



C I T Y O F
RENO
Memorandum

DATE: June 3, 2025


TO: Mayor and City Council

THROUGH: Jackie Bryant, City Manager

FROM: Calli Wilsey, Director of Policy and Strategy
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DEPT: Office of Policy and Strategy

SUBJECT: May 2025 State Economic Forum: A Closer Look at State vs City Revenues



The purpose of this memo is to provide Council with additional information on the State of Nevada’s Economic Forum, held on May 1, 2025. In addition to summarizing the Forum’s outcomes, this memo is intended to help Council gain a clearer understanding of how the State’s revenue streams compare to those of the City. This memo also examines how the State and local governments manage fiscal reserves and outlines the different laws governing their stabilization and emergency funds.

Economic Forum Overview and Why We Track It:

The Economic Forum is tasked with forecasting the State's General Fund revenues for each biennial budget cycle, meeting six times throughout the cycle.

Three of these meetings are informational, offering valuable insights into broader state economic trends through presentations by private and public sector experts on topics influencing Nevada's economy. The other three meetings focus on forecasting revenues for the State’s General Fund.

In odd-numbered years, like this year, the May meeting is particularly important, as the Economic Forum votes on and approves the revenue forecasts used to set the legislatively-approved budget for the upcoming biennium. This is the last meeting out of the six-meeting cycle. These forecasts are then adjusted slightly after June to reflect any revenue-related policy changes enacted during the Legislative Session.

For example, if a bill passed during the legislative session redirects a tax source to the State Education Fund or lowers a specific tax rate, the legislatively-adjusted General Fund revenue estimates would be reduced accordingly.

Tracking these meetings is essential for local governments to gauge anticipated sales tax growth over the next two years and to incorporate statewide economic trends into local policy decisions and planning.

State General Fund Tax Revenue Performance and Expectations FY25-FY27:

Key revenue sources for the State, such as business, payroll, and insurance taxes are projected to grow steadily, while gaming and live entertainment taxes may decline due to fewer major events and a slowdown in tourism. Sales tax revenue is expected to decline in FY2025 compared to the same period last year but is anticipated to experience modest growth thereafter. Many other revenue sources are expected to remain relatively flat year-over-year for the next two years.

Overall, the approved State General Fund revenue forecasts after accounting for tax credits reflect a 0.3 percent [increase](#) in FY2025, a slight 0.1 percent [increase](#) in FY2026, and a more moderate 2.8 percent [increase](#) in FY2027.

Understanding the Projection Cycle:

It's important to distinguish between the General Fund revenue forecasts approved for the Governor's recommended budget in December and those adopted in May for the legislatively-approved budget. When the Economic Forum issues its revenue forecast in December 2024, it provides the governor with the estimated resources available to build the executive budget proposal for the upcoming legislative session. However, these revenue estimates are reviewed and revised in May 2025, and the final revenue projections are adopted for the upcoming biennium.

If the May forecast increases relative to the December estimate, the Legislature may have the flexibility to enhance funding for existing programs or introduce new initiatives during the final weeks of the legislative session. Conversely, if May revenue projections fall short of the December estimate, lawmakers must make adjustments, such as scaling back or defunding certain proposals, to ensure the budget remains balanced by session's end.

It's important to understand that a downward revision in May's revenue forecast does not necessarily signal a major economic slowdown or poor performance across the board. In many cases, it simply means that some revenue sources are not growing as much as previously anticipated. Evaluating each source's year-over-year growth provides a more accurate picture of whether a revenue stream is truly declining, remaining flat, or experiencing growth.

For example, the table below shows State General Fund revenue forecasts (after tax credits) from the December Economic Forum used to develop the Governor's recommended budget, compared with those approved in May that will be used for the legislatively approved budget. The updated

forecast reflects \$172.974 million less in projected revenue from December’s forecasts. However, revenue growth remains positive over the biennium. The State General Fund is projected to receive \$196.115 million more than in the previous biennium. While that increase may seem modest given the overall size of the General Fund, it remains a positive indicator and does not reflect the steep revenue declines typically seen during a severe recession.

