**STATE OF NEVADA**
**DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION**
**EMPLOYMENT SECURITY COUNCIL MEETING**

October 4, 2011

**Live Meeting:**
Legislative Building
401 S. Carson Street, Room 2135
Carson City, Nevada 89701

**Video Conference to:**
Grant Sawyer Building
555 E. Washington Ave., Room 4412
Las Vegas, Nevada 89101

Note: This meeting was also broadcast on the Internet at www.leg.state.nv.us.

**Council Members Present**
Paul Havas, Chair - Employers
Charles Billings - Employees/Labor/BOR
Kathleen Johnson – Public/BOR
Danny Costella - Employees/Labor
Margaret Wittenberg – Employers/BOR
David Garbarino - Employees/Labor
Paul Barton - Public
Ross Whitacre - Public
Michelle Carranza - Employers
(BOR – Board of Review)

**Department of Employment, Training and Rehabilitation (DETR) Staff**
**Present in Carson City**
Frank Woodbeck, Director, DETR
Cynthia Jones, DETR Deputy Director/Employment Security Division (ESD) Administrator
J. Thomas Susich, Senior Legal Counsel, ESD/DETR
Dennis Perea, Deputy Director, DETR
David Haws, Administrator, IDP/DETR
William Anderson, Chief, Bureau of Research & Analysis (R&A), DETR
Dave Schmidt, Bureau of Research & Analysis, DETR
Edgar Roberts, Chief, Unemployment Insurance Contributions (UIC), ESD/DETR
Edward Lagomarsino, UIC/ESD/DETR
John Parel, Manager, ESD/DETR
Michelle Garton, Management Analyst, ESD/DETR
Sean Conklin, BOR Manager, ESD/DETR
JoAnne Wiley, UIC/ESD/DETR
Flo Bedrosian, UIC/ESD/DETR
Leanndra Copeland, R&A/DETR
Jeff Sutich, R&A/DETR
Joyce Golden, Administrative Office, ESD/DETR

**Present in Las Vegas**
Art Martinez, ESD/DETR
Mae Worthey, PIO, DETR

**Members of the Public, Media and Other Agencies**
Cy Ryan, Las Vegas Sun, Capitol Press Room, Carson City/NV
Ed Vogel, Las Vegas Review Journal, Carson City/NV
Rob Parker, NAE, Reno/NV
Ray Bacon, Nevada Manufacturers Association, Carson City/NV
Carole Villardo, NTA, LV/NV
Nicholas Vassiliadis, R&R Partners, LV/NV
Alaina Cowley, Snell & Wilmer, LV/NV

**Exhibits**

Exhibit A - Attendance Record

Exhibit B - Agenda for the Meeting/Workshop

Exhibit C - Silver State Works

Exhibit D - B.E.S.T. (Business Expectation Service Transformation)

Exhibit E - Nevada's UI Modernization Initiative: UInv

Exhibit F - Nevada Labor Market Briefing

Exhibit G - Unemployment Insurance Financing

Exhibit H - Estimated Tax Rate Schedules (2)

Exhibit I - Written Comment from Mr. Ray Bacon

Exhibit J - Executive Orders 20-11 and 2011-04

## I. CALL TO ORDER AND WELCOME

Paul Havas, Chair of the Employment Security Council, called the meeting to order at 10:00 am. on October 4, 2011. Mr. Havas expressed his appreciation of those attending and welcomed all to the meeting. He said he hoped the Council has had the opportunity to review the material sent to them from last year's meeting.

Today you will be provided with updated figures that represent the official unemployment insurance trust fund solvency test. You will also hear some information from agency staff to update you on some key activities of the Employment Security Division. As you know, the Council's required by statute to make a recommendation to the Administrator regarding average tax rate for the upcoming calendar year. The rate recommendation task before the Council is an important one and I appreciate your service on behalf of Nevada's workforce and employer community. Our agenda today is quite extensive, so therefore I request that all questions and comments be held until the public comment periods are open.

At this time, I would like to have the members of Council introduce themselves and they might express who they represent starting with right to left, please. ***Exhibit A- Attendance Record***

## II. INTRODUCTION OF COUNCIL MEMBERS

Paul Havas, Chair of the Council and representing Employers, Charles Billings representing Labor/Employees and on the Board of Review, Paul Barton representing the Public, Danny Costella representing Labor/Employees, Michelle Cerranza representing Employers, Katie Johnson, representing the Public and Chair of the Board of Review, Ross Whitacre representing the Public, Margaret Wittenberg representing Employers and on the Board of Review, David Garbarino representing Labor and Employees.

J. Thomas Susich, Senior Legal Counsel for the Employment Security Division.
Cindy Jones, Employment Security Division Administrator, ex officio member of the Council and its secretary.

## III. PUBLIC COMMENT

Mr. Havas said that at this juncture he would like to ask for commentary or public questions and he would remind the speakers to state their name for the record. This is required by AB257 and we are also going to invite public comment for the minutes of the October 5$^{th}$, 2010 meeting. There were no comments from the public in Carson City or from Las Vegas. Meeting continued.

## IV. APPROVAL OF MINUTES FROM OCTOBER 5, 2010

(Discussion and action by Council)

Mr. Havas invited the members for action on the approval of the minutes from the October 5, 2010 meeting. Members of Council, do I hear a motion to approve?
Mr. Costella made a motion to approve, this was seconded by Ms. Jones. Mr. Havas asked for discussion, hearing none, the motion to approve passed, with the members signifying by saying aye. There was no opposition.

At this point Chaiman Havas turned the meeting over to Cindy Jones, the Administrator of the Employment Security Division (ESD).
***Exhibit B – Meeting Agenda and Minutes of October 4,2011.***

## V. AGENCY LEGISLATIVE UPDATES

Cynthia Jones, Administrator, Employment Security Division (ESD) and
Deputy Director of the Department of Employment, Training and Rehabilitation.

Thank you, Mr. Chairman. Good morning. Again, for the record, my name is Cindy Jones. I serve as the Administrator of Nevada's Employment Security Division, which is a Division of the Department of Employment Training and Rehabilitation. I would like to welcome a couple of special guests that are in our audience today that went around the room and met everyone.

We have Deputy Director Dennis Perea, who's been with our organization for nearly five years, I believe. And our brand new Director, Mr. Frank Woodbeck, this is his second day in his position. Dennis has a lot of experience in the workforce systems within the state of Nevada, being a prior Administrator of the Nevada Equal Rights Commission, having served in our Workforce Solutions unit and has been Deputy Director since last summer, I believe.

Mr. Woodbeck has extensive experience in workforce development and economic development with the state of Nevada. He comes to us from the Commission of Economic Development and we're very pleased to have him aboard. So, I appreciate their coming today and their interest in the proceedings of the Employment Security Council.

This next agenda item is basically a legislative update regarding legislation that has impacted the agency over the last legislative session. Two bills were passed during the legislative session that will have an impact on the agency.

The first is Assembly Bill 449, which revamps economic development efforts in the state of Nevada and seeks to closely integrate economic development and workforce investment activities through certain mandates placed on the governor's Workforce Investment Board. The department will play a role in these efforts, having a seat on the new economic Board of Economic Development. The Bill focuses on regional sector strategies which DETR is well on its way of implementing.

The second is Assembly Bill 484, this Bill appropriates funds from the general fund to pay unemployment insurance trust fund interest. You may recall that starting in October of 10, 2009, Nevada found itself in a situation where it had to borrow funds to continue the payment of regular state unemployment insurance benefits and trust funds started earning interest beginning…or accruing interest beginning January of this year. Interest was deemed away for the first two years of this recession for 2009 and 2010 through ARRA. However, interest did begin to accrue and our first interest payment was due on September 30th, or rather to say the first interest payment was due for all states on September 30th. For all states except for Nevada. Nevada was successful in applying for and receiving a payment delay waiver for nine months making our first interest payment due in June of this upcoming year allowing those funds to stay with the State Treasury and earn interest at the state level. Nevada was the only state in the union that was eligible to apply for and receive that payment delay waiver because, unfortunately, we have the high unemployment rate, this is required to be able to qualify.

You may have heard some information in the news about the President's American Jobs Act. We do not have much information thus far and we have no information of whether that job's proposal will pass in whole or in part, but what some of the key hallmarks of that legislation is, to continue the extended benefit programs that are set to expire at the end of 2011 for another year. This will not add additional benefits to those who have exhausted all their benefits, but would just extend the application period for those who are running out of their regular benefits to apply for the variety of extensions that are available. The act also provides funding for a variety of reemployment services to unemployment insurance benefit recipients and provides some states some flexibility in designing those programs. It authorizes tax credits for employers who hire veterans and provides additional unemployment subsidies for hiring those who have been employed for longer terms and expands some youth services. Again, we do not have any information at this time whether there's an appetite for the passage of all or part of any of those variety of provisions being offered through the president's Job Act.

From this point on we will hear a variety of presentations from our staff. The Employment Security Division is experiencing several exciting changes. You will now hear from three of these changes from John Parel, who's our business services manager for the northern region of Nevada, and Dave Haws, Division Administrator from Information and Data Processing. From here shall we bring up our first presenter, Mr. Chair?

## VI. SILVER STATE WORKS/BUSINESS EXPECTATIONS SERVICE TRANSFORMATION

John Parel, Business Services Manager, Northern Region
Employment Security Division

Chairman Havas invited John Parel to come up and present the subject matter on Silver State Works/Business Expectation Services Transformation.

My name's John Parel. I'm the Business Services Manager for the northern region here in Nevada. I'm going to talk about one of the most exciting and ambitious projects that we've done here in ESD. It's that I've been involved in, at least, in employment and training. And due to unpredictable economic times, employers are discouraged from hiring. And persistent high unemployment and weak job creation required us to have some creative strategic staffing solutions to alleviate the reliance on public assistance and unemployment benefits.

***Exhibit C – Silver State Works.***

This chart, page 3 and 4, shows you the unemployment rate in 2008 in the various counties here in Nevada. It ranged between 4% to 8%. Fast forward to 2010, that rate raised up to between 8% and 14.3% in the various counties and Nevada at this point led the nation in the highest unemployment rate and in the country that persists to this day.
Now, this chart should actually, probably be titled, job decline, because it shows 200,000 losses of jobs, mostly in construction. I'm not going to go into detail about our economy because Mr. Bill Anderson is going to discuss that further. But the point of these slides is that we needed to come up with some innovative ideas to get our economy going and stimulate and reinvigorate it once more.

Two programs we looked at were (pg.6) the Georgia Works program and the Texas Back to Work program. And these are two tried and tested programs that have already been going when we decided to embark on this journey.

The Georgia Works program is a training initiative that allows job seekers on unemployment to receive a stipend while they're training in the workplace. Now, some of the advantages include that participants learn new skills at no cost. They get exposed to the employers. They get networking opportunities. They get to increase their productivity and their self-esteem. And if they're on unemployment, they get to collect their unemployment, continue to collect those unemployment benefits.

The Texas Back to Work program gives the employers a retention bonus for hiring and retaining new employees and this bonus program is divided into four months, for the first four months of their employment. And employers get to select from pre-qualified screened candidates from us from the local Workforce Solutions, and they get to grow and expand their business and increase their production and save on labor costs.

Here in Nevada we had some existing services for businesses (pg. 7). The workforce investment system here is based on a one-stop concept. Basically, job seekers can go to a one-stop location and able to access information and services all in one location and we have 11 of those offices statewide. Part of that one-stop, one of the programs of popular programs that we have is called the Career Enhancement program and that provides training and reemployment services to job seekers. Now, one the three key training components of the Career Enhancement program is called OJD or on the job training. This piece was taken and redefined as an employer incentive based program for the Silver State Works (pg. 8). And that rounds up basically two incentive based programs plus the training program from Georgia Works. And how are we going to pay for this? Basically (pg. 9), we took $4.4 million from the Career Enhancement program funds, the WIA governor's reserve kicked in $400,000, the Wagner-Peyser 7d $1.2 million, the Dislocated Worker Rapid Response program kicked in $1.2 million and Voc Rehab $1.1 million. That's a total of $8.3 million that we have for the first two year initial period of this project.

Now, who is this, who are we targeting? Basically (pg. 10), we've got the unemployment insurance recipient and exhaustees, veterans off of active duty, 100 days off active duty, ex-felons, TANF recipients, persons with disabilities, and older youth 18 to 21. Now, participants must be in one of these targeted groups to participate in Silver State Works. In addition to that, they must be a Nevada resident. They must be unemployed. They have to be eligible to work in the United States and they have to be employment ready. If they're not employment ready, they continue to work with one of our staffs in the offices until they're able to overcome any work barriers they might have (pg. 11).

Now, how do businesses qualify for this (pg. 12)? Well, they have to have a current Nevada unemployment compensation account that's in good standing. They must meet local and state requirements for business licensing. They have to have an open position for full-time employment. The job must be listed through Job Connect exclusively. And they must recruit through our offices for predetermined list of eligible applicants. Full-time here in Nevada is considered 30 hours. So as far as the training components concerned, we only require them 24 hours and I'll explain why later.

