STATE OF NEVADA
DEPARTMENT OF EMPLOYMENT, TRAINING AND R4EHABILITATION
EMPLOYMENT SECURITY COUNCIL MEETING

October 8, 2014

Live Meeting
Legislative Building
401 S. Carson Street, Room 2134
Carson City, Nevada 89701

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

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

Council Members Present
Paul R. Havas, Chair – Employers
Paul R. Barton – Public
Shawn O. Kinsey – Employees/Labor
Kathleen Y. Johnson – Public/BOR
Michelle S. Carranza – Employers (LV)
Margaret Wittenberg – Employers/BOR
Charles L. Billings– Employees/Labor/BOR
Daniel J. Costella – Employees/Labor
Fred R. Suwe - Public

Department of Employment, Training and Rehabilitation (DETR) Staff
Present in Carson City
Renee L. Olson, Division Administrator, Employment Security Division (ESD)/DETR
Kelly D. Karch, Deputy Administrator, ESD/DETR
Bill Anderson, Chief Economist, Research & Analysis Bureau, DETR
David Schmidt, Economist, Research & Analysis Bureau, DETR
Edgar Roberts, Chief of Contributions, ESD/DETR
Paul Brugger, Management Analyst, UIC/ESD/DETR
Christina Guzman, Management Analyst, Administration/ESD/DETR
Mikki Reed, Administration/ESD/DETR
Andy Chao, Administration/ESD/DETR
Lynn King, Administrative Office, ESD/DETR
Joyce Golden, Administrative Office, ESD/DETR

Present in Las Vegas
Art Martinez, ESD/DETR
Robert Whitney, AG's Office/LV

Members of the Public, Media and Other Agencies
Carol Vilardo, NTA, LV/NV
Geoff Dornan, NV Appeal, Carson City/NV
Jim Nelson, NAE, Reno/NV

Exhibits

Exhibit A - Attendance Record

Exhibit B - Agenda for the Meeting/Workshop

Exhibit C - UI Bond Status Update
Calculation of 2015 Bond Rates

Exhibit D - Economic Projections & Overview
NV Labor Market Briefing

Exhibit E - Review of Trust Fund
UI Overview and Forecasts

Exhibit F - Tax Schedule Explanation - and Booklet

I. CALL TO ORDER AND WELCOME

Paul Havas, Chair of the Employment Security Council, called the meeting to order at 10:00 a.m. on October 8, 2014 and welcomed everyone to the meeting. He asked the Council to introduce themselves and indicate their representation. He also asked if Ms. Olson could provide the Council with some information on the new members and the new Director of DETR.

Ms. Olson quickly mentioned that since our last meeting, we (the Council) have a new member on the Council, Mr. Fred Suwe. He will tell you a little bit about himself in just a minute, as we go around and introduce ourselves. He has come to us just recently and he previously served with ESD as a Deputy Administrator for the Employment Security Division, so we would like to welcome him today.

Ms. Olson mentioned briefly that the Department will have a new Director starting on the 13th and his name is Don Soderberg. He comes to us from the Division of Industrial Relations, we have worked with him previously on issues regarding Workers' Comp.

Mr. Havas next asked for the introductions of the Council.

II. INTRODUCTION OF COUNCIL MEMBERS

Paul Havas, Chairman of the Employment Security Council.
Danny Costella, representing Employees/Labor.
Charles Billings, representing Employees/Labor and member of the Board of Review.
Shawn O. Kinsey, Employees/Labor (New member).
Fred Suwe, representing, the Public (New member).
Katie Johnson, representing, the Public, and Chair of the Board of Review.
Paul Barton, representing the Public.
Margaret Wittenberg, representing employers and member of the Board of Review.
Michelle Carranza, representing, the Employers.
Kelly Karch, Deputy Administrator, Unemployment Insurance System.
Renee Olson, Division Administrator of the Employment Security Division.
Robert Whitney, in Las Vegas, sitting in for Counsel Tom Susich who could not attend.

III. PUBLIC COMMENT

Chairman Havas asked for any comments, but hearing none he moved on to ask for a motion for approval of the minutes from the October 2013 meeting. And also any public comment at this same time.

IV. APPROVAL OF MINUTES
A. Public Comments

There were no public comments and at this point Mr. Havas asked for a motion to approve the minutes of the meeting from October 2013.

B. Approval of Minutes

Council member Danny Costella made a motion to approve the minutes of the last meeting. This was seconded by Council member Katie Johnson. Chairman Havas asked for any discussion on the motion and hearing none asked for all in favor of the motion to signify by saying Aye. The Council as a whole responded with Aye. There was no opposition, so it was carried and the minutes of Oct. 2013 were approved.

V. AGENCY AND LEGISLATIVE UPDATES

Renee L. Olson, Division Administrator, Employment Security Division

Mr. Havas asked Ms. Olson to give the Council a Legislative update.

Ms. Olson started to clarify that she is an ex officio member of the council, she is a nonvoting member. Mr. Karch is not a member of the Council, but he is here today to support our work in this meeting. She introduced Mr. Karch, saying he is ESD's Deputy Administrator in charge of the unemployment insurance program. He really directly manages the program from day to day and he will be here, in case I need to ask him a technical question,

Mr. Robert Whitney is here for us, in attendance in the south. He's here to help us stay on the straight and narrow in terms of open meeting law and points of order if votes are taken in that manner. He's from the Attorney General's Office. Mr. Tom Susich, who is the attorney for the Division, couldn't make it here today. And you will also hear from Mr. Edgar Roberts. He's our Chief of Contributions. He will be talking to you in a little while about our tax structure and how we calculate experience ratios for the employers. And we have various other members of our staff here, north and south. Raise your hands for me. I'd like to thank them especially. They do the hard work of organizing this process. And if you need assistance at any point today during the meeting, please feel free to ask one of these folks for assistance.