Total General Fund Revenue After Tax Credits: December 2024 vs. May 2025 Forecasts					
Economic Forum	FY2024 Actuals	FY2025 Estimates	FY2026 Estimates	FY2027 Estimates	FY26-FY27 Biennium Total
Dec. 2024	\$6,009,786,502	\$6,011,041,178	\$6,133,728,734	\$6,299,387,184	\$12,433,115,918
May 2025	\$6,009,786,502	\$6,028,943,620	\$6,036,337,987	\$6,205,901,584	\$12,242,239,571

Difference from December Forecasts to May Forecasts					
Metric	FY2024 Actuals	FY2025 Estimates	FY2026 Estimates	FY2027 Estimates	Total Change
Nominal	NA	\$17,902,442	(\$97,390,747)	(\$93,485,600)	(\$172,973,905)
% Change	NA	0.3%	-1.6%	-1.5%	

May 2025 Economic Forecasts Over-the-Year Change					
Metric	FY2024 Actuals	FY2025 Estimates	FY2026 Estimates	FY2027 Estimates	Total Change
Nominal	NA	\$19,157,118	\$7,394,367	\$169,563,597	\$196,115,082
% Change	NA	0.3%	0.1%	2.8%	

How the State’s Revenue Projections Impact Local Governments

Local governments, while affected by partially overlapping tax sources within the Consolidated Tax (C-Tax) structure, do not receive direct allocations from many of these same revenue streams as the State does. Instead, local revenues are distributed through a complex tax distribution formula representing only a fraction of the total collections.

Furthermore, because more than 70 percent of Nevada’s population resides in Clark County, the State’s revenue projections are heavily influenced by economic activity in that region. This concentration can mask underlying trends in smaller jurisdictions like Washoe County, making statewide estimates less representative of local economic conditions in those areas.

Finally, it's important to emphasize that the State’s General Fund revenue base differs significantly from that of local governments. While sales tax accounts for roughly 30 percent of the State’s General Fund, most of the remaining 70 percent is made up of sources that local governments generally do not receive. Some of these revenue forecasts include insurance premium taxes, payroll taxes (modified business tax), gaming percentage fees, commerce taxes, live entertainment taxes, interest earnings, and unclaimed property revenues.

In contrast, local governments rely primarily on three core revenue streams: C-Tax (which itself is largely composed of sales tax), property tax, and jurisdiction-specific fees. Notably, property tax revenue is not deposited into the State General Fund. Instead, it is primarily allocated to local governments and the State Education Fund. Because the Economic Forum only approves revenue forecasts for the State General Fund, property tax revenues and those dedicated to the State Education Fund fall outside the scope of its forecasting process.

The City of Reno relies on the distribution of the C-Tax. In fact, it is the largest source of General Fund revenues for Reno. The State General Fund receives its share from five of the six revenue sources included in C-Tax. During meetings of the Economic Forum, analysts from the state present their estimates and discuss the revenue outlook for the upcoming fiscal years.

Overall, these revenue sources are projected to decline in FY2025 compared to the same period last year, followed by modest growth in FY2026 and FY2027. However, the slower pace of recovery relative to prior years will likely lead to tighter budget conditions.

It's important to note that the amounts listed below are the amounts projected and approved by the Economic Forum for the State General Fund only. The portions of these taxes distributed to local governments through the C-Tax formula are collected at different rates than those used for the State General Fund and are not considered by the Economic Forum.

Sales Tax Forecast (2% Only):

The two percent state sales tax relates to the Basic City County Relief (BCCRT) and the Supplemental City County Relief (SCCRT) taxes in C-Tax. Sales tax revenues are projected to grow at a slower rate due to reduced consumer spending and less tourism in the state. Modest-to-flat growth is expected over the next biennium. BCCRT and SCCRT make up the two largest components of the C-Tax, collectively accounting for approximately 85 percent of total C-Tax distributions. It's important to note that BCCRT is allocated solely within the county where it is generated for in-state transactions, while SCCRT is distributed primarily based on each county's in-state share of total statewide collections each month. As a result, both revenue sources are more county-specific than statewide in nature.