The three components to Silver State Works (pg. 13-16) are the incentive based employment, which is the Texas Back to Work model. We have the Employer Incentive Job program which is the Georgia Works program, and then the Employer Incentive Job program which is basically our old OJT program that we've redefined into an incentive program. Now, this Silver State Works officially launched on July 1st of this year. Let me go through a little bit about these components. Incentive based employment is pretty cut and dry and it's probably one of our more popular ones out of the three programs that we're currently running. Why? Because it's easy for an employer. The Job Connect staff does all the paperwork and we've prescreened all the applicants for them. We found that employers have been reluctant from our pool of unemployed candidates, but by offering them a $2,000 incentive, it seemed to convince them to go ahead and hire. So far, again, this has been a popular program. We've implemented 302 IBE contracts or incentive based employment contracts since July 1st.

The next one is the Employer Incentive Job program. Now, basically we reimburse the employer half of its employee's salary for the time while they're in training. And as far as that training length, the contract, it's determined between the representative and the employer. Now, again, parts of this were taken off our old OJT program and since July 1st we've implemented 31 EIJP contracts. The next component is the employer based training. This is, again, the only training component we have in the Silver State Works program. This allows Silver State Works participants to receive a stipend of up to $599 while participating in onsite workplace training. This will last 24 hours a week at six weeks total and they must continue their work search. Now, you're probably asking why 599. Because at $600 it's considered income, so we decided to bring it down a notch and made it 599 to make it a training component. 24 hours because, again, we're requiring them to look for work while they're training.

Now, what are the benefits to the employer for the EBT (pg. 17)? Well, the employers get a no-risk training period. Basically, they don't have to spend money to train the job seeker. The state carries the workers compensation liability and we have a…after the training period, they get a potentially trained employee. Now, once the training is completed, the participant gets to continue to work with the Job Connect staff unless, of course, they get hired. So all in all so far, you know, we've had a pretty successful run with this. We've had 15 EBT contracts. And with Silver State Works, we've put to work about 348 individuals so far. So we definitely need everybody's help on this. It's in its infancy. We've got two years to go and we need your help to get the word out. And it's one of the exciting programs that I've been involved in at least employment and training. And we're asking everybody's help, our partner agencies, the business community, Chamber of Commerce, Economic Development agencies that we've all been involved with. My business service representatives are out there pounding the pavement talking to employers and spreading the word that, you know, we have this and they're basically making sure that, we're giving them every service that we could possibly give them. We have a little ad that we've produced and would like to show you before I get into my next presentation here.

Mr. Parel continued his presentation. Silver State Works is a new program created just for Nevada businesses. If you're a Nevada employer, now you can get rewarded for helping revitalize our state economy. With the Silver State Works program, employers can get up to $2,000 per employee in wage reimbursement during the training period for new hires. To learn how we can help your business, visit silverstateworks.com. Silver State Works for you. Part of the Nevada Job Connect system.

And the website is pretty comprehensive. You can go in and get a lot more information and that's silverstateworks.com. Please help us and spread the word. I've got another big thing that we've gone through earlier this year. Actually, it took us several months of planning. Nevada JobConnect has basically the BEST, Business Expectation Service Transformation, or B.E.S.T., it took us several months to plan and I'm going to give you a quick overview as best as I can. ***Exhibit D – B.E.S.T***.

Earlier this year, again, we've implemented the policies and for years Nevada has enjoyed a tremendous growth and our employment services system has pretty much thrived. Even when the economy started to show signs of weakness, that same system was able to keep up. However, we realized that we needed to improve our service delivery and we realigned our staff's performance standards to match the ever-changing needs of our employers and job seekers. We knew we had to streamline our northern, southern and rural offices, so job seekers can basically be familiar with our services and programs in any part of the state. We also had to compete. You know, we knew that we had to compete because employers were willing to pay for services that we basically provided for free; such as job placement, recruitment and online job posting.

The Nevada employment services focuses on a wide variety of employment related functions. However, we identified three key areas that needed focus. Those are providing value added services to business, connecting the job seekers to the jobs and providing reemployment services to unemployment insurance claimants. To accomplish this, we had to focus on new and existing businesses that are looking for new and existing businesses are looking for from a workforce and provide them with Nevada workers that possess those skills. Now, Nevada Job Connect has access to one of the largest unemployed databases, the unemployment insurance claimant database.

By targeting the claimant's work skills and matching them to the employers, we're able to help businesses find the right employee and help them with all their recruitment needs. Now, the next one, furthermore, we had to provide a man-driven responsive system to the needs of the business communities and employment and opportunities for job seekers. This next bullet has actually been kind our mantra. No longer do we expect business and job seekers to fit into our mold, but rather us adapt to their needs. Also we had to increase service delivery strategies for employment and training to serve more job seekers. And we had to do more with less, so we simplified our services and program delivery. Our staff has been retrained to provide fast and quality service to an ever growing number of job seekers.

The Business Services office had to communicate and collaborate with the economic development agencies to determine the training needs of companies moving or expanding to Nevada. Our offices have created strong partnerships with the state's various economic development agencies. Our office has been represented in most of the site selections and expansion meetings with companies that are relocating into our state. We had to communicate and collaborate with UI, Bureau of Vocational and Rehabilitation to support their objectives. Now, our offices statewide are equipped to provide job search referral and miscellaneous help to unemployment insurance claims and Bureau of Vocational Rehab clients. Just now one of the most important functions of the Business Services office is to market our services and solicit job orders.

One of the B.E.S.T. highlights include the job order levels that we've created, namely, those are the platinum job orders, the gold job orders and the silver job orders. Let me explain those a little bit to you. The platinum jobs are job orders that are exclusive to JobConnect. In this job order, the employer agrees that the Nevada JobConnect will be the sole source of referrals to the open position that’s listed. The employer's identity is only known to the business service representative who has complete responsibility over the job order. Right below, that is the gold job order and these job orders are suppressed. What that means is that the applicants are assisted and referred to the job order by the JobConnect staff. However, unlike the platinum job order, these aren’t exclusive to us. The next one below that are the silver job orders. And the silver job orders are unsuppressed and non-exclusive job orders and job seekers get minimal staff assistance and they can self refer to the listing. Now, while we value all our job orders, of course, we want to focus our time and our resources into the platinum and the gold job orders because those come up with placements and basically people are placed into jobs. And by providing good business services, we're able to help the employers find the right applicant and without cost can ultimately put them back to work. That concludes my presentation on B.E.S.T. and Silver State Works. Do you have any questions?

Mr. Havas thanked John and mentioned that he is sure we are going to be hearing a lot more from his office. Mr. Parel agreed.

Council member Whitacre had a few questions for John Parel. Mr. Whitacre asked if John could go back to his first presentation and talk a bit more about how he could help non job ready clients to become job ready. The different services that are provided and the resources you have access to. And then could you also tell me on this program that you're partnering with employers on and paying them this $2,000 if they last four months how the success of that program, those OJT programs, are evaluated?

Mr. Parel continued: well, as far as the labor ready or job ready clients, if they're not ready, we either put them through job search classes, resume classes, we refer them to partner agencies that can help them with their barriers and overcome those barriers. That includes classroom training or one on one. As far as the Silver State Works, IBE is what you're thinking about, that’s the $2,000, that's the one of the more popular programs. Why? Because it's very easy. Not much paperwork for the employer and so far, we have put 300 and I believe 302 contracts of people to work under that program. And as far as the follow-up and the tracking of that, we get feedback from the employer to make sure that the person's there and they're doing well and that the employer is happy. As far as that, I mean, the four months, they get $500 for each month. As it goes, it progresses for the next basically four months. After that, again, it's reevaluated and we make sure. Of course, we've got caps right now on how many of these contracts we can write for each employer and we take that on a case by case basis.

Mr. Whitacre asked how do you evaluate the employer specifically to know whether they're earning their money or not?

Mr. Parel answered: Again, our staff are taught and keep up with the employer to make sure that they're happy. We get feedback. We've got a card basically that goes back and forth. Our business service representatives visit them. And then as far as evaluating to make sure that they’re…are you talking about the employer itself meaning being…oh, yes. Well, they have to, you know, show that they keep this in place. We track that and want to make that they keep the employee and not just go through the program and, you know, hire somebody and then let them go. We have limits throughout the year and we cap all of those.

Ms. Jones spoke and said: If I might add on, John, Mr. Whitacre, we do require regular reporting by employer participants. They are required to provide documentation that they are retaining those employees that we are referring to these programs. If we do notice a trend where an employer is picking up an employee, keep them for the four months, releasing them, picking up another one, we would preclude them from participating in that. We also will be comparing some long-term statistics as we go along, comparing wage outcomes that come through our files as we measure our normal employment and training programs that I expect that you recall through the wage match through our system and through the interstate wage system as well to determine they're entered employment rate. That's those who have touched our system in some way or fashion and have wages and subsequent quarters. But we are being very proactive.

We do have a monitoring program set up to ensure that the program resources are only being used in the manner that are deemed appropriate and further the goals of the program and getting the balance back to work. And I would also like to add, if you don’t mind, Mr. Chairman, that I'm not sure if Deputy Administrator Parvin is in the audience in southern Nevada, but she has been the leader who's been the spearhead of implementing both the Silver States Works initiative and the BEST initiative, the Business Expectation Service Transformation initiative which basically transforms how we provide business services to Nevada's employer community. And I just want to extend my appreciation to her, to John and all of the leadership team who participated in those transformations of the Employment Security Division. Thank you.

Mr. Costella asked what some of the other collaborating agencies are, do you know any by name? Mr. Parel that EDON and MDA and NCED are the ones we work with here in northern Nevada. They are the Chamber of Commerce. Reno Sparks Convention Center is one of our neighbors as well, so we work with just about every partner agency out there. Also HRA. Council member Costella asked if there are still people that have not yet gotten on board that may be potential to expand the program. Mr. Parel said that we are constantly looking, that is why we need everyone's help. We have our website and my number is up there also. We do out reaches, we are doing grassroots. Also the manufacturers and the Tahoe Reno Industrial Center. How about a program – Dream It, Do It, Mr. Parel said yes, that one too. Also WACA, we work with them.

Mr. Parel said that one of the things that we realized is that, for a long time when we were focused on job seeker training, we've decided that, in the end, I can send 30 people, job seekers, to truck driver training and in the end I still have 30 unemployed truck drivers. This way we're not targeting them. We are taking those skills and if we can't use their skills currently, we'll train them and try to get them specifically what the employer is looking for. So these are targeted training and placement that we're doing.

Ms. Carranza had a question, speaking of your reference to truck driver training, if there is a specialized license requirement or something for the employer, are you taking it to that level? Are going drilling down that far and helping them get that licensing? Mr. Parel said absolutely. We get endorsements, HAZMAT training, anything else that they might need.

Ms Jones thanked Mr. Parel for his presentation.

## VII. UNEMPLOYMENT INSURANCE MODERNIZATION PROJECT, UINV

Dave Haws, Division Administrator, Information Development & Processing, DETR

Chairman Havas introduced the next presenter. We will now have David Haws give us a presentation on Unemployment Insurance Modernization project. David heads up the Information and Development and Processing as a Division Administrator.

Dave haws said that it was good to be here at the meeting. Administrator Cindy Jones invited me to give you a brief introduction to our UI Modernization project. ***Exhibit E - Nevada's UI Modernization Initiative: UInv.*** This is a project that actually began well over ten years ago as the Department evaluated their systems that support UI within the state of Nevada. It was determined that these systems going forward, would not be able to keep up with the changes within the State and within national initiatives that were occurring. So, predating myself, a lot of work had been done to do some upfront analysis and I came onboard about 2005 as a member of DETR to specifically work on this project. We then went in 2007, we actually did a problem analysis and identified that there are about 260 functional business areas within UI that needed to be overhauled and there were 380 major system problems that we were able to document. These problems were then further evaluated and we came up with about 2,000 system requirements that would need to be satisfied as part of this UI modernization effort. So, in the last 20 years, the Legacy applications that we have, they were just…our architecture, was just too old to handle some of the changes that we needed to make. With these new requirements, we actually went out to bid and solicited vendors to come back and help us replace these applications. One of the key core applications that we use today is our GUIDE application. You may hear that from time to time in the news and so on. That application was actually developed in the '70s and it was brought onboard within DETR in 1998 to help us overcome the Y2K barrier.

Unfortunately, when that system went in, it really did not provide the much needed automation that we were seeking, in fact, it required extensive manual effort to keep up with all the UI demand. So, looking at these problems, getting permission from all the necessary oversight groups, DETR went out to bid for this application. This new application will provide a lot more direct accessibility to employer accounts and claimant information. It is portal based, meaning the employers will be able to come online, specifically look at their account and change demographic information, look up reports specific to those events and those actions that are occurring within their account, specifically claimants, will be able to come onboard, be able to not only initiate their claim, but actually look up that claim and look at specific payments, when did they occur or why didn't they occur, be able to submit appeals, which then would automatically flow as well over to the employer's side. So the intent is to try to reduce a lot of the manual effort that we go through today with processing UI claims and UI accounts and make that information much more readily accessible to employers and claimants across the state.