Today we will also hear from our Research and Analysis Bureau. Mr. Bill Anderson, our Chief Economist, will provide an overview of the state's economic condition, and what he thinks lies in our future as far as the economy. Mr. David Schmidt, an Economist with R&A, will help us with understanding our Trust Fund projections and rate scenarios that we will present in a few minutes, and he'll give us an update on our bonding efforts and where we stand with that. As you've already seen, there are a few opportunities for public comment, so please feel free to come to the table for public comment. We'd like to limit those comments to five minutes, if possible, to give everyone a fair chance to make comments.

This year session starts on February 2nd, so we're preparing to go into session at this point. Some statutory issues that we're considering for session include our participation in the statewide longitudinal data system. If you're not familiar with that, that's a state system that the purpose of which is to help reporting on outcomes for higher education programs, and the data within the system can also be used for research and planning for what training and skills may be needed going forward into the future. So the data that will be provided in the system will be used in an aggregate capacity. We'll be protecting the confidentiality of this data, so we are fairly confident that the system handles that properly. And we'll be going forward with that initiative and this will align our Statute, 612, with previous statutory changes in 396 and 232.

We are also looking at aligning the statute of limitations for collecting overpayments to 10 years, which is consistent with the Federal Treasury time frame for collecting payments from the TOPS program. The TOPS program is the Treasury Offset Payment System, and I'll describe that a little bit more in just a bit.

We are looking at aligning our statute with some published case law that is from the Supreme Court that states that, an elected base period may be established only if the person files a claim for benefits within three years after any period of disability. The current statute refers to the initial period of disability. So there is case law that covers that, right now we're looking at alignment with our statutes. And the last thing that we've got that we're working on right now is our statute to make statutory changes, to make it a fraud for failure to disclose the receipt of Workers' Comp benefits while receiving UI benefits. So that's what we are looking at, including the agency's budget, which will be addressed at session as well.

Some of the things that the agency is working on, of course, one of our top priority is the UInv system. We've rolled out the benefits portion of that system approximately a year ago. We've recently rolled out the Appeals functionality in the system, and we're working hard to work out any initial bugs that typically come along when you roll out a new system, and we're streamlining some of the processes within the Appeals process. So timeliness at the moment is a major focus of the unit, and we're working hard to gain some improvements in that area.

The next area that we will be implementing, and the final area, is the contributions and employer account functionality within the system. The staff is highly engaged in making sure that testing and user acceptance of the system is going forward. We are looking towards the end of the calendar year for rollout, but it's extremely important to us that employers have a positive experience with the system and with the rollout and going forward. We think we have provided some added value with the system in terms of the self-service access that the employers will have to their accounts in the system. So we are looking forward to that. We're doing everything we can to make sure that that works well for employers and that we have a successful implementation there.

As far as UI integrity, UI integrity is always an issue with the system. Integrity meaning what we do in the system to prevent improper payments. That's a very big focus right now, not only federally, but within the Division. So some of the things that we're doing, I can highlight some of those things for you. In terms of collections; collections is another process that we focus on when improper payments are made; overpayments, whether that may be a fraud issue or just an issue where we didn't find out that somebody had returned to work fast enough and a benefit was paid. So these are some of the things we do in terms of collections, we've collected year-to-date $6.2 million that's been returned to the Trust Fund in those efforts.

I mentioned the TOPS program earlier, the Treasury Offset Payment System. Part of that $6 million is use of this Treasury Offset Payment System. We've collected $1.8 million through this process. The Treasury helps us to recover payments from people's federal tax returns. When they owe us money, we can notify the federal government that they owe us money in this program and they will offset that payment with their federal tax return. So that's been a very successful initiative. Last year at session we initiated some changes to the wage garnishment process. We actually really established a wage garnishment process for the Division. So far this year, we've collected $500,000 for the Trust Fund through that process.

A couple of other things that we do; we're working right now at improving our new hire directory process. This is a process with the Department of Welfare that really just helps us identify when somebody's returned to work. So it helps us know that faster so that we can stop paying benefits based on the fact that they've returned to work. We have the social security crossmatch with the federal government. This helps us verify social security numbers and validate identity of the claimants. We're also working with the Department of Corrections. We have a crossmatch system with the Department of Corrections that recently we just went live with a real-time update of notifying us when someone's been incarcerated, and we can use that information to determine whether they are eligible for benefits or not.

We also, in kind of the same vein as the Department of Corrections work that we do together, we have the PUP system, another acronym for you. I don't know what it means, but it's the federal penitentiary system to notify us when people are incarcerated in the federal system and we can bump that data up against our system and know when somebody is incarcerated there. We're also working with the Division of Industrial Relations, as I mentioned before. Anybody who is receiving Workers' Comp benefits is not generally eligible for unemployment insurance, so we're working on a way to know when folks are collecting Workers' Comp.

We have -- and I just wanted to mention ongoing, improper payments include issues of fraud as well. And so we wanted to let you know that we actively investigate fraud when it occurs, either at the claimant level or on the employer level. So we continue our efforts there. So those are some of the things that we're doing to preserve the integrity of the system, and that's an ongoing initiative. The irony in the system is that all that effort takes money. We're moving into a time where the economy is improving, and when the economy improves and we're not processing the level of benefits that we have in the past, our federal funding constricts.

We are heading into a period now where our federal funding is constricting. At the same time, we and the federal government are placing really high emphasis on integrity and preventing improper payments. We have to be able to pay staff and have systems that support those integrity measures. The benefit of that is protecting the Trust Fund, the balance in the Trust Fund and returning money to the Trust Fund that we collect, but it takes money in order to do that. So there will be some challenges for us there. So we collect the money that goes in the Trust Fund; we can't use that for integrity purposes and our administrative funding is shrinking. But that's something we'll be talking about in the upcoming session as well.

