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State Prepares to Borrow Money to Continue Paying Unemployment Benefits

The State of Nevada Unemployment Insurance Trust Fund is dipping to record lows and will be in a negative position between the middle and end of October for the first time since the 1970s, said Cynthia Jones, Deputy Director of the Nevada Department of Employment, Training and Rehabilitation (DETR) and administrator for the DETR's Employment Security Division.

"We have already put the process in motion to borrow funds from the federal government, ensuring that we can continue, without interruption, to pay unemployment benefits," Jones said.

Nevada has submitted a letter to U.S. Department of Labor Secretary Hilda Solis, requesting up to \$264 million in federal loans to meet state unemployment insurance obligations through December 31, 2009, Jones said. Thereafter loan requests may be submitted every 90 days.

"The state is currently sending out \$35 million per week in unemployment benefit payments — which includes federal extensions — to approximately 110,000 benefit recipients," Jones said. "Without drastic improvements in current economic conditions in Nevada, DETR estimates approximately \$1 billion in federal loans will be necessary by the end of calendar year 2010."

Under the American Recovery and Reinvestment Act (ARRA) provisions, interest on federal loans has been waived through the end of calendar year 2010. If another extension is not granted, Nevada would have to begin interest payments on the federal loans on September 30, 2011.

The Employment Security Council will convene on October 6th, 2009 to hear information regarding the status of the Unemployment Insurance Trust Fund, benefit payments, tax collections and trust fund balance projections for this year, 2010 and future years.

The council, which consists of nine members appointed by the governor, will discuss the unemployment insurance tax rate scheduled for the upcoming calendar year and strategies for repaying funds loaned by the federal government.

The Council will be presented with a number of average tax rate scenarios (with associated tax schedules) and the resultant impacts on interest costs, loan repayment and strategies towards moving again towards reestablishing Trust Fund solvency and rebuilding sufficient reserves, Jones said.

“Economic recovery that results in lower benefit payments and increased contributions will be key factors,” Jones said. “We realize that this is a topic of concern for everyone involved. We are facing an unprecedented economic situation here in Nevada and we must act prudently to ensure the needs of the unemployed are met as expected and mandated.”

This meeting also serves as the public regulation workshop for the establishment of the tax schedule for 2010 and will be publicly noticed.

The rate strategy adopted for 2010 and subsequent years will impact the amount ultimately borrowed and interest expenses incurred, Jones said.

The tax schedule is the vehicle by which experience rated employers (approx 55 percent of all employers) are assigned a tax rate for the upcoming calendar year. The statutory tax rates for experience rated employers range between .25 percent and 5.4 percent of the taxable wage base (first \$27,000 earned by employee for 2010).

Employers are assigned to one of 18 tax rates based on their experience record with the Unemployment Insurance program. New employers are not impacted as they are statutorily assigned a rate of 2.95 percent until such time they qualify for an experience rated account (approximately 3 years), Jones said.

The council will hear any public and interested party input, deliberate the issue and recommend an average tax rate to the Jones, the Employment Security Division Administrator, for consideration. The regulation hearing for the adoption of the tax rate schedule regulation for calendar year 2010 is scheduled for Dec. 7, 2009. The new rate will take affect January 2010.



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 connect businesses and workers.