One of the key things that I'm excited about is just this communication that we'll be able to have between claimants and employers across the Internet. This project is 100% federally funded, there were federal funds set aside by the Reed Act Fund. Those funds were set aside specifically for UI agencies to modernize their systems. Of those funds we had set aside approximately $38 million. $30 million of that would go to the successful vendor to help us implement this application, and the other $8 million would be used for internal use to help us complete data conversion, help us to manage the project and to do some internal testing as well. This bid was competitively bid through the RFP process. State Purchasing assisted DETR with putting together this RFP. That went out to bid. Several vendors bid on it and the successful vendor was Capgemini.

Capgemini has been onboard since February 2010. They have approximately 50 people on-site working with us. In addition to their 50 people, we have probably other 30 or 40 subject matter experts who, from time to time, become part of the project to help define the requirements and help us with testing. We also have nearly all of our IT resources dedicated to this project as well, so we're doing two things. We are working on this project and making it happen with the vendor, but at the same time we are also maintaining the existing systems and keeping them running in the meantime. So a lot of work is occurring out there. We just recently completed and released one which was to introduce imaging across DETR. We are now able to pull up all of our UI related documents online up through the monitor and people can search for different documents based on names and Social Security numbers and so forth. We will eventually move towards other releases, which will include introducing these portal concepts to claimants and to employers. Part of that will occur next year for claimants and then early 2013 for employers.

So that concludes my presentation. I wanted to make it brief, but I'd be happy to answer any questions that you might have. And I would invite Cindy Jones to share anything that she would like since she's the executive sponsor as well on this project.

Ms Jones said that she is just very pleased with the progress of this project and it's in great part due to Dave Haws' leadership on the project. We would be lost without him. He is, to me, our guarantee of success of this project. It is a substantial and significant project that is a high stakes project as well.

There's no room for failure on this system replacement because we don't have money to do it over. We only have money to do it once and do it right. I would also like to applaud David and his staff for keeping our old DOG system operating. We are operating in the most complex claims environment ever imagined since the Unemployment Insurance program was created 75 years ago with a variety of tiers of extensions, very complex rules regarding eligibility for the variety of tiers. And so, just being able to keep that going and ensure the timely and accurate payment of benefits, is a Herculean task and he and his group work hand in hand with the professionals in the Unemployment Security Division to ensure such and I just applaud his effort and his work. Thank you very much, Dave.

Dave Haws thanked Ms. Jones by saying that he appreciates that. I should note, he said, that this system, we're not developing it from scratch. It actually is a system that has been put up and running within Indiana and we've brought that code and the vendor working with us. We brought that code in and now we're modifying it ***specifically*** for Nevada.

Chairman Havas thanked Mr. Haws. Well, we have a scheduled workshop this afternoon to consider the adoption of regulation to establish the unemployment insurance tax rate schedule for the calendar year of 2012 under Nevada Administrative Code 612.270. And I'd like to defer to Cindy now so she can make some opening statements.

Thank you again, Mr. Chairman. Again, for the record, Cindy Jones Employment Security Division Administrator. This meeting is conducted by the Employment Security Division and its Administrator, as well as Employment Security Council, to solicit public comment on the proposed amendment of the tax schedule regulation in Nevada Administrative Code Chapter 612.270 in accordance with NRS 233B.061.

Ms. Golden, was proper notice of today's public workshop given as required by NRS 233B.060? Ms. Golden replied by introducing herself as Joyce Golden, Administrative Assistant to Cindy Jones by saying Yes, proper notice was given.

Thank you, Ms. Golden. In accordance with NRS 612.310, the Employment Security Council provides a recommendation to the Administrator regarding the tax rate schedule for the upcoming calendar year through this process. The presentations you are about to hear are intended to provide you with the information you need in order to make this important recommendation. Before we turn this back over to the Chairman, in accordance with Assembly Bill 257, if I said that correct, Mr. Susich, I would like to open the floor again for public comment in northern Nevada. Seeing none, public comment in southern Nevada and Las Vegas? Okay. Seeing none, at this point I will turn the agenda back over to Chairman Havas to introduce our first presentation. Thank you.

## VIII. WORKSHOP TO CONSIDER ADOPTION OF REGULATION TO ESTABLISH THE UNEMPLOYMENT INSURANCE (UI) TAX RATE SCHEDULE FOR CALENDAR YEAR 2012 (NEVADA ADMINISTRATIVE CODE 612.270)

### A. Economic Projections and Overview

William "Bill" Anderson, Chief Economist, Research & Analysis Bureau,
Department of Employment, Training and Rehabilitation

Council Chairman Havas said he would like to hear from Bill Anderson, the Chief Economist for for the Research and Analysis Bureau of DETR to provide us with economic projections and overview.

Good morning and thank you, Mr. Chair. For the record, my name is Bill Anderson, Chief Economist with the Research and Analysis Bureau within the Department of Employment Training and Rehabilitation. My role today is to kind of provide you with some general background information against which you'll go through your deliberations and end up making a recommendation to Ms. Jones. Following me, my colleague, Dave Schmidt, will provide you with some more UI specific technical information. I'll take this opportunity to publicly say that I always enjoy working with Dave. I'm very lucky to have him as Cindy will certainly back me up on this. He does a great service to the state of Nevada and he's become a subject matter expert with respect to UI and UI Trust Fund issues. So I just wanted to get that out on the record.

Just a very brief bit of background. And I've been doing this at my presentations quite a bit lately. And I'll give you basically a suggestion as to how you might want to keep looking at this information going forward. Out on our website, nevadaworkforce.com, there are three things that we post there and we keep them live on a monthly basis that you could look through over the course of 15 minutes to a half an hour every month and pretty much have everything you need to know about what's going on in the economy. That would be our monthly press release and they're all right on our homepage, nevadaworkforce.com. Our monthly press release our monthly newsletter called the Nevada Economy in Brief. It's typically only a three-page narrative along with a lot of supporting information. And then thirdly, the presentation that I'm about to give you, you'll see something very similar to that out on our webpage. We release it in conjunction with our press release that gives you a picture of what's going on in charts and graphs. So I just wanted to put that out there so looking forward if you have the time and the interest, you can do that and, as I said, be pretty much up to speed over the course of about 15 minutes.

Today what I'm going to do is, as I said, is give you that background information. Basically, my presentation can be split up into three parts. I'll start out very briefly with a national review so you can see the kind of environment that Nevada's operating in. Then I'll talk a bit about the Nevada economy and then I'll wrap things up by focusing in specifically on Nevada's Labor Market situation. One thing that I typically do that I won't be doing today because Dave will do it, is provide my audiences with an overview of what's taking place on the UI front. But, as I said, Dave will be doing that today. So with that, let me start out with that national perspective, just give you a few tidbits about what's going on out there. Consumer sentiment and confidence is relatively low. I characterize it as kind of bouncing along the bottom. We've risen a little bit in some cases from recessionary lows, but not very much. This is very important to Nevada because one of the drivers of our economy here is discretionary consumer spending, the willingness of folks to come here, spend their money at our various tourism and gaming attractions. So we do keep an eye on this. ***Exhibit F – Nevada Labor Market Briefing.***

In terms of housing starts those two are more or less just kind of bouncing along the bottom. About 570,000 new housing starts in August, down slightly from both the previous month and a year ago. Consumer prices during the summer were up between 3.5 and 4%, relative to where they were a year ago. Gross Domestic Product (GDP), the broadest measure of economic activity is actually up about 1.3%. After I submitted my presentation, there was a revision to those numbers the last Thursday or Friday. So our economy is growing at about a 1.3% clip. The consumer portion of that is only growing at about seven-tenths of a percent. And then we have industrial production rising at about two-tenths of a percent by its most recent reading.

In terms of job growth we lost nationwide (pg. 4), more than 8.5 million jobs between the end of 2007 and 2009, essentially encompassing our recessionary period. Since then we've only gained back about 1.9 million of those jobs. Job growth in August essentially came to a halt. It was literally zero during the month of August. You can see that we have been adding jobs but at a relatively low pace. One little side note that I'd like to offer, and I'll be going back and somewhat framing this in Nevada terms, discouraged workers, it's a big issue right now (pg. 5). Those folks who are unemployed or without a job, but they've given up their search for work. They simply feel for whatever reason that there are no suitable job opportunities out there for them at this time and they've given up their search for work and they've fallen off our unemployment count. There were about 975,000 individuals categorized nationwide as being discouraged in August. That's down a bit, on the plus side. Down a bit from about 1.3 million at the end of last year, but nonetheless, as you can tell, that’s a big number. Prior to the recession, that number was about half of its current level.

In terms of Nevada, switching focus right here (pg. 7), at home taxable sales are actually up 6.3% relative to the first seven months of last year. Just last Friday we got the July numbers. So we're up about 6.3% through the first seven months of this year relative to where we were a year ago. Gaming win numbers have been coming in. They're quite volatile, but overall they've been coming in fairly decent, up about 4.3% through the first seven months of this year relative to a year ago. Visitor volumes up by close to 5% in Las Vegas so far this year. Gold prices which heavily impact the health of our rural economies are at all-time highs. They're actually at about $1,793 as of September, which just came out yesterday and they continue to trend up. And our human service caseload, the outside of the UI world, those folks participating in the TANF program, those folks participating in the old food stamp programs, now it's called SNAP, enrollment growth is declining significantly in those cases. In terms of TANF, enrollment growth is still positive, but nonetheless it's declining considerably.

Visitor volume, just to add some meat to some of these bullets, has been up 17 straight months in Las Vegas (pg. 8). Gold prices, as you can tell, are trending up nonstop (pg. 9). They were up in excess of $500 over the course of the last year.

Let's switch our focus now to residential construction activity (pag. 10). Residential building permits for new residences are down by 7% to 8% through roughly the first two-thirds of the year. One bright spot in terms of the overall market is the resale market. If you look at southern Nevada, the August resale activity was the highest level in about six years (pg. 11). So we are seeing quite a bit of activity there. But new home closings remain very weak and they continue to basically just bounce along the bottom (pg. 12).

Foreclosure activity remains quite high by historical standards, but we have eased a bit off of our recessionary highs. In terms of resales, you can see it here. They've been trending up. Essentially since 2008 a lot of volatility, but you can see that most recent reading and, again, it is the highest since the middle part of the last decade. In fact, in August resale activity down south was essentially 50% higher than where it was a year ago. Here's where you can see what's happening on the new home market. Essentially just bouncing along the bottom for the last 2 ½ to 3 years with very little upward movement. The only good thing you can say there, the August decline was one of the smallest in recent months, but still, that's nothing to write home about. Probably most importantly foreclosure activity, you can see what's happening here, that dark blue area at the bottom represents the number of new loans going into foreclosure (pg. 13). About 11,300 as of the second quarter of this year. It is down from about 21,000 at its peak, but, again, you can see it's well above what we would expect or what we would've expected prior to this recession. And pretty much the same pattern for total foreclosures. Foreclosure, the number of loans in foreclosure right now both new and existing is about 41,000 down from about 56,000 at its peak, but nonetheless, extremely high, worrisomely high by historical standards.

Switching over to labor markets (pg. 15), our unemployment rate in the month of August, our most recent reading, rose for the third consecutive month to about 13.4%. If you remember, during much of the first half of the year, during the first five months of the year, we saw downward trends in our jobless rate. A lot of that was driven by a stable employment market, but at the same time we're seeing our labor force decline. Perhaps some Nevadans were becoming discouraged with their work prospects. They gave up their search for work. They became discouraged and weren't counted amongst our unemployed. Perhaps folks were leaving the state at the time in search of better opportunity, but nonetheless, that was one of the main driving forces. However, over the summer months we've seen the labor force once again start to increase. And when you couple that with an employment market that I'll talk about shortly, that's put upward pressure on our unemployment rate. But nonetheless, we are still down by about a point and a half from where we were just a year ago.

In terms of what's happened to our jobless rate over the course of this recession, it's up about 8.2 points from where it was at the official beginning of the recession (pg. 16). So, again, we're not seeing a kind of downward trend in the jobless rate that obviously we would like. In terms of where we rank (pg. 17), as has been mentioned by John I believe, we do have the highest unemployment rate in the nation. California is second. You see a number of states in the Midwest and in the upper Midwest at the bottom…or at the top of the rankings. They have the lowest unemployment rates. You know, historically, and I hate to get too informal here, kind of the poster child for unemployment has been my home state of Michigan and we still have a higher unemployment rate than they do. So that's certainly of some concern to have this highest unemployment rate.

