



NEVADA GOVERNOR
BRIAN SANDOVAL



Media Contact:
Mae Worthey
(702) 486.7991
(702) 249.6324

PRESS RELEASE

For Immediate Release
October 4, 2011

Employer's Unemployment Insurance Tax Rate Recommended to Remain at 2 Percent

Carson City, Nv - The Employment Security Council voted today to recommend that the average Unemployment Insurance Tax Rate for 2012 remain unchanged at 2 percent. The final decision will be made later this year by Cindy Jones, the administrator for the Employment Security Division of the Department of Employment, Training and Rehabilitation (DETR).

The recommendation was based on economic information provided by the Research and Analysis Bureau of DETR. The Bureau conducts a solvency test of the fund annually to determine what the rate needs to be in order to ensure the fund levels are adequate to pay unemployment benefits for the coming year. The Bureau then offers the Council a number of scenarios to help in determining its recommendation.

Keeping the rate at 2 percent will create an estimated revenue of \$438 million during calendar year 2012. However, for the trust fund to reach a minimum recommended level of reserves by the end of 2012, the system would need to generate approximately \$2 billion in revenue, Jones said.

"Absent some drastic change in the environment, I expect the tax rate adopted through the regulatory process to reflect the recommendation of the Employment Security Council," said Jones. "The rate recommended today keeps the 50 percent rate increase realized by employers for 2011 in place for 2012."

State law requires the Employment Security Division Administrator establish tax rates each year by adopting a regulation after receiving input from the Employment Security Council and interested members of the public.

The Bureau makes projections for the following year based on number of active employers, amount of taxable payroll, amount of the state unemployment benefits that will be paid, estimated revenues required for benefit payouts and trust fund solvency in the next calendar year. Economists from the Bureau presented to the Council Tuesday optional schedules with variable average tax rates and revenue projections.

DETR's Chief Economist Bill Anderson told the Council, "So far, we have an unemployment rate at about 13.2 percent. This tells us in the final months of the year, we are going to see the unemployment rate remain steady. We are looking for employment growth to move in the positive, with about 1 percent growth. This is an improvement from where we've been, but still falling short of where we want to be."

Tuesday's decision was based on current economic conditions and the state of the trust fund. The state's trust fund was depleted in October 2009, as Nevada began experiencing the worst unemployment in the country, with a record number of people qualifying for unemployment benefits. When the fund ran out, like many other states, Nevada began borrowing money from the federal government to continue paying benefits, which must be paid back. Nevada's unemployment insurance trust fund continues to operate at a deficit. As of September, Nevada has borrowed \$742,160,968.50 for the continuation of payments of regular benefits. All extended benefit programs remain federally funded.

Governor Brian Sandoval requested, and the Legislature approved a general fund allocation to pay interest on the borrowed funds for this year and for next. This year's payment is \$22,552,947.02 will be paid on June 30, 2012 as Nevada was successful in securing a payment delay due to the state's high unemployment rate, Jones said.

The lowest current rate is set at \$66.50 per worker, which drops to \$66.00. Those with the highest turnover will be paying \$1,425 per worker, down from the current \$1,436. In 2012, employers will pay tax on the first \$26,400 of each worker's wage.

Members of the public will have another opportunity to offer input about the final decision of the rate during a small business workshop scheduled for October 24, 2011 and again on December 6, 2011 for a public hearing. The final adoption of the rate will take place by December 31, 2011.

-#-



DETR is comprised of the Employment Security Division, Equal Rights Commission, Rehabilitation Division, the Information Development and Processing Division and the Research and Analysis Bureau. DETR works in partnership with the Nevada JobConnect System to provide training and job placement services to job seekers and to assist employers in hiring practices.