On the Workforce side of the house, our Workforce Services programs, I'll highlight some items there that we're working on. We have the Reemployment Eligibility Assessment (RES) and Reemployment Services Program (RSP) that we are having fun receiving lots of accolades for right now. We've had two studies done by IMPAQ International. These are independent studies that measure the effectiveness and the measurability of the process. This is a program where we ask unemployment insurance claimants to come in. We talk about their eligibility for unemployment insurance and what they need to do in terms of work search and those type of things. And then we also interview them and counsel them about services that are available at our JobConnect offices to help them return to work.

This program has proven to return folks to work earlier than the folks who don't participate in the program. It's shown to save $4 in benefit payments for every dollar spent on the program. So that's a pretty good return on investment.

It shows that the participants in the program not only go back to work earlier, but they earn more wages upon returning to work. So it's a really successful program. Now other states are asking Nevada, how we run our program and asking for input there. The great thing about that is that we've also been named a Top Tier Evidence Initiative by the Coalition for Evidence-Based Policy. This is a nonprofit, nonpartisan organization in Washington, D.C. The reason it's great that other states are asking how we run our program is that if we can duplicate the process in other states, we would be able to get a Top Tier Evidence-Based Initiative award. So it's just a way to share best practices through the other states. We're also interested in other states sharing their best practices with us, and that's something that we actively do.

Along those lines recently, just this last month or so, we received an award from the American Institute for Full Employment recognizing the Division's commitment and innovation in assisting UI claimants to return to work and avoid long-term unemployment. That's one of the programs we can use to prevent long-term unemployment. On the other end of the spectrum, we have those folks who have been unemployed more than 26 weeks. They're finding it very difficult to return to work. You may have heard the president really focus lately on helping those long-term unemployed. He's tried to get businesses to commit to not holding their long-term unemployment against them with hiring decisions.

We have recently been awarded $1.8 million from Department of Labor to help in our efforts to return long-term unemployed get back to work. This grant will be used -- it's a statewide program that will be used. We'll be working in conjunction with Platform to Employment. It's a nonprofit entity that has designed a program that combines about five weeks of formal classroom training and counseling efforts, and then the folks who are participating in the program spend eight weeks in on-the-job training with an employer. It's subsidized on-the-job training. And so the employer gets to test drive the employee and the employee gets to get some experience with working in that company and building their skills, with the hope that at the end of that eight-week time that leads to permanent employment for that individual. So we're excited about that.

We're going to be launching that effort in Las Vegas on October 20th, and I believe at the PBS facility down there. And then, again, it's a statewide program. We'll be launching a program in Carson City at the beginning of the calendar year, so we look forward to success in that program.

In terms of the Workforce Investment Act, for many years -- I think since I started with the Department 12 years ago, they were talking about reauthorizing the Workforce Investment Act. Well, it finally came along in the form of the Workforce Innovation and Opportunity Act. So that's what they're calling it now and we like to refer to it as WIOA instead of WIA. So you'll hear us talk about WIOA. So that was recently passed into law. We're still trying to digest all the changes that this new law means for us and for the workforce in the state -- or the workforce system in the state and across the country. All the states are kind of in the same boat trying to figure out what we're doing.

It changes the size, composition, and role of Boards. It mandates new partners into the process. I'm sure there are many implications out there that we haven't thought of yet. We're working through that now. They have a deadline of issuing draft regulations from DOL by January 18th. We are actively making sure they have all of our good suggestions in hand when they write those regulations, so that we can have some say in how our workforce system is going to work. The local Boards are also actively working on understanding and making suggestions as well.

One of the things that stood out to me is that, amongst many things, but it will also impact the unemployment insurance system, because it requires that UI services be provided in the American Job Centers. The American Job Centers are what we call our JobConnect offices. And in the south there's a -- Workforce Connections that has established a one-stop as well. Those are American Job Centers. Now, we don't know what that means exactly. Once we get the regulations and they define for us what that means, UI services provided in the offices will get a better handle on that. Funding and resources will drive the level of services available in that regard, but we do feel it's very important to do whatever we can to bring that connectivity back between the unemployment insurance system and the workforce system, working together to get folks back to work. So we'll see where that leads.

Like I mentioned before, the reemployment services for UI claimants is getting more and more attention and will continue to support those efforts. I wanted to just back up real quickly. The REA, the Reemployment Eligibility Assessment piece, is funded by the federal government. This year we were awarded $1.5 million to continue those efforts, but the reemployment services piece of the puzzle is not funded by the federal government right now. That is the piece that we are funding with the Career Enhancement Program funding that we have, we intend to continue to support that program going forward.

As far as the federal government, last year we were in a situation where we were going to default on our national debt and close down the government. We are not seeing that kind of attitude right now out of Congress. There is a continuing resolution that is in effect through December 11th at this point. Congress has decided to wait until after the elections to come back and resolve the rest of the budget issue for the rest of the federal fiscal year. So we'll see what happens there. I don't get any indication that we're going to see the kind of chaos that we've seen in previous years in receiving our federal funding; but I don't ever try to predict what Congress is going to do anymore. I just haven't heard anything that says there are going to be any huge disruptions like we were facing last time.

I guess from there I'll conclude my comments and I'd be happy to answer any questions, and then we'll get rolling with the rest of the Agenda, I think.

Mr. Havas thanked Ms. Olson and asked if there were any questions or comments from members of the Council. Mr. Havas asked Ms. Golden if the meeting was properly posted and if any comments were received.

Ms. Golden responded that she is the Administrative Assistant to the Administrator and that, yes, the meeting was posted correctly, but no comments were received in writing.