In terms of county within Nevada, the geographic distribution of unemployment rates, I like to look at these on a year-to-date basis because they're very volatile from month to month (pg. 18). One big pattern stands out and I know Dave was one of the first to kind of come up with this analogy. You can essentially split the state into three regions. The lowest unemployment rates are in our rural counties, many of which are driven by the mining industry and that's why I threw in the tidbits about gold crisis, because some of our rural communities are benefiting greatly from the ongoing increase in gold prices. Then you have our major metro areas, Carson, Reno and Las Vegas. They have higher unemployment rates. But the highest rates are in what I would call bedroom communities, places up north like Lyon County, Douglas County, where a lot of folks, a lot of construction workers, what the anecdotal evidence suggests, move to and they commuted into the major metro areas to take advantage of the construction boom. Down south you have Nye County, Parhump, a lot of construction workers moved there over the years and they commuted into Vegas to take advantage of the opportunities there, but now they're showing up on our unemployment rolls in those counties.

The big issue right now is unemployment duration (pg. 19). Given flat employment markets, a lot of folks have been unemployed for a long time. Roughly about one-half of Nevadans over the course of the last year, have been unemployed for half a year or more. Nearly two-thirds have been unemployed for at least 15 weeks. Long-term unemployment is an issue here in Nevada and nationwide as well. One item that I talked about last year that I gauged there was considerable interest in, I put in again this year, and we talk about the official unemployment rate. Essentially we estimate the number of folks really has nothing to do, or there's not a direct relationship between the number of unemployed and the number of folks given unemployment insurance benefits. But to be counted amongst or within our estimate of unemployed, you have to be looking for a job. It doesn’t matter if you're getting benefits or how long you've been employed or whatnot. You have to be looking for a job.

We have the capabilities to broaden that definition of underemployment or underutilization (pg. 20). And without going through the details, if you broaden your definition of unemployment or underemployment or underutilization, if you take into account those folks that have dropped off the unemployment rolls because they've become discouraged, perhaps they're working part-time because they'd rather, but they'd rather be working full-time, if you take those folks into account, you're looking at a measure of labor underutilization of about 23% here in Nevada. Nationwide that number is right around 16%. So it's not a problem specific to Nevada, but the problem is worse here than it is nationwide.

I alluded a couple times to the employment market. This is probably the best graph I have to illustrate what's going on there. We're moving sideways. And I think it's good to put this in some historical perspective. In 2009, we saw our job base decline by about 9.1% in Nevada. That equated to a loss of about 115,000 jobs on a year over year basis. Moving forward to 2010, our job loss, the rate of job loss eased to about 2.8%. That translated into the loss of about 33,000 jobs. And then finally this year through the first eight months of the year, we've seen our job losses decline to about 2,000. For all intent and purposes they're flat. And we're down about two-tenths of a percent through the first eight months of this year relative to where we were a year ago. So the good news is that the dramatic job losses of previous years are behind us. The bad news is we just don't see that upward momentum that we'd like to be seeing. In terms of our performance vis-à-vis the U.S., you only have to go back roughly a half decade or so ago. We were growing at a rate four times the rate of growth nationwide. Now we've fallen behind the nation in terms of job growth and that's because this recession has hit economies like Nevada's, heavily dependent upon construction and consumer spending relatively hard. You see these same kind of trends in other states like Arizona, the Carolinas, the southeastern U.S. that historically have been near the top of the rankings just like Nevada.

We've lost since the official start of the recession about 190,000 jobs here in Nevada. To put that in some context during what I like to call the boom period that ended in 2000…boom decade that ended in 2007, we lost, or we added about 400,000 jobs. So we've lost a little bit less than half of what we gained. In terms of some industry specifics, most notably that dark green line is construction (pg. 24). You can see that roughly two years ago it was declining by about a third on a year over year basis, roughly 30% to 35% on a year over year basis. Now those job losses are down to about 5% on a year over year basis, but nonetheless, they're still trending down.

Up at the top you see a couple of industries that are doing fairly well in employment terms; leisure and hospitality and business and professional related services (pg. 25). In terms of some specifics, the construction job loss August to August was about 2,900 jobs. Trade, transportation and utility, a really broad but large category, was down by about 5,400 jobs. But as I mentioned, leisure and hospitality up about 9,300 jobs, and then professional and business services up by a little bit less than 3,000 jobs. So what's kind of interesting is, if you subtract out our more volatile construction sector, elsewhere in the economy taken as a whole, jobs are actually growing a bit. I saw one analysis where if you take out construction and government, we've grown for 13 of the past 14 months. So it's those two, well, especially construction, that very volatile sector that continues to prevent us from moving into the positive territory.

Finally, to wrap things up looking forward, right now so far this year through August we have an unemployment rate, it will be subject to revision as it is every year, but it's at about 13.2%. We expect to end the year right around 13.1. So what that's telling us is that in the final five months, four months of the year we're going to see the unemployment rate hold fairly steady. Chances are it'll bounce around, but when you average the plusses and minuses out, it should be a pretty stable pattern. And then we see a gradual decline of down to 12.5 and then down to 11.5% through 2013. On the employment front, again, right now, we're just bouncing along the bottom. And looking forward right now, in the absence of any unforeseen catalysts, we're looking for employment to move into positive territory but relatively marginal growth. Something right around 1% or slightly less less growth. An improvement upon where we're at, where we've been, but something that falls short of obviously where we were. So with that, I'll be happy to answer any questions that you might have.

The Chairman thanked Mr. Anderson for his presentation. He felt that Mr. Anderson is certainly the voice of the state and of DETR and the Council appreciated his presentation very much. At this point we might have a break, if that's okay with members of Council for about ten minutes. About 11:00 am a short break was announced.

**B.** **Review of Unemployment Insurance Trust Fund**
David Schmidt, Economist, Research & Analysis Bureau
Department of Employment, Training and Rehabilitation

Chairman Havas announced the return to the meeting. We can now have a review of the UI Trust Fund and David Schmidt, the Economist in the Research and Analysis Bureau of DETR, to give his presentation.

Thank you, Mr. Chairman, members of the Council. For the record, my name is David Schmidt. I'm an Economist with the Research and Analysis Bureau in DETR. I'm here today to give you an update on the status of Nevada's Unemployment Insurance Trust Fund and to provide you with some forward-looking numbers to help inform you as you make a recommendation concerning the Unemployment Tax Rate for 2012.

I'll begin with a familiar chart from last year. This shows the solvency of all of the states in the country as of the end of December 2007, which is the month that the recession started (pg. 2). You can see that a number of states actually entered the recession with Trust Funds that were on the point of insolvency already. However, there were a number of states including Nevada that had an average high cost multiple, which is a federally recommended solvency measure of at least 1.0 and that represents one year's worth of benefit payments being held in reserve during recession that would be equal to the three worst points over the last 20 years.

If we look at 2010, had to change the color scheme a little bit because now there's about 30 states that have borrowed money from the federal government in order to pay benefits (pg. 3), so all of those that borrowed and had outstanding borrowing of one form or another as of the end of 2010. Nevada's one of those states, we began borrowing in October of 2009. But there were five states that the National Employment Law project characterized as "blameless borrowers" and those were those states that had sufficient reserves, an average high cost multiple of at least one heading into the recession that nevertheless had to borrow. Nevada, Arizona, Florida, Vermont and Hawaii are those five states. And according to NELP, there is about a 22% chance that states, historically speaking, that have an average high cost multiple of one would have to borrow during a subsequent recession. So these are states that were well prepared but face circumstances much tougher than they would normally have to expect. It's noticeable that three of those states, Nevada, Arizona and Florida, are three states that were particularly hard hit by the housing bubble collapsing.

As of the beginning of this year, 30 States had loans outstanding in the form of either bonds or Title 12 loans. Title 12 being the sort of way we characterize loans that we take from the federal government in order to pay for benefits. As of September 27$^{th}$, 28 states had about $38 billion in outstanding Title 12 loans (pg 4), and there were a couple of other States like Texas, that have chosen to bond their debt. Those 28 states owed interest as of September 30$^{th}$. As Ms. Jones mentioned earlier, Nevada received a deferral on our interest payment to June of next year, due to our high unemployment rate. As of December 2007, Nevada had the 18$^{th}$ strongest Trust Fund. We had an average high cost multiple of 1.02. We had a state solvency measure, which we'll talk a little bit more about later, of 1.47 and that's calculated according to NRS 612.550. I'd like to highlight again, you've seen this before, but Nevada had endured a very significant hit to its economy. And at the point when Nevada began borrowing in order to pay unemployment benefits, we had an unemployment rate of over 13%. This chart (pg. 6) shows you how many states borrowed at various unemployment rates, what their unemployment rate was when they first began borrowing. So there were two states that actually had to begin borrowing when their unemployment rate was less than 5%. Most states borrowed with an unemployment rate of between 6% and 11%, but, again, Nevada's way out there on the extreme with an unemployment rate of over 13% in the month when we began borrowing, which was October 2009.

This chart (pg. 7) shows you how much we've had to pay for regular unemployment insurance benefit payments from 1971 to the present. This is only regular benefits, which is the first 26 weeks of benefits. The additional monies that we've paid off through the federally paid extension programs since 2008 are not included in this total. So you can see in 2009 Nevada peaked, paying out over $100 million per month in regular unemployment insurance benefit payments. We've declined since then. We're down closer to about $40 million per month as of August and that's just a little bit above the very worst month that we had following 9/11 in late 2001. And with that surge in benefit payments, Nevada's Trust Fund has seen some pretty wild swings and we went from having about $800 million in reserve as of the end of 2007 to the point where by December of this year we expect to have borrowed about $800 million. So we've gone from having $800 million in reserve to loans of $800 million in order to pay benefits.

You can see that falling benefit payment levels, which is that gray bar toward the right end of the graph (pg. 8), you can see it falling from over $1 billion per year to about $600 million per year. So we've seen a drop off in benefit payments. We also see an increase in revenues coming into the Trust Fund because of the increase in the average tax rate last year to 2.0%. So from 2008 to 2009 we saw a decline in the position of the Trust Fund of about $717 million in one year. From 2009 to 2010 it declined by about $500 million. And 2011 we expect it to have declined by a little under $200 million. So the situation is improving. We're not falling as fast as we were as far as solvency.

This chart (pg. 9) shows you the same information in a slightly different way. This is the benefit cost rate which is the tax rate that would be needed in order to pay for benefits in a given year. That’s the orange line. And the average tax rate in Nevada which is our total revenues we've brought in divided by our total taxable wages. Now, you can see just a couple of years ago we would've needed a tax rate of over 4.5% to pay for benefits in 2009. The demand on the program was just that high. That's come down significantly to where in 2011 the rates a little above 2.5% is what we would’ve needed. And our actual collections there, because this is a calendar year it's a little bit adjusted sideways because revenues actually come in from April to March, so that’s a little bit below the target 2.0% that was voted on, but that'll increase as we get, you know, through the end of the year. But that gap in 2009 between the tax rate and our actual what we would've needed to pay for benefits was 3.5%. So our tax rate would've had to be 3.5% higher in order to pay for benefits in 2009. In 2011 that gap was only at .08%. Because Nevada's borrowing, it's important that we lay out some of the costs of borrowing so that you can take this into account as you consider what tax rate to recommend for 2012.

One of the first things we want to talk about is the difference between federal unemployment taxes, or FUTA, that's Federal Unemployment Tax Act, and state unemployment taxes, or SUTA for State Unemployment Tax Act (pg. 10). Federal taxes are on a fixed wage base of $7,000 per employee per year. These taxes are paid to the federal government and it funds federal and state Unemployment Insurance Administration as well as the pot of money that we use to draw for Title 12 loans, until that pot went dry and they had to appropriate additional money at the federal level to help fund all of the loans that states have needed. The tax rate has been fixed at 6.2% since about 1970s. Employers generally receive a 5.4% credit which reduces the effective tax rate on employers to .08%.

However, as of July 1st of this year, a 0.2% surcharge that was put in place in the 1970s was allowed to expire, which lowers the federal tax rate on employers to 6% and makes their effective tax rate after the credit 0.6%, which saves them about $14 per employee per year. The state unemployment taxes, by comparison, are on an indexed tax base, so the taxable wage limit per employee is tied to average annual wages in the state. This is paid to Nevada and can only be used to pay for benefit payments in the regular benefit program or the principle, but not interest of loans which are used to pay those benefits. This is an average rate set each year by regulation. The average rate is currently 2.0%. The actual rates paid by employers can vary from 0.25% to a maximum of 5.4%. And I'd like to highlight that. That taxable wage base of $26,400 looking ahead in 2012 has actually declined for two years in a row. It was $27,000 in 2010. It declined to $26,600 in 2011 and down to $26,400 in 2012 because average wages in the state have been falling over that same time period.

As we look at the federal taxes (pg. 11), one of the costs of borrowing is that the federal government will begin to reduce that 5.4% credit that employers receive which effectively raises the federal taxes that are levied against employers. The longer a state borrows, the steeper this credit reduction becomes in an attempt to help the state to repay their loans and all revenue generated by the increased portion of taxes applied to states' outstanding loan balances. There is a couple of components to this credit reduction. The first is a 0.3% per employee per year reduction. This begins on the second consecutive January 1st with outstanding loans (pg. 12). So that will begin to apply to Nevada for 2011. This credit is reduced by an additional 0.3% each year, so in 2012 it'll be a total of 0.6%. In 2013 it'll be 0.9% and so on. And that's on, again, that first $7,000 in employee's wages.