Economic Forum May Projections (% = Growth Rate):

- FY 2025: \$1,776,556,000 / -0.8%
- FY 2026: \$1,814,039,000 / 2.1%
- FY 2027: \$1,874,609,000 / 3.3%

Government Services Tax (Not Discussed):

This tax source was moved from the State General Fund to the State Highway Fund and is no longer voted on or considered by the Economic Forum. This tax source accounts for approximately 13 percent of total C-Tax distributions, making it the third-largest contributor.-This revenue source

is allocated exclusively within the county in which it is generated, making it a more locally generated revenue source.

Real Property Transfer Tax:

High interest rates and limited housing supply are slowing Nevada’s real estate market, impacting property transfers. The forecast for real property transfer tax revenues is expected to increase, due to strong demand for housing in the Silver State. However, challenges like limited housing inventory and land availability continue to impact affordability and accessibility. Future revenue increases are contingent on both a potential decrease in mortgage rates and improved supply. This tax source represents approximately 2.5 percent of total C-Tax distributions, making it the fourth largest contributor. This tax stays in the county where it’s generated too, making it a more locally-focused revenue source, than the figures voted on and approved by the Economic Forum.

Economic Forum May Projections (% = Growth Rate):

- FY 2025: \$126,040,000 / 15.7%
- FY 2026: \$130,157,000 / 3.3%
- FY 2027: \$134,885,000 / 3.6%

Cigarette Tax:

The cigarette tax revenue continues to decline as smoking rates decrease nationally. Furthermore, this revenue source is expected to contribute progressively less to the consolidated taxes as consumer behavior shifts and people reduce cigarette smoking or switch to other types of tobacco or nicotine products that do not fall under this revenue source. This tax source represents less than 1 percent total C-Tax distributions and is the fifth largest contributor. It’s important to note that all local governments, special districts, and enterprise districts statewide combined received only about \$7 million in FY2024 from the C-Tax distribution to share.

Economic Forum May Projections (% = Growth Rate):

- FY 2025: \$114,460,000 / -6.9%
- FY 2026: \$108,251,000 / -5.4%
- FY 2027: \$103,070,000 / -4.8%

Liquor Tax:

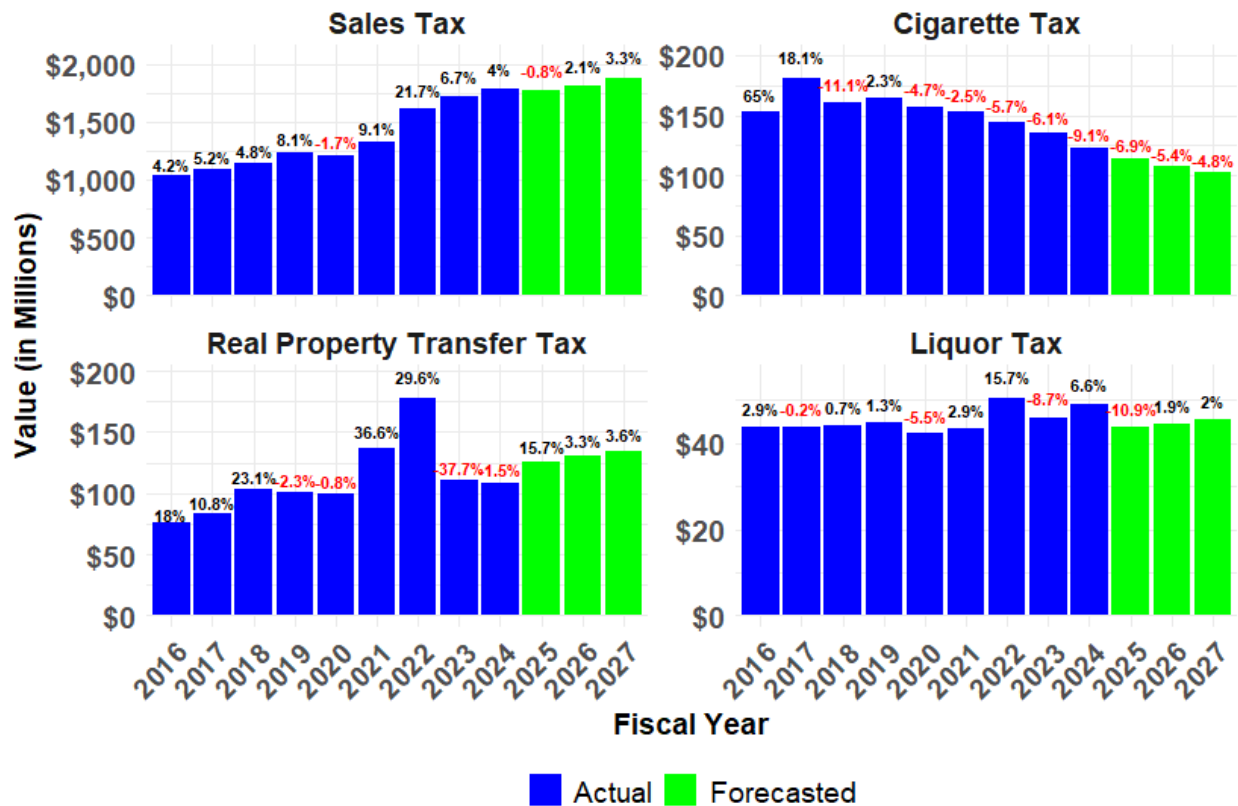
The liquor tax is expected to decrease in the first year of the forecast period and then increase slightly in the following two years, in the State General Fund. This slight decrease is primarily driven by stabilizing consumer demand, as well as broader trends of moderate alcohol consumption. This tax source represents less than 1 percent of total C-Tax distributions and is the sixth largest contributor. It’s important to note that all local governments, special districts, and enterprise districts statewide combined received only about \$4 million in FY2024 from the C-Tax distribution to share.

It's also important to note that local governments only receive a portion of the tax on liquor containing over 22 percent alcohol and do not receive a piece of the liquor tax on other alcohol types such as beer, wine, hard seltzers, or malt beverages. The State General fund receives tax dollars based on all types of liquor and alcohol.

Economic Forum May Projections (% = Growth Rate):

- FY 2025: \$43,709,000 / -10.9%
- FY 2026: \$44,554,000 / 1.9%
- FY 2027: \$45,445,000 / 2.0%

State General Fund Revenue Projections: May 2025 Economic Forum
Note: These Sources Are Associated With 5/6 C-Tax Revenue Sources



How the Economic Forum’s May Revenue Projections Impact the State’s Reserves:

The Account to Stabilize the Operation of the State Government (NRS 353.288), commonly referred to as the Rainy Day Fund (RDF), serves as a financial reserve for use during revenue shortfalls, economic downturns, or other fiscal emergencies as determined by the Legislature.

How the State's RDF is Funded

The RDF receives deposits through two primary statutory mechanisms, both tied to General Fund performance:

Beginning-of-Year Transfer:

Per NRS 353.288(1)(b), 1 percent of projected General Fund revenues, as determined by the Economic Forum, are transferred into the RDF following any legislative adjustments to the forecast.