Next, Chairman Havas asked Economist David Schmidt to give his presentation on the status of the UI Bond.

VI. UI BOND STATUS UPDATE (Exhibit C)

David Schmidt, Economist, Research & Analysis Bureau, DETR

Thank you, Mr. Chairman. Good morning and good morning to members of the Board. For the record, my name is, as he said, David Schmidt. I'm an Economist with the Research and Analysis Bureau.

This presentation is to provide the members of the Board with an idea of where we stand on our bonds and what the rates are going to be for 2015, so that you can take that into consideration later when we talk about the contribution rates for the regular unemployment insurance program.

The state did issue bonds. We were going down that path last year. We issued bonds in November of 2013. By doing so, by the time that we did, the State was able to restore the full federal unemployment tax credit for employers in the State as of 2013. There was a November 10th deadline there and we slipped in under that by just a couple of days, with a lot of hard work from the state to get to that point. We received an AAA rating for those bonds to get the best interest rate that we could and, again, help to keep the cost of those bonds as low as possible. The issuing of the bonds also means that the special interest assessment that Nevada employers faced in 2012 and 2013 was not necessary going forward to continue to pay the interest cost of the federal loans that those bonds repaid. Now all of those costs are sort of rolled into the cost of the bonds.

What I'm going through here is the calculation of the bond assessment rates. Those are all laid out in regulation so that the calculation happens based on the schedule of bond payments and estimated taxable wages. It was set up so that there's no real room to adjust the rates. This isn't something where we say, well, we think we need to bring in this much money in order to pay the bonds this year. All of the calculations are laid out in the regulation so that the security on the bonds was as strong as possible, so that bondholders didn't need to think that we might come and go, well, we only want to collect half a percent when we really need more than that. All of these are just laid out. You take one thing; you divide it by another thing. You get the final result.

But I want to walk through the process of that calculation so that you know what we're expecting to pay. Our first bond payment was made in June of 2014. There was no principal in this payment. It was interest only of $13.6 million. It was designed this way in order to let the principal reserves build up before the first principal payment was due. That'll be in December of 2014. The bonds are every six months, payments are due on them. That payment will be $71.8 million in principal and $12 million in interest. Currently, we have in the principal account with the trustee, $83.6 million for principal and we have $16.4 million for interest. So we already have sufficient reserves to meet those payments, and we would expect that the money that will be coming in, in November and February, over the next couple of quarters, will go toward building the reserves in advance of the June 2015 payment.

The way that we calculate the bond assessment rates each year is, we start with the payments that are going to be due in the next year. In 2015, between June and December, $121 million in principal and $22.7 million in interest and expenses will be due. We multiply that by a 50 percent coverage ratio for a total amount that we need of $181 million in principal, $34 million in interest. We then look at what reserves we expect to have on hand at the end of this year, which is to say after February when the fourth quarter collections come in. We expect to have about $58 million in the principal account I should say, and about $14 million in the interest account. So we subtract our anticipated reserves from the amount that we need to figure out how much do we need to collect in 2015, and that gives us $124 million in principal and $19.9 million in interest.

If you look between the first and third bullet points, you'll see that essentially because that 50 percent coverage that we have to collect sort of rolls over from year to year. We pretty much end up pretty close to collecting in 2015 what we need in 2015, with that reserve just kind of floating there from year to year. Knowing our obligations, the next step is to figure out the wage base that will be available to pay those. We expect to see about $27.3 billion in taxable wages. We multiply that by 95 percent to account for any noncollection or late payment that may come in for the bonds. Dividing our obligations by that $25.9 billion, we get a principal bond rate of 0.48 percent, interest rate of 0.08 percent for a total rate for the bonds of 0.56 percent in 2015. This is down seven-hundredths of a percent from 2014, when the total rate was 0.63 percent.

Once we have that average rate, we then split that into four different tiers. This is to sort of mirror, in some ways, the process that we have for the UI rate, where we have a total of 18 different tax brackets for employers and then another rate for new employers who haven't yet earned their experience rating. And Edgar will be talking about that process for UI a little bit later. Here, we only have four rates. This is to simplify things and to sort of spread out the costs a little bit more so that the employers that really are on the extremes, very high and very low, aren't facing rates that are significantly higher than if we simplified the structure here a little bit, or so low that it essentially rounds out to zero.

And so the four tiers that we have is 1, for new employers, just like we have on the state UI side. We have a tier for all employers who have a negative reserve ratio, which means that over the life of their account their total benefit payments have exceeded the total amount that they've paid in UI contributions. Tiers 3 and 4 take everyone who has a zero or positive reserve ratio and we put 90 percent of the wages from those employers in Tier 3 and 10 percent of the wages in Tier 4. And this is so that the employers who have a very positive reserve ratio because their unemployment rates are typically in the 0.5, 0.25 percent brackets, we don't want to hit them with a rate where they're paying twice as much in bonds as they are in regular unemployment contributions, and so this allows us to adjust those rates down. At the end of the scale, by only using 10 percent of those wages, we make sure that we don't have so many employers landing in that category that the rates for the new employers and the negatively rated employers are shoved up by comparison.

Also, if you're interested, I'm not going to read through all of the numbers here, but you can see distribution of total wages and the distribution of the number of employers that fall into each of those Tiers. Because most of our employers in the state do have a positive reserve ratio, Tier 3, being 90 percent of the wages from those employers, is by far the largest source of both wages and a significant source of employers. Actually, the new employers have the largest number of accounts. It's because new employers frequently have a lot of startups. You have people who might have just one or two employees, but they're very new. And so you have a large number of small employers in that category.