There's an additional reduction that can begin to apply in the fifth year of borrowing which for us would be 2014. This is called the BCR add on (pg. 13). BCR stands for Benefit Cost Ratio. It's pretty similar to that benefit cost rate, that orange line I was showing you earlier. It takes the higher of either 2.7% or the five year average benefit cost ratio and subtracts the state's average tax rate. And I also have an example down there in red toward the bottom of this slide. If we look at where we would be in 2014, you would take 2.9% which is the five-year average benefit cost ratio in that year, subtract the state's average tax rate in the prior year, so, for example, use 2.0%. That gives you a 0.9% credit reduction and that's potentially added to that basic credit reduction that I just talked about. We did discover this year, this is a little bit new, that this reduction does not apply in any year if the state takes no action to reduce, or that would be expected to result in a net decrease in the solvency in the system. So as long as the state is not taking actions that would back it away from solvency, such as increasing benefit payments or reducing its tax rate, then the state can avoid this portion of those federal credit reductions.

This table (pg. 14) shows you the total effect of the basic reduction, that benefit cost rate reduction, as well as the normal 0.6% federal tax rate. On the left side of the table you see the basic reduction of 0.3% per year. And the cost per employee of $21 that corresponds to that 0.3% and how that increases over time. The center section of the table shows you the calculation of the benefit cost rate. So we take the five year benefit cost rate, Nevada's average tax rate, we subtract the two. We substitute in 2.7% if the benefit cost rate is below that. And then the total cost per employee for that portion of the reduction of $63 and then $49 in subsequent years because it becomes fixed at 0.7%.

Then the total of basic reduction, that additional reduction and the normal $42 that employers pay per employee over on the far right to show the total tax burden on employers and how that increases over time. And, again, I'd like to highlight that the center portion of this, that benefit cost rate doesn’t apply if the state takes no action in that year to reduce the trust fund solvency. All of these federal credit reductions can be capped if the state's making progress for restoring solvency to the Trust Fund. The cap(pg. 15) is either 0.6% or the prior year's credit reduction, whichever is higher, so you can't cap it before you get to 0.6% and you can't through the cap cause it to go lower than it was the prior year. In order to qualify for these caps, the state has to meet four benchmarks.

First, the State can't take any action that would be expected to reduce its unemployment tax effort. So you can't cut state unemployment taxes (pg. 16). The second is that same criteria for the benefit cost rate that you can't take any action to reduce the solvency of the UI system. The third is that the five year average benefit cost…or the tax rate, has to be higher than the five year average benefit cost rate. This ensures essentially that your taxes are high enough to be paying for benefits and helping to restore solvency. And finally, your outstanding loans have to be lower than in the third prior year. So you have to have over time declining trust fund, or Title 12 loan balance. Looking at some of the specifics of how those might apply to Nevada, really, the hardest two points to meet are the third and fourth where we have to have a tax rate that’s at least the five year average benefit cost rate and we have to have a declining trust fund loan balance.

If we were to try to aim for capping the credit reduction at the lowest possible rate (pg. 17), which is 0.6%, the target year for that would be 2013 because that’s the first year that the credit reduction would exceed 0.6%. The tax rate in that year would have to be about 3% because that’s where we expect the five year benefit cost rate in that year to be. That's pretty high still because if you're looking at 2013, you're looking at 2009, 2010, 2011, 2012, 2013 being the five years that are in that average. And 2009, 2010 were the highest two years of benefit payments that we've seen really ever in the unemployment insurance system. So if you're averaging two of those years in, you have to have a fairly high tax rate, even though benefit payments are coming down, to be above that five year average. The loan balance on September 30$^{th}$ would need to be less than $525 million as well, because that’s where the loan balance was on September 30$^{th}$ of 2010. So you would have to have essentially about $220 million in total loans less than where we're currently at. And the tax rate would need to be about 50% higher than where it is right now, from 2 to 3%.

If instead you're aiming for a cap at the second lowest rate possible, that would be in 2014. It would be capping the credit reduction at 0.9%. The tax rate would still need to be a little bit lower because we knocked 2009 out of that average, but it would still have to be about 2.9%. Our loan balance would have to be less than $742.2 million which is what the Title 12 loan balance was as of September 30th of this year. If you go one year further out in the future, that average tax rate requirement drops significantly. In 2015 it would have to be about 2.07% or really just right about where it is right now. That would cap the FUTA rates at 1.2%. Why might a state want to cap the FUTA rates (pg. 18)? One reason is that if you rely on these federal credit reductions in order to repay your loans, it takes a very long time for the State to really move towards solvency because these take several years to sort of ramp up to a really sizable impact against the level of borrowing that we've currently seen.

Another one is that the federal taxes are on that $7,000 wage base. And so if you're essentially putting the burden of repaying the loans on the federal side, then this will concentrate that burden a little bit more on employers that have a large number of low wage workers compared to employers who perhaps have equivalent total wages but a smaller number of higher paid earners. So it's a more even distribution across the employers in the state. And finally, if you rely on state tax rates to help repay loans instead of the federal offsets, then this helps ensure a level of sort of state level review where instead of sitting back and letting the federal tax rates kick in, we continue coming here and providing information so that the Employment Security Council can consider the unique situation that we're at in our State.

The other significant cost of borrowing is interest (pg. 19). Interest is typically due on September 30th. In situations where a State has a 12 month average unemployment rate of over 13.5%, they can qualify for a deferral to June 30th. Nevada's the only State that has such a high unemployment rate this year and currently we expect the unemployment rate, as Bill showed you earlier, to continue to slide next year so we probably won't qualify for it again. Of course, the situation can always change. Failure to pay the interest results in program decertification. This is sort of the big stick that the feds use to enforce federal rules about unemployment insurance. They completely remove the federal tax credit that employers enjoy which would increase taxes on employers by about $400 million a year. The State also loses all access to Title 12 loans and all administrative funding for UI system if that happens. Fortunately, funds were appropriated for 2011 and 2012 through AB 484 to cover interest costs for us over the next biennium.

Interest did begin to accrue on January 1st, 2011. Because interest accrues typically from October to September, this actually saved the State a little bit of money, because we didn’t have to pay for the portion of interest that would normally have accrued from October through December (pg. 20). So 2012 will really be the first year that the full impact of interest is realized by the states. The interest is the exact same interest that states who have a positive trust fund balance would earn on their trust fund balances. It's all maintained by the U.S. Department of the Treasury. The tax rate for 2011 is incredibly specific 4.08690135%. The total interest costs for 2011 is $22.6 million. And across all states estimated 2011 interest payments were about $1.1 to $1.2 billion. So we're still a pretty small share of that picture.

I'd now like to transition into looking at some of the trends that'll sort of impact our forecast for 2012 that we're moving into (pg. 21). The first is Initial Claims. And this is Initial Claims for regular unemployment benefits and it's people essentially entering into the unemployment insurance system. As you can see, we peaked at well over 30,000 claims in early 2009. This is a pretty seasonal measure, so we see another peak in 2010, 2011 right around December, January of each year. But excluding those peaks, really since the middle of 2010 initial claims have been pretty steady at about 20,000 per month. This is a bit of a reversal. Coming down off the peak obviously we saw some pretty sharp declines, but it's been very flat, really, over the last 12 months except for that seasonal jump. So we've gone from quick declines to where we're seeing a pretty steady level of demand at least coming into the unemployment insurance system. That demand, though, sort of the makeup of it has changed a bit. This slide (pg. 22) shows you the average weekly benefit payment to claimants who are receiving payments in the system. Again, this is for regular unemployment insurance benefits only and it excludes any federal extensions.

Because the average wage in the state has been dropping and because some of the people who are filing for unemployment have maybe less earnings on which to base their claims, we've seen the weekly benefit payment fall from about $330 to $325 in 2010, 2009. In the middle of 2010 extending until just a couple months ago, it was actually pretty steady at about $310. One explanation for this is that in July 2010, as a part of extending federal benefits, the feds also gave states the option of allowing claimants to remain on federal benefits even if they had some new eligibility come up in the regular unemployment benefit program if that eligibility would've been much less, either 25% or $100 less than they were receiving through those federal benefits. And so I think this helped stem that tide of declining benefit payments while people were able to remain on federal benefits instead of using a smaller portion of UI eligibility. As their federal benefits have expired, about a year later, we see that decline sort of resume to where we've fallen by $10 a week in really just the last three to four months. As far as the Trust Fund, this would be expected to reduce our total benefit payments because if we have a steady number of people coming in, but we're paying them less because they're eligible for less, this reduces the demand on the system.

This shows you the number of people that are eligible for the maximum weekly benefit, or rather the percentage of them that are eligible (pg 23). And again we see sort of a declining trend really starting in the middle of 2009 or so and extending to the present. This is based on a quarterly report so it doesn't line up precisely with the prior chart. You can see we're also at a low point with only 35% of claimants actually being eligible when they fire for the current maximum of $396 per week. If we look at the average duration of employment, we can see that the total number of weeks for every person who begins receiving benefits has been declining over the last year and a half or so. It peaked at just under 20 weeks per claimant and we've fallen down to where we're at about 16 weeks per claimant. Part of this is because the number of people who exhaust all of their regular unemployment benefits has fallen. It's gone from about 64% to about 56% and that's a 12 month average, so it's continued to be pretty steady over the last year or so. At the same time, we have people that are coming in with smaller benefit pools and they're eligible for a smaller number of weeks overall. So we see fewer people exhausting which is undoubtedly a good thing. We also see some people who just have a smaller number of weeks available.

This chart (pg. 25) shows you the effect of federal extensions on the program. Generally I focus just on the regular program because that's what the Trust Fund pays for and that's what the tax rate really goes to fund. But it's helpful to provide some perspective. You can see from this that the federal programs which are EUC and SEB, which are represented by the gray and light blue sections of this chart, account for over half of all current benefit payments. Total weekly payments peaked at almost 150,000 in early 2010 and has since declined to where we're paying just under about 90,000 people a week currently. I also show you the red line at the top. That's total unemployment on the state. So we have a little over 180,000 people unemployed currently, excluding discouraged workers which Bill alluded to earlier. And about a little under 90,000 of those per week are actually eligible for unemployment benefits.

This chart shows you similar information in a little different light (pg. 26). It shows you the percentage of the unemployed that are covered by regular unemployment benefits and by regular plus federal unemployment benefits which is the blue line.

You can see that in the early years of the federal extension's total coverage peaked at about 75% of the unemployed who were actually covered by unemployment benefits. That's steadily declined. It has some bumps and some dips, but we're a little bit under 50% right now of the total number of unemployed that are actually covered. And the percentage that are covered by regular benefits coming from the Trust Fund has fallen to almost 20%. If the federal benefits expire as it's currently scheduled, we'd expect to see that increase a little bit as people who are currently on federal benefits but maybe have a little bit of state eligibility would come back into the system, but, you know, there's a lot of people that have been unemployed, as Bill pointed out, for more than 26 weeks and have, little to no eligibility remaining. There is a large number of unemployed people that just aren't covered by the program at this point in time.

Finally (Pg. 27), I'll review the forecast that we presented in 2010 at the Employment Security Council last year and see how we currently stack up against those expectations. In 2010 we were expecting an unemployment rate of 14.6% for calendar year 2011 and, as Bill said, currently we expect that to be only about 13.1%. So we're about a point and a half below what we were expecting last year, which is good news. Also, our employment growth rate is higher. Through the end of 2011 we expect a total employment growth of about 0.6%, whereas last year we were expecting a decline of about 2.7%. So we're expecting a little bit of employment growth instead of further shrinking which is also some good news which I'm happy to be able to bring to the Council after several years of less encouraging numbers.

Our covered employment as of March 31st, this is one of the components in our solvency calculation, we were expecting about 928,000 covered employees. We actually had 946,000. And because of that decline in the unemployment rate, we were expecting about 2.8 million claims over the course of the year and that's fallen to about 2.2, 2.3 million. Finally, our total revenue is actually a little bit lower than expected. Seems kind of counterintuitive because our employment growth is actually a little higher than we expected. However, this is because the makeup of employers within the range of tax rates from 0.25% to 5.4% is a little bit different than we were expecting last year and so that's caused our revenue to be a little bit lower than we expected, about 40 million less. Our total benefit payments, because those claims volume has dropped, came in about $120 million less than we were expecting, so we paid out substantially less than we expected. And so the total volume of loans that we have as of October 31st is about 80 million or so less than we were expecting to see and so the total loans is a little better than we expected it to be.

Finally (pg 30), we have this table which presents the solvency calculation outlined in NRS 612.550. The top section of the page in blue outlines the four components of that calculation which are the covered employment as of March 31st, the highest risk ratio in the past ten years, which is the percentage of employed people we might expect to enter into unemployment, the numbers receiving unemployment benefits, the highest week's duration in the past ten years, which is the number of weeks claimed per person who becomes unemployed, and the most recent average weekly benefit payment which gives an estimate of what we would expect to pay people for all of those weeks that they're unemployed. This gives us a solvency target of $1.05, $1.06 billion.