Projected Transfers Based on May 2025 Economic Forum Forecast:

- FY2026: $\$6,036,337,987 \times 1\% = \$60,363,380$
- FY2027: $\$6,205,901,584 \times 1\% = \$62,059,016$

End-of-Year Transfer:

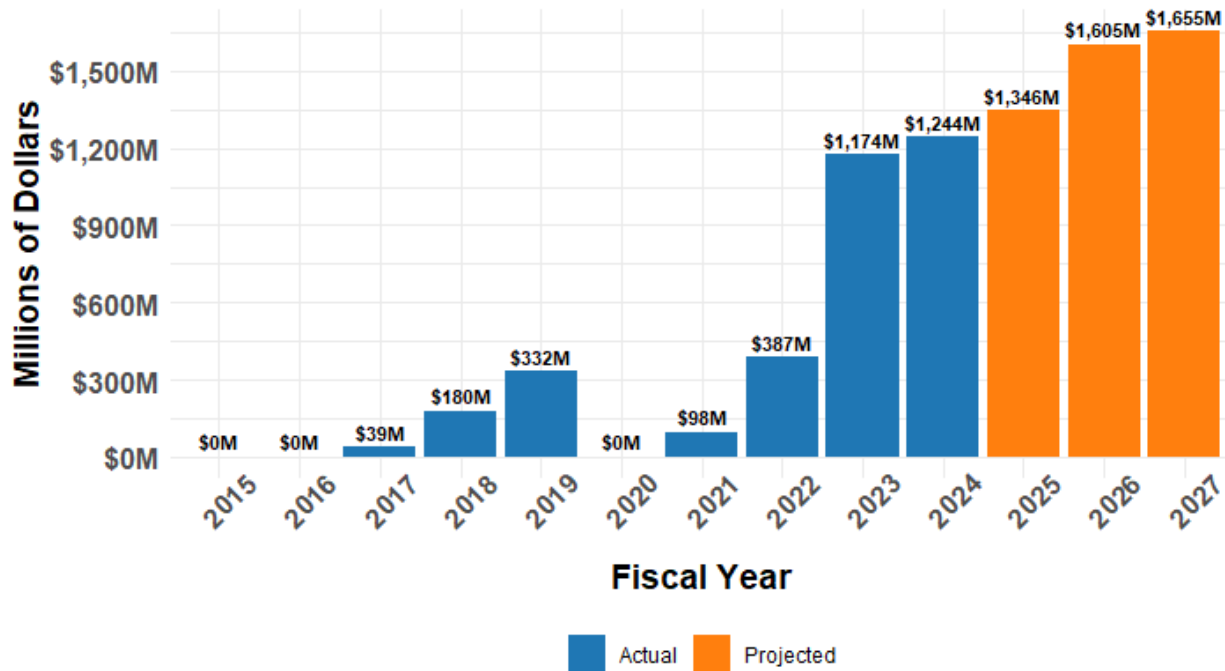
Per NRS 353.288(1)(a), if the ending General Fund balance exceeds 7 percent of General Fund operating appropriations, 40 percent of the excess is transferred to the RDF. This transfer is calculated after the fiscal year closes.

In addition, the Legislature may authorize one-time transfers through legislation. For example, Senate Bill 431, 82nd Session (2023) directed a \$269.6 million transfer to the RDF and raised the RDF cap from 20 percent to 26 percent of total General Fund appropriations. This change was prompted by strong FY2022 collections and significant under projection, which came in 22.9 percent (\$1.013 billion) above the Economic Forum's approved forecast, creating a large year-end surplus.

Projected RDF Balance

The current balance in the RDF is \$1.244 billion, which represents the highest account balance in the history of the RDF. At the end of the 2025-27 biennium, the Governor's budget projects the balance in the RDF to be \$1.665 billion if projected transfers result in the RDF fund balance to be at or under the 26 percent statutory cap. In FY2024, expected transfers were reduced because the RDF had already reached its cap.