With those four Tiers, we take the average rate that we calculated as 0.56 percent for 2015. Tiers 1, 2, and 4 are multiplied by a fixed multiplier to adjust that rate. So the rate for Tier 1, which are new employers, will be 0.26 percent. The rate for Tier 2, employers who have a negative reserve ratio will be 0.8 percent. The rate for Tier 4, employers who have that top 10 percent of positive wages, is 0.14 percent. And then Tier 3, we back into a weighted average for all of the wages in the State so that the overall average comes back out to 0.56 percent, and that average means that the Tier 3 rate is 0.6 percent overall.

All of these are lower than they were in 2014. The negative reserve ratio employers saw the largest drop, because they have that higher multiplier, their rates will drop from 0.89 percent to 0.8 percent. The Tier 4 employers, because they have that very small rate, saw the smallest drop from 0.16 percent to 0.14 percent. Overall, the total cost on average to employers at the wage base for 2015, which is $27,800. That's the maximum amount of wages that are subject to both the Bond assessment and the UI assessment. That has dropped from $172 to $155.

Looking at long term for the Bonds, you can see here the total Bond obligations for 2014 through 2018. These Bonds are structured so that hopefully we will be able to fully repay the Bonds in December of 2017. There are some Bonds that have a due date of June of 2018. However, these are structured so that we can call those six months early, hopefully using that 50 percent coverage that rolls over from year to year to pay off those Bonds as well, so that all of the obligations are done and there's no sort of extra money that's being collected and not being used to pay the Bonds at the end of 2017.

You can see also the expected taxable wages are expected to rise as employment growth picks up in the State and as wage growth continues roughly online with expected inflation. And this leads to reasonably stable expected average Bond rates for 2015 through 2017, very near the rate that they're at for 2015. That's the end of this particular presentation. If you have any questions about the Bond rates or the calculation of that, I'd be happy to answer them.

Chair Havas asked for questions from the Council, but there were none at this point. Mr. Havas asked for Chief Economist Bill Anderson to give his presentation.

VII. <u>WORKSHOP TO CONSIDER ADOPTION OF REGULATION TO ESTABLISH THE UI TAX RATE SCHEDULE FOR CALENDAR YEAR 2015. (Nevada Administrative Code 612.270)</u>

A. <u>Economic Projections and Overview (Exhibit D)</u>

Bill Anderson, Chief Economist, Research & Analysis Bureau, DETR

Good morning, Mr. Chairman, members of the Council, Ms. Olson and Mr. Karch. For the record, my name is Bill Anderson. I'm Chief Economist with the Research and Analysis Bureau within DETR. My role today, as the Administrator alluded to, is to kind of lay out the overall economic environment or economic fundamentals within which you'll be making your recommendations today. After I'm done, Dave will use this economic background to more or less layout some possible scenarios for you to consider, specifically as they relate to various tax rates and their impacts on the unemployment insurance system and Trust Fund.

So with that, I'll go ahead and plow through this. I'm keeping my remarks today focused solely on the Labor Market. I doubt if you've thought much about the presentation I gave to you a year ago, but we've added some new analytical tools and whatnot that I think will shed some additional light on underlying fundamentals. I mean, more or less to summarize things, I didn't go back and check my notes, but probably two years ago I was talking about a very slow, modest kind of recovery. Then last year I was a bit more positive, and then this year I can be even more positive. Just about every Labor Market indicator that we have access to is moving in the right direction. We have a long way to go. The recession hit us hard, but recent signs suggest that we're making up for some of that lost ground.

In terms of the unemployment rate, currently we stand at about 7.6 percent here in Nevada. That is about a point and a half higher than the national rate. I think what's important here is that at the height of the recession, in terms of our unemployment rate, we were in excess of four percentage points higher than the nation as a whole. So we've narrowed that gap considerably. We peaked at close to 14 percent during the recession. So, essentially, the rate's been cut almost in half.

I alluded to the fact that we're narrowing the gap with respect to the nation as a whole. The last few years that I've appeared before you we've talked about the highest unemployment rate in the nation, and now we're starting to make up for some of that lost ground. Our most recent information for the month of August shows that our jobless rate is now fourth highest in the nation. Obviously, still much too high, but we're starting to move up the ladder, so to say.

In recent months, our research staff has taken a more detailed look at unemployment in Nevada. And these next few slides kind of summarize that. We have about 55,000 Nevadans who are currently unemployed because they lost their jobs. I mean involuntarily. They were essentially let go. You can see that that peaked at close to 120,000, so we put a big dent in the number of what we call job losers in Nevada. People can also become unemployed because they voluntarily quit their jobs. This isn't nearly as neat of a chart, but the underlying trend here is that the number of people who are leaving their jobs voluntarily is trending up. There are a lot of ups and downs, but the overall trend is up.

A lot of folks don't understand that for the most part that's a good thing. When people quit their jobs it suggests that they have other opportunities and/or their confidence in finding other employment opportunities is on the rise. So it sounds kind of backwards, but when we see a lot of people quitting their jobs that's a pretty underlying trend. Long-term unemployment; we define long-term unemployment as those who've been unemployed for more than 27 weeks, more than a half a year, has also come down considerably from in excess of 90,000 down to about 45,000 in our most recent reading. So we've seen a big dent in the number of long-term unemployed.

Now, there's been a lot of debate about the so-called quality of new jobs that are being created here in Nevada. One aspect of that debate concerns full-time versus part-time employment. And what we've been seeing is that most of the new jobs that we've been creating over the course of the recovery have been full-time in nature. You can see that full-time employment, and that's the higher blue line, tumbled considerably during the recession. At the same time, part-time employment increased. But since we've been into a recovery mode, almost all of our job growth appears to have been of the full-time variety, whereas part-time employment is essentially holding steady. So that's certainly some good news there.