Because this looks at just the last ten years and because 2009 was the worst year, you can actually see a pretty strong parallel between that number and actual benefit payments in 2009, sort of in the middle of the chart there in the gray section which was $1.02 billion. Just sort of shows the calculation at work. Interestingly, in previous years we'd sort of come here and we were talking about the average high cost multiple as another way of judging the solvency of the system because really in the middle of the decade that was actually a more difficult standard to meet because the state solvency measure, as you can see at the left side of the page here, was only about $550 million. And that’s because the state solvency measure only looks at one year in the last ten years, whereas the average high cost multiple looks at the average of three years over the last 20. So you have a bigger pot to draw on as far as what's the worst we might expect. That’s flipped a little bit. The average high cost multiple requirements are about $800 million and that's because now we're averaging 2009 in with the prior two recessions and the expectation then is a little bit muted. In the gray section we have the actual cash flowing through the Trust Fund.

As I showed you earlier, our total UI tax is about $374 million in 2011. Total benefit payments are about $584 million. This has led to a net change in the trust fund as of September 30th of about $200 million. So in the final quarter of the year if you remember I said we'd down about $188 million. That's just because in the fourth quarter we'll pick up a little bit more of that improvement and that 188 was a calendar year number. That leaves us with an ending net trust fund balance of about $736 million in the hole. Our loan balance as of September 30th is actually $742 million, but we had some additional money in the trust fund in reserve that was from collections received in August that was being used to pay benefits. And so when I say we have a net fund balance, we have a little bit on the positive here and our negative loan balance on the other side and I'm sort of adding those two together to provide you a single picture of our overall position. At the bottom of the page there we have our solvency multiples where, you know, on the negative side our total loans are about 70% of what our expected solvency would be on the other side, so we're really, you know, almost double on the negative side where we want to be on the positive, our total gap is about double because we're 100% below because we're below zero and then we're about 70% in loans compared to where we actually want to be. So the negative solvency multiples are a little bit strange in that respect.

This chart (pg. 31) shows you those solvency multiples for the state solvency measure going back to 1981. You can see this was the first time that we've actually been negative in that time period because the last time we actually borrowed was back in the 1970s and we've been there now for two years. This chart is very similar (Pg. 32). It shows you the average high cost multiples going back to 1991. Again, we're only negative in the last two years because those are the only two years that we've borrowed. We can see that historically this has been a more difficult standard to meet and we've been below a 1.0 level more often in this federal measure than we have by the state measure. This slide (Pg. 33), shows you the range of tax rate possibilities for 2012 as well as the forecasted numbers we're providing for that state solvency calculation when we come before you again next year. We're estimating covered employment to be about 947,000. The risk ratio and duration will stay the same with 2009 being the worst point and the average weekly payment will continue its recent trends and decline to about $300, which would leave the solvency target at about 1.03 billion. The total payout from the fund, benefit payments, is consistent in the gray section across all of these different possibilities.

The only thing that really changes is the total tax revenue. Also new to the chart this year is that FUTA offset loan repayment under intake to the fund. This represents that first time that we've had the federal offset credit for 2011 because that gets collected and applied to our account in the following year. So 2012, the numbers we see here are collections for 2011. It's a little bit staggered there. We expect, if we were to keep the tax rate constant that the Trust Fund would go down. We'd borrow about $130 million more over the next 12 months. This would drop our solvency multiple for the state to -0.84 and the average high cost multiple to -1.07. As you can see on this chart on the far right side if the tax rate were increased to about 3%, we'd expect that by September 30th of next year we'd actually have repaid about $12 million worth of loans. The break even point as far as the benefit cost rate, what would our tax rate have to be in order to pay for benefits next year, currently estimating about at 2.5%, but that's subject to benefit payments increasing or decreasing. Of course, it's just an estimate.

This table (Pg. 34) shows you some of the long-term effects of those tax rates from the previous slide, what would happen if the Council were to…or if we were to increase the tax rate to one of these levels for 2012 and then leave it there. You can see at the top we have some sort of milestones as far as the year when we have our maximum borrowing, the year in which the federal offset credit is the highest, any years in which we would qualify for caps on the federal reductions, the year that the loans are repaid and the year that we would achieve an average high cost multiple again of 1.0, which is where we were at heading into the current recession. So walking down the 2% selection as an example, we expect maximum borrowing at the current tax rate in 2014. Maximum federal offsets would take place from 2015 to 2017. That's a range of years because we would qualify for federal offset caps in 2016 and 2017. So for those three years we'd be at a 1.5% offset. We'd expect our loans to be repaid in 2018 and for the average high cost multiple to reach 1.0 in 2021. Below that, you can see the effect on what our total borrowing would actually be. It will peak at about a little over $1 billion.

The total interest expense from 2012 until the loans are repaid would be about $211 million (Pg. 35). The federal offsets, the total value of those over the entire timeframe, would be about $463 million. Essentially that's the additional taxes that employers would be paying to the feds to help repay our loan balance. And then the total loan repayment that takes place from those federal taxes. In this table I assume that Nevada takes no action to reduce our solvency, so the BCR additional credit reduction is not factored into any of these numbers. Just assume for the sake of making a table that once we go to a rate we leave it constant, we don't reduce it in a future year. I also have at the bottom there a reminder of a number I brought up last year, that the average time over the last 50 years from the end of one recession to the beginning of the next has been about 5.4 years. So if you were to use that as a milestone, we might expect another recession in 2014. Obviously, in the last 30 years we've had a couple of times where there were ten years between recessions. From 2001 to 2007 we had a gap of about six years. So this is something that's highly variable. And I'm not saying there will be a recession in December 2014, but rather on average that's about how long it is from one to the next.

The next table (Pg. 35), we're almost done, is the estimated interest expenses at all of those different tax rates. It essentially just takes the numbers from the previous table, the total, and then breaks them out per year, so you can see the effect of various tax rates in each year. In the 2.0% column we expect total interest payment for 2012 to be about $38.5 million, to peak at $43.5 million in 2013 as we approach that point of maximum borrowing in early 2014, and then to decline as loans are repaid from there. Again, this table assumes both that the tax rates and that the interest rates we're being charged are fixed. The interest rates actually change each year. But it's just an assumption for the sake of being able to make a table. So the last chart I have is looking at the Benefit Cost Rate (BCR) and where we expect that to go over the next four or five years. It also shows you those colored dots are the various tax rates from 2% to 3% in .25% increments. You can see, as I said, we expect the break even point to be at about 2.5% for 2012 on the calendar year basis. And the rates below that would cause us to borrow a little bit. Rates above that would cause us to repay a little bit of the loans. But really you can see from this chart that long-term, the biggest impact on when we'll regain solvency is what happens with benefit payments. If they continue to drop, if they drop more sharply than we're expecting, then a lower tax rate, even 2% might be adequate in 2012 to restore solvency. If instead the economy should turn around nationally, and in Nevada it might be that even a high tax rate wouldn't be enough if our benefit payments should reverse themselves.

And so on the last slide (Pg. 37) I had sort of those questions. What might happen? Are we facing some increasing economic difficulty nationally? There's speculation about what's going on in Europe and whether they'll have another financial crisis. There's just a question of what's happening nationally because those numbers are kind of flat and there's been a little bit of uncertainty there. And in Nevada we have visitors coming in. How much are they spending? How quickly will that translate into economic recovery, people getting jobs and people getting off unemployment here in the state? There are also questions about what actions the federal government might take. There's the big question about whether federal benefits will be extended beyond the end of this year. That would have an impact on our benefit payments because if those extensions go through then the benefit payments will probably be a little bit lower as people stay on any federal eligibility they might have instead of switching over to a smaller eligibility that we pay for out of the trust fund. And that concludes my remarks. I'm happy to answer any questions.

Chairman Havas said that all he can say is "WOW". Chairman Havas opened up the meeting for questions.

Ms. Jones spoke up. I do have to say Mr. Schmidt certainly has a knack for making the unexplainable understandable. These are very complex subjects. I'm sure he knows, as I tell him often, that he's a rock star to me. I certainly rely on him on a daily basis to explain some of these arcane and complicated federal regulations to me when it comes to unemployment insurance financing and I just applaud him, as his Chief did, for a job well done, and that he is truly appreciated. It is certainly more complex as we move down the road when it comes to these FUTA offset credit reductions which really mean a federal tax increase. It does make it a complex topic when it comes to adjusting our rates or predicting what we should do for the sake of Nevada businesses and Nevada's workforce, but I just want to say good job, Dave.

Mr. Havas thanked Dave again and went on to say that next on the agenda is a presentation about a presentation by Edgar Roberts, Chief of Contributions, regarding the tax schedule.

**C. <u>Tax Rate Schedule Explanation</u>**
Edgar Roberts, Chief of UI Contributions, Employment Security Division
Department of Employment, Training and Rehabilitation

Ms. Jones took the floor to announce that Edgar Roberts is our new Tax Chief. Our much appreciated and beloved Tax Chief Donna Clark, retired last fall and so welcome, Edgar, to your first Employment Security Council meeting and to explain the tax rate schedules. Thank you.

Good afternoon, Mr. Chairman, members of the Council. For the record, my name is Edgar J. Roberts and I serve as the Chief of Contributions for the Employment Security Division. As discussed, the purpose of this meeting and the regulation workshop is for the Council to receive information in order to recommend to the Administrator the Unemployment Insurance Tax Rate schedule for calendar year 2012. State law requires the Administrator to set the tax rates each year by regulation. ***<u>Exhibit H – Estimated Tax Rate Schedules.</u>***

Slide 2. The Employment Security Administrator sets the tax rates each year by adopting the regulation pursuant to NRS 612.550.5. Also pursuant to Nevada Revised Statute, NRS 612.310.2, it is a role of the Employment Security Council to recommend a change in contribution rates, whenever it becomes necessary to protect the solvency of the employment compensation fund. To complete this process, a small business workshop has also been scheduled for ***October 24th, 2011*** followed by public hearing tentatively scheduled for ***December 6th, 2011***. The regulatory process is outlined in slide number three of your handout.

Today Bill Anderson has provided you with updates about the current and projected economic conditions and Dave Schmidt has discussed economic conditions of the Trust Fund and the impact of federal borrowing to supplement the State Trust Fund and the forecast for next year. Now I would like to provide an overview on how the unemployment insurance tax system works and how the average annual tax rate and associated revenue projections are developed. As previously explained by DETR's economist David Schmidt, the unemployment insurance program is a joint federal safe partnership.

Slide 4. The amount an employer pays for federal unemployment, or FUTA, taxes depends on the employer's participation in a federally approved state unemployment insurance program. To ensure that a proper tax and proper credit are given for state unemployment or SUTA taxes, the IRS requires an annual cross match or certification processes with states to validate the SUTA payment for FUTA credits.

Slide 5. The state unemployment or SUTA taxes collected from Nevada employers are deposited into a Trust Fund. This Trust Fund can only be used to pay benefits to unemployed Nevadans, workers who are to repay the principle of the loans that were used to pay benefits. The revenue in the Trust Fund cannot be used for any other purpose. This unemployment insurance tax is paid entirely by employers and there is no deduction from the employee's check for this tax. The tax rates will vary based on the employer's previous experience with unemployment. Also under federal law, these funds must be deposited with the U.S. Treasury, the funds cannot be invested in any other manner and the funds do earn interest.

Slide 6. At the core of the unemployment insurance program is a rating system known as experience rating. To be in conformity with federal law, all states are required to have a method of experience rating that has been approved by the U.S. Secretary of Labor. The ratings are as follows. In Nevada the rate for new employers is 2.95% of taxable wages pursuant to NRS 612.540. In Nevada the taxable wage base or taxable limit is an annual figure calculated at 66 2/3% of the annual average wage paid to Nevada workers pursuant to NRS 612.545. Unemployment insurance taxes are paid on an individual's wages up to the taxable limit during the calendar year.

Slide 7. In 2011, the taxable wage limit is $26,600 per employee. In 2012, the taxable wage limit will be decreasing to $26,400 per employee. Employers pay at the new employer rate of 2.95% for approximately three and a half to four years, until they are eligible for an experience rating. Once eligible for an experience rating, the employer's rate can range from .25 to 5.4% depending on the individual employer's previous experience with unemployment. There are also 18 different tax classifications pursuant to NRS 612.550 number six. The annual tax rate schedule adopted through the regulatory process applies only to experience rated employers. It has no impact on new employers and the new employer rate of 2.95%. The standard rate established by federal law is 5.4%. Rates lower than 5.4% can only be assigned under a state's experience rating system approved by the Secretary of Labor. The intent of any experience rating system is to assign individual tax rates based on the employer's potential risk to the Trust Fund. Basically, those employers with high employee turnover and at a greater risk cost to the fund pay higher rates than those with lower employee turnover. As displayed on slide seven, in 2011 employers' annual cost for unemployment insurance ranged at the highest rate of $1,436 per employee to the lowest rate of $66.50 per employee. In calendar year 2012, the maximum annual cost per employee will decrease slightly by .72% due to a decrease in the average annual wage and annual taxable wage limit.