State of Nevada Rainy Day Fund Balance



Other State Reserve Accounts in the General Fund:

Account	Account Balance
Statutory Contingency Account	\$1,947,145
Stale Claims Account	\$1,074,485
Emergency Account	\$500,000
Disaster Relief Account	\$13,709,888
IFC Contingency Unrestricted General Fund	\$12,109,895
IFC Contingency Restricted General Fund	\$113,815,555
Total	\$143,156,968

*State Board of Examiners meeting on 4/11/2025

State Reserve Accounts in the Highway Fund:

Account	Account Balance
IFC Contingency Unrestricted Highway Fund	\$1,638,068
IFC Contingency Restricted Highway Fund	\$18,772,646
Total	\$20,410,714

*State Board of Examiners meeting on 4/11/2025

State Education Reserve Account FY2024:

Account	Account Balance
Education Stabilization Account	\$856,612,143

*Governor’s Recommended Budget FY2025-FY2027

General Fund Reserves: State of Nevada vs. Local Governments

Governments have several tools to set aside funds for unexpected events that may impact their general funds. The primary reserve mechanisms include unrestricted general fund balances, contingency accounts, and stabilization (or rainy day) funds. While many of these reserve-building tools are generally similar across state and local governments, the legal framework governing stabilization accounts are noticeably different between the two.

General Fund Ending Fund Balance (Unrestricted Reserves):

Both state and local governments commonly retain a portion of their general fund balance at the end of each fiscal year as unassigned or unrestricted reserves. These reserves serve as a financial buffer to address revenue shortfalls, unexpected expenditures, or economic disruptions. Because they are not legally or contractually committed to a specific purpose, they represent the most flexible and liquid form of reserve.

The Government Finance Officers Association (GFOA) recommends that governments maintain at least two months of operating expenses in unrestricted reserves to ensure basic fiscal stability.

Local governments typically formalize their reserve targets through fund balance policies adopted by budget resolutions or ordinances, in compliance with NRS Chapter 354 (Local Financial Administration). The State of Nevada similarly follows reserve practices guided by NRS Chapter 353 (State Financial Administration).

Contingency Accounts

A contingency account is money that a government sets aside in its budget to cover unexpected costs that might come up during the year.

In Nevada, local governments are allowed to include a contingency account within their general fund budget. Under NRS 354.608, this account cannot exceed 3 percent of the total general fund budget. The funds cannot be spent directly, and they must be formally transferred to another budget account with approval from the governing body, such as a city council or county commission.

At the state level, Nevada maintains a similar type of reserve known as the Interim Finance Committee (IFC) Contingency Account. This account is funded by the Legislature during the regular budget process and serves as a flexible backup for unplanned expenses that occur when the Legislature is not in session. If a state agency faces an emergency or urgent funding need, it can submit a request to the IFC. This committee, made up of legislators, meets between sessions to review and approve (or deny) those funding requests.

In both cases, contingency accounts provide financial flexibility to respond to unexpected situations without disrupting ongoing services or operations.

Stabilization Funds / Rainy Day Funds

Stabilization funds are designed to help governments offset revenue shortfalls and maintain essential services during periods of economic downturn or fiscal stress. While both the State of

Nevada and local governments have access to stabilization tools within their general funds, their ability to use and build these reserves differs.

Under NRS 354.6115, local governments are permitted, but not required, to establish stabilization funds. Deposits into these accounts are discretionary, and their use is strictly limited. Local government stabilization funds may only be accessed when actual general fund revenues fall short of projections for the fiscal year, or the local government is mitigating the effects of a natural disaster.

In contrast, the State's stabilization account, commonly referred to as the Rainy Day Fund (RDF), operates under NRS 353.288 and benefits from a more structured approach. The RDF receives automatic deposits from General Fund surpluses at both the beginning and end of the fiscal year, based on revenue performance relative to forecasts. The Legislature may also make direct appropriations to the fund. Importantly, the RDF can be used more broadly at the Legislature's discretion and is capped at 26 percent of General Fund appropriations, giving the State a larger and more flexible fiscal cushion.

In Summary

The State is better positioned to withstand economic downturns than local governments due to broader statutory flexibility and stronger reserve-building mechanisms. The State's ability to automatically set aside reserves at both the beginning and end of each fiscal year, combined with a higher cap and fewer restrictions on fund usage, allows it to accumulate more funds when times are good and respond quicker under times of fiscal stress. In contrast, local governments face tighter caps, narrower allowable uses, limiting their ability to cover shortfalls during periods of economic volatility.