Without fail, when we release our monthly unemployment rates, and our next release will be next Friday, I always get the question, well, that's the official rate, but what's the real rate of unemployment. For the most part, what folks are alluding to there is, if we count all of the folks that have dropped out of the labor force and have given up on their search for work because they don't think that there are employment opportunities out there for them, if you count them in the unemployment rate, what's that going to be? I don't want to get too much into the weeds here, but these are various measures of the jobless rate, as identified by the Bureau of Labor Statistics in the U.S. Department of Labor. Different definitions of what we count as unemployed.

That U-stream measure right in the middle is most closest to our official rate of unemployment. If you add in those folks who have become discouraged and dropped out of the labor market, we're talking about roughly a percentage point increase in the unemployment rate that would get us up from that annual average of about 8.8 percent to 9.7 percent under the U-4 measure. And if you really wanted to broaden the measure and you started talking about folks who are working, but they're working part-time and they'd rather be working full-time, then you get up into the mid-teens in terms of the unemployment rate. But I think the key note here is that if we include all those discouraged workers, we are going to add roughly a percentage point to the unemployment rate.

Keeping our focus now on the employment front, employment's been trending up for about 44 months now, relative to a year ago. Job growth is hovering in the 3.5 to 4 percent rate over the past half year. And you can see how that growth rate has picked up over time. If you remember, the Governor announced, early on in his term, the goal of 50,000 new jobs created in the economy during his first term in office. We developed this spreadsheet to help the Governor's Office kind of track that goal. You can see that we added about 11,500 private sector jobs in 2011, then about 20,000 jobs in 2012. Close to 30,000 jobs last year. That got us, actually, above the 50,000 job goal right there. And then this year we're trending a little bit more than 40,000 higher than where we were a year ago. So if we can hold on to these trends -- and I think they might recede a bit in the final months of the year -- we're looking at roughly 100,000 jobs created in Nevada's economy since we bottomed out in 2010. We will be keeping an eye on this going forward.

Nearly all sectors are contributing to our recent job gains. Professional business services, leisure and hospitality lead the way. The only one that's actually declining ever so slightly is the mining sector which, if you remember, during the recession held up pretty well, but with declining gold prices over time, things have more or less leveled off there. But the bottom line here is we've been seeing pretty broad-based diversified growth. We are up about 3.5 percent, 3.6 percent so far this year in terms of employment. That's about double the rate of job growth nationwide. We are outpacing the U.S. in terms of job growth in 9 of our 10, what we call super sectors.

What this charts shows is the difference between job growth in Nevada, in percentage terms, and in the U.S. And you can see, for instance, in construction we're growing roughly eight percentage points faster than in the U.S. If you look at mining and logging, which includes energy, you can see that we're coming up short of national growth, but everywhere else we're seeing job growth in Nevada that exceeds the rate of job growth in that same sector nationwide.

I use this chart everywhere I present, and I think it's the best chart to give you a feel for what's happened and what's happening in Nevada. We've started looking at our job growth ranking. Where do we rank in terms of job growth? Prior to the recession, we outgrew every other state in the nation, and then you can see that came down rather quickly. And during the recession in 2009 and '10, we had the weakest job performance in the nation as a whole. And now, beginning in 2011, we're starting to pick up lost ground. And so, that through our first indications of activity in 2014, we're growing faster right now than about 48 other states. Again, I think this really gives you a good picture of how hard Nevada was hit during the recession and, secondly, how we're making up for that lost ground as the recovery unfolds. When we report job numbers, and the job numbers that I've been talking about, it's kind of a net figure that we provide you with. That is the end or the net result of a lot of different labor market transactions.

Ten of thousands of people are gaining employment and losing employment every month. This kind of looks at our gross job gains and gross job losses. You can see that our gross job gains in expanding and opening establishments have exceeded our losses and declining establishment for about 13 straight quarters. We can also narrow that focus and look at new jobs from business openings and compare to that jobs lost in business closings. And you can see that our new job gains from openings have exceeded our losses from closings for about nine straight quarters. So we can now look at this labor market churn and it's also shedding some light on the recent job growth that we've been seeing.

Switching focus now to wages. If there is one weakness that has characterized our recovery to date, it's on the wage front. If you look back at 2011, '12, '13, we were only seeing wage growth in the 1 to 1.5 percent range. We did see some more encouraging signs in the first quarter of this year. We'll be watching that going forward, but we grew in excess of 2.5 percent during the first few months of this year compared to last year. So hopefully that's a sign of things to come.

We have undertaken a more detailed analysis of wage trends in Nevada. We often talk about average wages. Well, not everybody pays average wages. We looked at that from the perspective of new hires. We have an average wage and then you have a wage for new hires. And what our data, and we work with the Census Bureau on this, tells us is, that new hire wages are about two-thirds, over time, of average wages, which makes sense. When you have new hires a lot of times they're newer entrants into the workforce. They might not be quite as productive as the more senior members of the workforce, so that's reflected in their wage rates. We looked at wages by age. As a 55-year-old, this is somewhat concerning to me, because now my wages are supposed to start going down. You can see that wages rise with age, all the way up to that 45 to 54-year-old category, and then they easing back a little bit in the final years of a person's work life.

The number of employers is on the rise. We peaked a little bit in excess of 60,000 employers in Nevada prior to the recession. Several thousand of those were lost as the recession unfolded, but now we're back up to that 60,000 mark, just barely short of our pre-recessionary peak. We've been seeing increases for 12 straight quarters in terms of the number of employers. So, again, some good news there.

We did some work in anticipation of the Governor's recent conference on small business in Nevada, and we thought we'd share that with you. Despite all the big buildings on the strip and hospitals and utilities and whatnot, large employers, the state's economy is dominated by small establishments. You can see that the vast majority of establishments employ less than five people here in Nevada. In fact, if I remember right about 98 percent of our establishments employ less than 100 people in Nevada. So that, I think, provides some insight.