Slide 8. To measure an employer's experience with unemployment, Nevada along with a majority of states use a reserve ratio experience rating system. Under the Reserve Ratio system, the Employment Security Division keeps separate records for each employer to calculate their reserve ratio each year. In the formula used to calculate each employer's reserve ratio, we add all contributions or UI taxes paid by the employer and then subtract the benefits charged to the employer. The result is then divided by the employer's average taxable payroll for the last three completed calendar years. This calculation establishes the employer's reserve ratio. The purpose of using this method is to put large and small employers on equal footing without regard to industry type. For example, if an employer paid $6,000 in contributions, had $2,000 in benefit charges with an average taxable payroll of $40,000 the employer would have a reserve ratio of a positive 10%. The higher the ratio, the lower the tax rate will be for the employer. If an employer received more benefit charges than they have paid in taxes, the employer's reserve ratio will be a negative and the employer will generally have a higher tax rate.

Slide 9. The reserve ratios calculated for each experience-rated employer are then applied to the annual tax rate schedule to determine which rate classification will apply for the calendar year. Before setting the annual tax rate schedule for the next calendar year, Nevada unemployment law NRS 612.550.7 requires the Employment Security Administrator determine the solvency of the Trust Fund as of September 30th.
Projections are then developed for the subsequent calendar year. These projections include estimates of the number of active employers, the amount of taxable payroll, the amount of UI benefits that will be paid and the estimated revenues that the trust fund will need to meet those benefit payouts and maintain solvency. Using the employer reserve ratio data, optional schedules are produced with a variety of average tax rates and revenue projections. Let's look at the 2012 estimated tax rate schedule contained in your rate schedule handouts. In the rate handouts that we passed out to you we have provided the Council with five tax schedules to consider and give us a recommendation and, of course, to receive any comment from the public.

The detailed tax schedules display the reserve ratio increments between the rates, the ratios assigned to each rate, estimated number and percentage of employers in each category. The estimated taxable wage and percentages are then projected and the projected total revenue. As we have provided in previous years, we will present several different schedules to the Council to give you an adequate number of choices. This year we have again, included five different schedules for the Council.

The first schedule in your handout, slide 10, of this presentation displays an average rate of 2% which is the average UI tax rate currently in effect for calendar year 2011. In setting the annual tax rate schedule, the 18 tax rates displayed in the fourth column of the charts do not change. That is this right here from the .25 from the 5.4. These rate classes range from .25% to 5.40% are fixed by statute. Instead, the law requires the Employment Security Administrator to designate the ranges of reserve ratios to be assigned to each tax rate classification for that year. By doing so, the number of employers in each of the tax rates is changed which when applied to the average tax rate scenarios being discussed today will increase or decrease the total estimated revenues. In other words, if you need to increase taxes, you adopt a reserve ratio schedule that puts more employers in the higher tax rates. And to lower taxes, you select those that put more employers in the lower tax rates. The law also requires that increments between reserve ratios must be uniform pursuant to NRS 612.550.5.

In this first schedule the ranges are from a positive 11.4 to a negative 14.2 with increments of 1.6 between each of the reserve ratios. In this first example, if an employer's reserve ratio is a positive 11.4 or better, the employer receives the lowest rate of .25%. If an employer with a reserve ration of less than a -14.2 would receive the highest rate of 5.4%. And as you can see, the rest of the employers fall somewhere in between. In this particular chart approximately 35.2% of eligible employers are in the lowest rate of .25% and 10.3% of eligible employers are in the highest rate of 5.4%. Today you will see these numbers change as we walk through the individual schedules with the adjustments of the average tax rate. Out of our 56,542 total employers today, there are 35,711 employers eligible for experience rating which we estimate under the first schedule would generate $386.5 million in revenue to the unemployment insurance trust fund. To that estimate we need to add for new employers not eligible for experience rating $51.63 million for the total revenue of $438.13 million associated to the average rate of 2%.

Slide 11. This chart displays the detail for an average rate of 2.25%. To achieve this average rate, please see the range of reserve ratios change to a range of a 10.6 to -15.0. The estimated total of revenue increases to $490.93 million and the number of employers in each rate classification once again shifts with 23.5% of eligible employers being in the lowest rate of .25% and 9.9% of eligible employers being in the highest rate of 5.4%. Moving on to chart number three of your handout and to slide number 12 of this presentation. This chart displays the detail for an average rate of 2.5%. For this average rate, the range of reserve ratios changed to a range of 12.2 to -13.4. The estimated total revenue increases to approximately $545.89 million and the number of employers in each rate classification shifts again with 14.1% of eligible employers being in the lowest rate of .25% and 10.8% of eligible employers being in the highest rate of 5.4%.

Moving to chart number four of your handout and to slide number 13 of this presentation. This chart displays the detail for an average rate of 2.75%. With this average rate the range of reserve ratios change to a range of 13.8 to -11.8. The estimated total revenue increases to approximately $601.60 million and the number of employers in each rate classification shifts again with 9.7% of eligible employers being in the lowest rate of .25% and 11.9% of eligible employers being in the highest rate of 5.4%.

Moving on to chart number five of your handout and to slide number 14. This chart displays the detail for an average rate of 3%. With this average rate, the range of reserve ratios changes to a range of 15.4 to -10.2. The estimated total revenue increases to approximately $657.12 million and the number of employers in each rate classification shifts again with 6.9% of eligible employers being in the lowest rate of .25% and 13.2% of eligible employers being in the highest rate of 5.4%. As a note you will see on each of the schedules there's also an additional .05% tax for a career enhancement program which is a separate state training tax set by statute NRS 612.606. This is being provided for informational purposes only and is not included in the projected revenue amounts.

Moving on to the last slide of this presentation is a summary of the rates presented today. We have also provided a summary page in your 2012 estimated tax rate schedule handouts to make it easier for you to do comparisons. The summary shows a range of reserve ratio increments, average and employment insurance tax rate, estimated revenue and the distribution of employers within each tax rate. As a final note, no written comments have been received by the division in regards to the impact of a potential rate change. Mr. Chairman, members of the Council that concludes my presentation.

Chairman Havas thanked Mr. Roberts for his presentation and asked if anyone has any questions for Mr. Roberts.

Ms. Jones spoke and provided a point of clarification on slide 7 where it discusses the changes in the maximum and minimum amounts that an employer would pay in 2012 compared to 2011. That was assuming the tax rate would remain at the current average tax rate of 2.0%. I just wanted to bring that to the Council's attention.

**D. <u>Public Comment onTax Rate Schedule.</u>**

Mr. Havas commented that we are required by statute now to invite, ask for public comment on the tax rate schedules. And we can limit speakers, we should limit to about five minutes per speaker. Ray Bacon is coming to the podium. I guess that's Ray. Thank you.

Thank you, Mr. Chairman. For the record, I am Ray Bacon, Nevada Manufacturers Association. Bill in his normal thing left out the manufacturing sector. Our unemployment, our job losses are the second-highest in the state. We're about 10,000 jobs lost. That pales compared to construction, obviously, but it's still significant. The thing that is probably depressing the manufacturing environment as much as anything is what's going on in California. You know, I don't have to tell anybody here that's still a mess and we don't see it getting fixed anytime soon. As we have done in the past, we think that the best remedy for employers is to bring some level of stability to this thing so that we don't wind up with a rate increase year after year after year and that we get out from under the federal thumb as fast as reasonable, not as fast as possible.

From that standpoint, we would advocate for a rate that's at least the 2.5 and prefer the 2.75 rate, because we think that you've got an outbound flow of about $480 million a year. And if you take a look at strictly the line on the bottom corner, right up, two above the blue line, over the bottom left corner, bottom right corner, sorry, the 2.5 brings in the revenue of $494.26 million which is a little bit above the $480 but not much. And if you go to the 2.75, then you're in to $5.49 million, $5.50 million for practical purposes. And that starts to build back towards bringing the line in play a little bit faster.

The other thing, and we recognize is the statute change, but at some point in time if you take a look at what's happening on both of these charts you'll see that as the number of employers that are in that highest rate category, the 5.4% category, continues to grow, we have to recognize that realistically what's taking place is that those people are probably underpaying because we have the lowest capitated rate that's allowed by the federal statutes at the 5.4. So we have a disproportion of people that are in that large category that are probably paying less than they should be. We think that number still has to move.

The only way you protect the good employers, is you have to get that number to the point where it's realistic. We recognize that that's a legislative change, that's not something that you can do, but we think that that's something that this committee should be recommending even this time for the next legislative session in case we wind up with a special session for whatever reason, that that ought to be something which is on the table and clearly been designated as being on the table. So that kind of summarizes our comments on the thing. This is not an easy task. This is still, when you take a look at the comments that you'll get from employers, Nevada is still a very, very low state as far as unemployment. If you take a look at multi-state employers, they will tell you that routinely they pay less in unemployment in this state than in almost any other state that they're in. Certainly if they're in California that’s the case. The other side of that coin and you have to remember is it's one of those situations where this has always been a very independent state. It likes to get out from under the federal thumb every time we can. We would love to have that 87% of our federal, of the land which is held by the feds, somehow reversed to getting back under federal control, or getting out of federal control and into state control.

The system in this state has been fundamentally sound for a long period of time. This is a rare event that we're into and hopefully we can, we're starting to see trends of coming out of this. As Mr. Costella alluded to earlier, the manufacturing sector is starting to step up to do some things, an employee training thing, that we believe his son happens to be working on and I'm working with his son on this thing, the Dream It, Do It program. We believe that that is going to start stepping up and putting pressure on the schools to deliver a higher quality product than we have because these things are all interlinked. And if that starts to happen, then hopefully we can shorten this recession. But there's nobody in their right mind that believes we're out of this thing any time really soon. This is going to be a very, very slow recovery. And we believe that there is a strong reason to get a stable rate that we can keep through the next three or four years because that gives employers what they're looking for, which is some degree of certainty. And right now in this environment there isn't much for certainty out there.

Council member Costella asked Mr. Bacon if he felt 2.75 would hold fo a while or do we have to come back next year and ask for an increase?

Mr. Bacon responded, well, I believe the 2.75 is high enough that it keeps us to the point where we probably would not need to do anything for at least a couple of years and potentially maybe even three years. And if things do start getting better, potentially that would be as high as it would ever get. Now, we're not going to get out of that mode until we get that balance back down to the point where, you know, we're out of a lot of the borrowing. But if you take a look at how fast, and I already closed up my graph, actually, if you take a look at one of the other charts as to how fast the other presentation that Dave did, if you take a look at how fast that pace is now, by 2018 we're back to the point where we're out of the feds' pocketbook. And there are strong reasons to get out of the federal pocketbook. They have way too much control over this situation. We certainly don’t want to get to the five year window. So if that makes sense.

Mr. Havas said that before we go to Las Vegas, if there was anybody else in the room who would like to make some kind of presentation?

Ms. Jones said she would like to note the record that Mr. Bacon did submit written comments that will be included in the record with his permission. He waves a yes. Thank you.
***Exhibit I – Written Comments from Mr. Ray Bacon.***

Here Chairman asked if Las Vegas had any comments. Mr. Art Martinez, staff from the Southern Field Audit Offie said that there were not comment at the moment from Las Vegas.

**E. <u>Council Discussion</u>**
Paul Havas, Chairman of the Council
Cynthia Jones, Employment Security Division Administrator

Ms. Jones asked if she may make a comment before the Council goes into discussion on the subject. I would just like to bring attention to one interesting, or at least to me, aspect of this is that if we were to try and make us solvent tomorrow and be prepared for the next recession, Dave, I believe that number if you added up how much we are in the red, plus our solvency measure, plus how much we have outgoing in benefits in the next year, we're looking at about $2 billion. Is that approximately correct? So Dave is nodding, approximately, yes, that we would have to have about $2 million of revenue. Any of the projections that we have on these would certainly not get us close to that. Minor tax increases would move us towards that way, but it certainly wouldn't bridge that entire gap. I just wanted everyone to understand that. So depending on which set of projections you look at, Dave's are based on a 12 month period starting on October 1st of each year, or Edgar's that are on a calendar year, so they vary a little bit, by raising taxes from 2.0 to 2.25, that increases our revenue approximately between $52 to $66 million. If you were to raise it to the 2.5, our revenue increase would be about $112 million to $142 million. So for a 50% increase, we might see $142 million in revenue, but that needs to be taken into account with the big picture that we really need $2 billion.

So when weighing the discussion on the tax increase, you know, what is the value of having those steps, compared to the actual increase or the impact to the total financial picture as a whole, and also weighed against the impact on businesses as this economy is bumping along the bottom. I just wanted to make those comments for the Council's consideration. It is a complicated question and answer. There's no good answer. We can do the best we can. There's no one rate that's going to solve all of our issues and make everyone happy. So I just wanted to bring those facts to the Council's attention. Thank you. Oh, for the record, Cindy Jones, if that wasn't recorded, Joyce.

