the second quarter of 2023 is 1.5% versus 0.7% for Nevada. The chart on page 204 (Exhibit A) examines the average wage and salary per employee growth rates between the U.S. and Nevada since recovering from the pandemic; for the last three years, the U.S. has averaged a growth rate of 5.6% compared to 5.8% for Nevada. The chart on page 205 (Exhibit A) describes U.S. versus Nevada wages and salaries per employee growth rates and what recovery from the pandemic looks like on an inflation-adjusted basis; as shown, wages and salaries per employee grew by only 0.8% for the U.S. and 1.0% for Nevada.

The chart on page 206 (Exhibit A) compares the median household income of the U.S. versus Nevada and focuses on the change that occurred between 2019 and 2022. Prior to the Great Recession, Nevada's median household income exceeded that of the U.S. but has remained below the U.S. since; the trend was briefly reversed in 2019, but it again fell below the U.S. at the onset of the pandemic. As shown in the chart, between 2019 and 2022, the median household income rose by 8.6% for the U.S. and by 2.0% for Nevada. The data in the chart comes from the U.S. Census Bureau and is lagging a little bit behind, with 2022 data being the most current data available.

The chart on page 207 (Exhibit A) compares the inflated-adjusted median household income of the U.S. versus Nevada. When adjusted for inflation, the U.S. median household income fell by 5.2% between 2019 and 2022, with Nevada's median household income declining by 10.9% during that same time. The chart on page 208 (Exhibit A) compares the growth rates for median household income between the U.S. and Nevada from 2019 to 2022, transforming the data from page 206 into growth rates. As shown on page 208, the percent change in median household income for the U.S. is 8.6% versus 2.0% for Nevada between 2019 and 2022. The chart on page 209 (Exhibit A) shows the same growth rate calculation for the median household income of the U.S. and Nevada and translates it into a growth basis. When comparing Nevada and the U.S. on an inflation-adjusted basis, the median household income fell by 5.2% for the U.S. between 2019 and 2022 and declined by 10.9% for Nevada during that same time.

The chart on page 210 (Exhibit A) shows Nevada General Fund revenue per $1,000 of Nevada personal income by fiscal year and how the series has changed over time. The chart on page 211 (Exhibit A) shows how the General Fund and personal income growth rates (instead of levels) have performed over time. As shown in the chart, the trend between the two series tends to move together. Regarding the performance of the General Fund revenue growth rate as shown by the blue line versus the red line in the chart, the personal income growth rates tend to move together. This makes sense, as the State General Fund receives a large portion of revenue from sources that are supported by personal income. Additionally, while Nevada experienced record growth in tax revenue collections in FY 2022 compared with the pre-pandemic growth trends, the peak in the blue line that is shown to occur in FY 2022 did not surpass the peak shown for FY 2004 that followed the 72nd (2003) Legislative Session which made major changes to taxes.

## XII. PRESENTATION OF HISTORICAL TAXABLE SALES, GAMING MARKET, AND COMMERCE TAX STATISTICS.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
Agenda Items XI and XII go together and are evolutionary in nature, with the information contained in these items being updated for every Forum meeting. While Agenda Item XI provides updates on statistics for personal income, wages, population, etc., Agenda Item XII provides updates on historical taxable sales and gaming market and Commerce Tax statistics; all the tables are available on the meeting webpage. The Commerce Tax tables are updated according to the North American Industry Classification System with industry-specific information and provide history of the Commerce Tax from FY 2016 through FY 2023 and were updated shortly after the close of the fiscal year at the end of September 2023. Additionally, the pie charts that provide a breakdown of the industry have been updated with the most recent information. The gaming market statistics tables also provide the most recent monthly information available, which was reported by Michael Lawton, Senior Economic Analyst with the Gaming Control Board on November 30, 2023, as well as quarterly data through the first quarter of FY 2024. The taxable sales tables also provide monthly and quarterly information through the first quarter of FY 2024, which was just reported by the Department of Taxation last Wednesday.

## XIII. DISCUSSION OF THE REPORT BY THE ECONOMIC FORUM TO THE INTERIM FINANCE COMMITTEE REQUIRED PURSUANT TO NRS 353.228.

MR. NAKAMOTO:
For off-year meetings occurring on or before December 10 and for meetings that occur on or before June 10 of even-numbered years, there is a requirement that either the Chair of the Economic Forum or a member of its staff provide an update to the Interim Finance Committee (IFC) regarding any relevant information that was discussed at the meetings. The next IFC meeting is scheduled for Wednesday, December 13, 2023, and the Forum's Chair has informed me that she will not be available to make a presentation to the IFC at that meeting. As such, I will be providing an update to the IFC to comply with the provisions set forth in NRS 353.228. As noted in Agenda Item IX relating to actual versus forecast collections for FY 2024, it is normal practice that a report be provided to the IFC regarding certain information as well as on an update on year-to-date actuals, and it is staff's intent to provide the most recent information through November 2023 as opposed to what has been provided today through October; the information that will be provided to the IFC will take into account the most recent month of collections.

## XIV. PUBLIC COMMENT.

There was no public comment.

**XV. ADJOURNMENT.**

Chair Rosenthal adjourned the meeting at 12:11 p.m.

Respectfully submitted,

__________________________________
Tom Weber, Committee Secretary

APPROVED:

______________________________
Linda Rosenthal, Chair

_____________________________
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.**