We're seeing job gains across the board. Because leisure and hospitality is so large and they're kind of leading the way in terms of job growth, they stand out there at the top, but you can also see that our small and medium-sized businesses, those with 20 to 49 and 50 to 99 workers, are also growing quite strongly, there is pretty broad-based growth there. If we just narrow our focus to those establishments with less than 100 workers, again, kind of the traditional definition of small business, you can see that since 2010 we've been on the rise. We're still a bit short of where we were prior to the recession, but you can see that we're consistently making up for lost ground there.

Now, in terms of looking forward, we saw the labor market bottom out in 2010. We've been seeing some improvement ever since then. And looking out through 2016 and 2017, we expect to continue to see that kind of improvement. We should be surpassing our pre-recessionary peak of employment as 2016 kind of rolls into 2017, somewhere in that period. But we're looking at job growth in excess of 40,000 on a year-over-year basis when we get out into 2016 and '17.

To put that into perspective, prior to the recession, we were growing at an unsustainable 60,000 or so job gains on a year-over-year basis. That obviously wasn't sustainable. Coming out of this recession, we were growing roughly 10-20,000 jobs a year early on, and more recently, as I noted, we are growing in the 35 to 40,000 range and we expect it to continue to pick up from that. We won't reach that pre-recessionary level of growth, but nonetheless, we'll see some noticeable improvements.

Looking at a few of our key industries, in terms of construction, again, to simplify the magnitude of how hard hit that industry was, we lost 100,000 jobs in construction, from about 150,000 down to 50,000. We started adding those jobs back roughly in 2012. We expect that trend to continue to improve. In fact, construction's been one of our fastest growing, in percentage terms, sectors in the economy. By the time we get out to 2017, we should've added about 40,000 of those jobs back. So, that is certainly good news.

Manufacturing, it's been in the news a lot lately with the recent announcement about Tesla. That's reflected in our job growth forecast here. We expect job growth to strengthen considerably in Nevada, driven in large part as Tesla comes online. So everybody asks me, well, have you taken that into account, and the bottom line is that we have. Retail trade should continue adding about 4,000 jobs annually. That little spike you see every year is holiday-related seasonal hiring. But the underlying trend will continue to point upwards. Healthcare -- everything should be as easy to forecast as healthcare jobs; about 3,000 new jobs every year going forward to continue that trend.

Accommodation and food services or leisure and hospitality, however you want to refer to that, we are right at our pre-recessionary highs. We'll certainly be surpassing those in the months ahead. And we expect, over time, to add about 40,000 over the next few years in leisure and hospitality -- or accommodation and food services.

In terms of the unemployment rate, we think given these job trends that we're looking at and some historical trends that we've taken into account, the unemployment rate should continue to decline. As I said, we peaked at close to 14 percent. Right now, for all of 2014, I think we're averaging just a tick above 8 percent in terms of the unemployment rate. We think that's going to continue to go down. By the time we get out to 2016, we're looking at roughly a 5.5 percent or so unemployment rate.

Now, obviously things can happen between now and then. Dave actually is going to wind up his presentation with a couple of things to just keep in mind as to what can happen to throw these projections off. But if things hold as we expect, this is more or less the scenario that we're looking for. So with that, Mr. Chairman, I'll conclude my comments and I'll be open to any questions that you might have. If not, then Dave can transition into the next topic.

Chairman Havas gave the floor to Dave Schmidt to present his part of the meeting.

B. **Review of UI Trust Fund (Exhibit E)**
Dave Schmidt, Economist, Research & Analysis Bureau, DETR

Again, for the record, my name is David Schmidt, Economist at the Research and Analysis Bureau. I think Bill gave you a pretty good idea of some of the trends we're seeing. Employment is growing and growing at a faster rate. We've seen a little bit of pick up in average wage growth, which had been pretty flat for a few years. Working that into "what does it mean for the Trust Fund" and what are we expecting for the years to come, is going to be the point of this presentation.

The last few years I've given you a map that showed various Trust Fund balances and sort of what was happening nationally. This year, I have sort of a line graph to say what was the total Trust Fund balance across the country heading into the recession, and then what's happened since then. You can see that the United States, as a whole in 2007, entered the recession with about $40 million sitting in all the Trust Funds of all the states, and very little loans. I think Michigan was the only state that had any loans, because they were right at the edge of moving into a solvent position when the recession really hit.

2009 was a bad year for Nevada. It was a bad year, obviously, you can see here, for the nation as a whole, where loan balances that states needed to take jumped by about $30 billion between 2009 and moving into 2010. While the trust fund balances, they leveled out over the course of the recession, some states have policies in effect where their rates just keep going up as benefit payments go up. And so, those states managed to keep some money in their trust funds, but a large number of states ended up borrowing money both from the federal government and, eventually, from the private sector.

You can see from 2009 through 2012 that the total loan balances from states that were borrowing, exceeded the total positive balances from those states that still had reserves. So the United States as a whole was actually upside down and had a net loan balance through the recession. But since things have started to improve, particularly in 2012, '13, and '14, that situation is improving. As of June 30th of this year, the total loan balances, at least from the federal government, were down to about $12 million, while the total positive Trust Fund balances were up to about $30 billion nationwide.

This slide shows you the number of states that are in different levels of solvency or have undertaken different options to repay their loans. You can see the number of federal loans from 2012 to 2014, the states that have those loans has dropped considerably. We had about 22-23 states that had federal loans in 2012. That's down to about 13 states as of June of this year, and a couple of more states are actually coming off that list between June and November, as they also work to repay those federal loans, so they can restore their federal tax credits.