Mr Havas thanked Cindy Jones. As representing employers and a member of the Council, my name is Paul Havas and I would like to, concur with those who feel that predictability and a degree of certainty is expected, with whatever tax rate structure program that we establish. That seems to be a national dilemma and something that we know in order to obtain optimism and efficiency, we have to have a degree of certainty. But since we have to wear an economist hat and try to rival Bill Anderson, it's very, very difficult to do that.

Economics is not an exact science, but it's certainly the larger question as to where we are going to go in this State and what we are going to arrive at and, perhaps we can be a little intuitive here. Perhaps we can have a sense of what's going in the State of Nevada and how we're approaching it. And I also think, I certainly am cognizant of the fact that, if we do everything, we still have a very onerous situation. I mean, if we do everything that's available to us and do it with the greatest sense of responsibility, forgetting the economics, we still are looking at a very, very difficult situation. My sense is that we have to also look at the other side of the ledger as to what the historical has provided in the State of Nevada. That is to say, employers have worked very hard to maintain and preserve an experience rating system, but also the preservation of an efficient employment security system and unemployment compensation system. That, you know, we've earned this.

We had to reinstate this once in the '70s for all of you that remember, recall that or certainly you can find this historically. It can be a very, very significant dimension. We are very fortunate to have that we rival in the United States the top, the lowest employer tax rates because of our experience rating system. And I have a sense of loyalty to those responsible employers in the State of Nevada to look to, I would be an advocate of the lowest possible tax rate that would also allows us to maintain our relationship with the feds so that we can move forward with an aspiration for the future.
So my input here today is to consider the lowest possible rate that we can live with and then look at a resolution as we grow and cumulatively develop options. The economics, candidly, represent a very, very important dimension and I trust that we'll give that the utmost consideration. Cindy?

Ms. Jones responded, Mr. Chair, if I might make a couple more comments that I failed to make before. Please do keep in mind that any rate recommendation made this year and any eventual tax rate schedule set for this year is just for this year. Every year we do have the opportunity to adjust our rates and adjust our course based on the public, the tax rate that's deemed in the best interest of the public and of the employers of the state of Nevada and in response to our changing economic environment. Certainly this recession has been different than any other that we've experienced in this country since the advent of the unemployment insurance program and has behaved differently. Despite the best crystal balls of Dave and Bill, sometimes we're just not right on the money. We just can't predict the behavior of this recession. But if you notice their projections as they went through the presentations, we're pretty darn close. So I'm real proud of the work that they do. I also wanted to remind the Council of the countercyclical funding of the Unemployment Insurance Trust Fund.

Typically in Nevada, we have stuck to the raising of rates during periods of economic health in order to build significant reserves to weather any sort of recession so that we don’t have to raise taxes during periods of economic difficulty. Certainly, again, our period of economic difficulty has been more prolonged and much deeper than any that we've experienced in the program history as well. So I just wanted to put those comments on the record as well. Mr. Chairman, thank you. And one more thing. I mean, I apologize, and you had mentioned the lowest possible rate that would keep us in compliance with different rules. One of the questions that has come up, was about reducing unemployment insurance rates. People have asked me about that before. That would put us in danger of not being able to cap the federal tax increases as David was talking about, about the FUTA offset credit reduction and the benefit class ratio add on. Those very complicated things, that if you take measures that reduce your efforts towards solvency to go in a backwards motion, not just stay the course, but in a backwards motion, could endanger our ability to cap those federal tax increases.

Council member Ross Whitacre had a question. He said he was vacillating between leaving the rate unchanged and a possible .25% increase to 2.25. I am thinking about the employer community, and I think we have to try to do everything we can to stimulate hiring as small as that may be. So I would ask Dave. I think we've been given so many numbers here today. What is the difference in those two remaining at 2% and a 2.25%? What would the difference be in that FUTA cap and when we would eventually, as Mr. Bacon stated, be out from under owing the feds any money?

Again, Dave Schmidt for the record. The difference between 2% and 2.5%, bring back up this chart, when it comes to the FUTA caps, one of the big differences is that when we look at starting about 2015, as I said earlier, our five year average benefit cost rate, which is one of the four criteria we have to meet for those caps, falls to a little above 2%. So in 2015 specifically, if we were at 2%, we'd be below that. If we were at 2.25%, we'd be a little bit above that.

Depending on the way that benefits go, compared to forecasts over the next three years. The more difficult standard to me is having to have our loans be lower than they were in the third prior year. In either of those options, you'll see that the caps we actually have are pretty similar in those two columns on this chart, except we repay our loans in 2017 instead of 2018 with the slightly higher rate. And that's because the wall that we sort of run into there is that both of those rates are just a little bit lower than would be required to get our loan balance down by 2015, so that we could get that cap a year earlier like we actually achieved with the 2.5% rate. And so, as you have a slightly higher rate, I guess, the big thing is that you get closer to that, so you might be in a position where in 2015, if you have the slightly higher rate for two or three years, you might need to do a smaller increase just to sort of nudge your loan balance into the territory to qualify for that cap, whereas if you have a slightly lower rate, if you're making a last minute push to qualify for the cap in a given year, you’d have to try to make up all the difference all at once. I hope that answers your question.

Ms. Jones spoke and said this assumes that we select a rate and keep them flat throughout the history. There's an invariable number of scenarios that you could come up with showing a reflection of different rate adjustments, different years, and that we don’t have enough space in this room to print the paper that would be necessary to come up with all the possible scenarios. So Dave, if we were to and this is just a question, if we were to…and I see the cap happens roughly in the same year, we would take an extra year to repay the federal loans if we went to 2.25 and maintained that. If we were to, say, keep it at 2 this year and go to, like, 2.5 next year, would we roughly end up in the same place? If we were to do a stepped progression as we've presented last year, not to make it overly complicated, but we could end up kind of in the same place by a step progression?

Mr. Havas noted that these we would hypothesize some improvement in the economy and we would adhere to a countercyclical thesis and it's something that makes a lot of sense to me anyway. Ms. Jones agreed. Dave Schmidt wanted to make sure that he was understanding the Council correctly in saying that 2.0 this year, 2.5 so that it sort of averages out to 2.25? Ms. Jones wanted to know if that put us roughly in the same place.

Mr. Schmidt said that we would probably be in a slightly better position with that because of expected employment growths, we’d have a slightly larger wage base when we go to that 2.25. Or, excuse me, 2.5 in 2013 than we expect to have in 2012. So since we expect everything to grow with a slightly higher tax rate in a year with slightly more employment, we'd bring in slightly more money and be a little bit better.

Ms. Jones noted that it's an variable number, innumerable number of variables that could be thrown into this equation. Different step strategies which we typically take as we come out of recessions can put us somewhere in these ranges of options that go here. But what's before the Council today is to make a recommendation for this year, but keeping in mind that they can next year, make different adjustments, that this isn't binding for next year, any decision, any recommendation that's made this year. Thank you, Dave. I appreciate you.

Mr. Havas for the opinion of the members of the Council.

Council member Dave Garbarino spoke. If we don't meet those benchmarks of the lower payments and the burden still falls back onto the employer and the burden could potentially be higher than what it is by increasing the tax at this point; is that correct?

Dave Schmidt said that that is correct. Essentially the loans get repaid one way or the other. If the state taxes are too low to do it, then the federal taxes will come in to make up the gap over time, and especially in later years as those offsets get larger and larger. You know, if we don't qualify for the cap, then that represents a much larger portion of the total loan repayment.

Ms. Jones: The philosophy by having those FUTA offsets is to encourage states to maintain solvent Trust Fund balances to start with. Remember Dave's first slide, you see that a significant number of states had low solvency measures going into this recession and had to borrow early. And this is only the second time in Nevada's history we have had to borrow funds because we typically do pay, take great care to make sure that we have sufficient reserves. This was just, as stated many, many times, a recession that couldn't have been predicted in its depth and in its length and in its impact to our Trust Fund and our workers and our businesses.

Mr. Whitacre asked another question. Mr. Chairman, I think I've got employers in mind here. Which would be the biggest burden to the employers, if they were to be charged through the FUTA tax or through the SUTA tax? Because here, if I'm anywhere near on this, my thought is, it seems to me that we would like to keep that FUTA tax as low as we can, but I'm not sure I know what I'm talking about. Mr. Havas asked for Mr Schmidt's opinion.

Mr. Schmidt: Essentially it's a slightly different makeup. If the burden is placed on the FUTA side, because that's only on the first $7,000 of an employee's wages, that does fall harder, you know, essentially putting the burden on those employers means that a higher portion of the burden is going on people who have large numbers of low wage employees. Whereas the state burden, or the state tax, because it's the $26,400 adjusted every year, is spread out a little bit more across the total number of employees. Does that sort of answer your question?

Ms. Jones said: I just wanted to bring the Council's attention as well and I am sure this was stated at some point through our presentations that the train has already left the station for the FUTA increase for this current calendar year. Employers will see an increase in the federal taxes for this year of $21 per employee. Am I saying that correctly, David? Mr. Schmidt agreed. Ms.

Jones continued in saying that the $21 that they are collecting per employer approximately, because of the new year adjustment, all do go towards paying our trust fund loans.

### F. Council Adoption of Recommended Tax Rate Schedule.

Chairman Havas expressed the feeling there has been ample discussion. I would like to make a motion that we maintain our present average tax rate of 2.0 and leave it alone and progress accordingly. Mr. Whitacre seconded the motion. Chairman Havas said it has been moved and seconded that we leave the tax rate alone and that we maintain it at 2.0. Moved by Paul Havas and seconded by Ross Whitacre. Any discussion? All those in favor of the motion signify by saying aye. The Council said Aye. None opposed. Mr. Havas said to let the record reveal that we have unanimously passed this motion. Thank you.
Ms Jones thanked the Chairman. I appreciate the Council's thoughtful engagement in this tough topic and I accept that recommendation. We do have a new addition to the agenda this year. We're not adjourning quite yet. That you may note, if I might take that item Mr. Chairman. Thank you.

## IX. POSSIBLE ACTION: REVIEW NEVADA ADMINISTRATIVE CODE TO FACILITATE GOVERNOR'S EXECUTIVE ORDERS 2011-01 AND 2011-04

For the record, my name is Cindy Jones. I serve as the Administrator of Nevada's Employment Security Division. Governor Sandoval is requiring a comprehensive review of all regulations of all State agencies in accordance with executive orders 2011-1 and 2011-4. The purpose is to ensure a regulatory environment that secures the people of Nevada without discouraging economic growth. The executive order also indicates that regulations are desirable that are stable, consistent and predictable and common sense regulation is vital to maintaining a regulatory environment that both secures the people of the State of the Nevada, fosters economic growth, or regulations not be put into place or continue in place that discourage economic growth. So through this meeting, I have requested input on all of the Employment Security Division's current regulations.

Now, the regulations that are currently in place for the Employment Security Division are required for the effective administration for unemployment insurance, the unemployment insurance system. And through these regulations, we seek to be an independent and an impartial arbiter of eligibility for unemployment insurance benefits and maintain a tax system that is equitable to all employers. But if there are regulations that need to be adjusted to ensure that we maintain an environment in Nevada's economic structure that indicates that Nevada is open for business, I'm interested in hearing public comment. All of our regulations or any changes into our statutes would be required to go before the U.S. Department of Labor to ensure that they are in conformance with Department of Labor laws, rules, regulations, policies. But I am inviting public comment on NAC Chapter 612 as a whole. if anyone in northern Nevada would like to make any public comment. There was no public comment.
***Exhibit J – Executive Orders 2011-01 and 2011-04.***

### A. Public Comment on Nevada Administrative Code

Mr Havas asked if anyone in northern Nevada would like to make a public comment. There was no public comment. The Chairman asked if there were any comments from Las Vegas.

For the record, Art Martinez in Las Vegas. Ms. Jones asked Mr. Martinez if he had a comment on regulations. He answered that there were no public comments from Las Vegas.

### B. Council Action Regarding Nevada Administrative Code.

There was no comment from the Council members.

Mr Tom Susich reminded the Chairman that pursuant to Assembly Bill 257, there has to be a final request for public comment as to all issues that were discussed in the meeting. Ms. Jones thanked Mr. Susich for keeping the Council on the straight and narrow. At this point Chairman Havas asked for any comments from the public on the subject, he asked if anyone in Las Vegas had anything to say.

## X. CLOSING PUBLIC COMMENT

At this point Chairman Havas asked for any comments from the public on the meeting, he also asked if anyone in Las Vegas had anything to say. There were no public comments raised.

## XI. ADJOURNMENT

Chairman Havas, not having heard any comments from the north or south of Nevada asked that at this time he would like to invite a motion for adjournment. Council member Dave Garbarino made the motion for adjournment which was seconded by Mr. Havas. All those in favor signify by saying aye. The Council members responded with saying Aye.

Ms. Jones, the Administrator thanked the Council and staff. She mentioned that the next meeting regarding the unemployment insurance regulations will be as Mr. Roberts indicated, the Small Business Workshop on October 24, 2011. The public hearing for the Adoption of the Regulation will be conducted on December 6, 2011. Thank you.

At this point, the meeting/workshop was adjourned.

**These minutes have been approved by the Council.**