We have seen a small increase in the number of states that have borrowed from the private sector, from about seven in 2013 to eleven in 2014, Nevada being one of those states. You can see the number of states that are at a low level of solvency overall that don't have any form of loans outstanding has been fairly constant from 2012 through 2014.

But there has been a noticeable increase in the number of states that have some solvency levels that are at or above an average high cost multiple of one, which is a federal solvency standard that measures the amount of money that you would have to have in your trust fund to pay benefits for one year during a recessionary-type environment.

Nevada, again, is a state that was hit very hard by the recession. Here you can see the average tax rate in Nevada from 1950 through the present, and you can see the benefit cost rate, which is the tax rate that would have been necessary to pay for the benefits that were paid out in that year. You can see just how hard 2009 hit us. That's a 4.7 percent rate. So during the worst of the recession when we paid out over a billion dollars from the regular unemployment insurance fund, we would have had to have an average tax rate in the state of 4.7 percent to pay for those benefits. Given the 18-tier rate structure that exists in Nevada, it actually wouldn't have been possible to push the average that high, given the number of employers and the number of wages that are at that new employer rate of 2.95 percent, which is fixed, because you would have had to have pretty much everyone at or above the maximum rate of 5.4 percent to make that average work out.

But as that benefit cost rate has come down and the Council has recommended increasing the average rate to help both repay our loans at first, and now it's to start building solvency in advance of a future recession, we have been in a situation where, because our average tax rate is higher than the benefit cost rate, we are improving. We were paying down our loans and now we are building some solvency toward the future.

Looking at how the average unemployment tax rate in Nevada work with bonds and what's the total hit to employers, this chart on the left shows the projections that we had of over the period of 2014 to 2017, when we were looking at should we bond, should we not bond; what would the total average cost to employers be. And it's kind of tricky, because particularly the part that's labeled FUTA in red, that represents the money that would be coming in because of the reduced federal unemployment tax credit that employers were facing. Essentially while we were borrowing, the Feds, in essence, started increasing the federal unemployment tax and redirecting that money to pay for loans.

But that's on a $7,000 taxable wage base as opposed to the taxable wage base in Nevada, which is set at two-thirds of the average annual wage in the State, and for 2015 it's going to be $27,800, a bit higher. And so with a lower tax rate on a larger wage base, we bring in more money, whereas the federal unemployment tax credit reductions were 0.9, 1.2, and 1.5 percent going forward, but that's only on $7,000. And so this treats those increases as though they were on the Nevada wage base even though they're not. You can see the overall cost to employers and compare apples and oranges, at least to some degree.

So in 2014, we had a bond assessment rate of 0.63 percent. We had a regular unemployment contribution rate of 1.95 percent for a total cost to employers, on average, of 2.58 percent, which was slightly under the cost of the no bonding scenario. So the employers, even though they're now paying this bond assessment, they were paying for the interest on the federal loans and they were paying the federal government through their increased federal tax rates, so that we essentially remove those and then repay the bonds that we can save some money, but also have a little bit more control over the process, as compared to the federal government, where rates were going up on employers every single year.

With the bonding, with everything that's gone on, this chart shows you the overall cash flows for the State in sort of a graphical form. You can see we went from having reserves of about $800 million prior to the recession to maximum borrowing near the worst of the recession of about $800 million. The very worst point in the middle of the year was actually $846 million. Since then we have a large increase in revenues in 2013, because of the bond proceeds. That pushed us back up above zero, and we expect to end 2014 with a little over $200 million in the Trust Fund.

This chart shows you where we are currently and where we would need to be to have a solvent Trust Fund according to both state and federal measurements. The state measurement essentially looks at the worst year in the last 10 years. And it just so happens that sitting here in 2014, the worst year in the last 10 years is also pretty much the worst year in the history of the unemployment insurance program in the State. In order to have a year's worth of benefits at that very worst year, we would need to have a little over $1.1 billion in the Trust Fund as of 2014. The federal measure is a little bit more generous. It looks at the average of the worst three years in the last 20 years.

But this last recession was so bad that those three years are 2009, 2010, and 2011. It still spreads out, it says, not what was the very worst point, but on average what was a very bad point, and so because 2010-2011 were a little bit better than 2009, the average amount that we would expect to have to have in the Trust Fund to pay benefits for a year is about $920 million. And so you can see as far as it goes to sort of filling up that glass for that solvency level, we're sitting at between 20 and 25 percent, depending on which of these measures you look at.

This chart looks at the history of benefit cost rates. This is that orange line in the chart a couple of slides ago. But this says how many times in how many years from 1980 to the present, have we been in a certain category. And so there's only one time since 1980, where we've had a benefit cost rate of over 4 percent, and that was that 4.7 percent that we hit in 2009. As of 2014, we were back down into the 1.25 to 1.5 percent benefit cost rate. It was about 1.47 percent. It's near the upper end of that category, but you can see that we've come from having the highest benefit cost rate in the history of the program, down to where we're at pretty much an average sort of level right now. It's a little bit elevated, but we're really pretty close to what you would expect to see during some normal economic times, which makes sense given the sort of employment growth and wage growth and other economic indicators we've been seeing in the State.

Looking toward what sort of trends are we seeing right now and how might that affect the forecast for unemployment benefits going forward. This chart looks at the average level of weekly initial claims, which is, people filing to sort of enter the unemployment insurance program, per 1,000 jobs in the State. We do this because as employment grows, you would expect to see, even at a steady rate of turnover, just an increased number of people working would lead to an increased number of people filing for unemployment benefits.

So this is for every thousand jobs, how many initial claims have we been seeing. You can see that during the 1990s, that was a very stable trend at right about three initial claims per thousand jobs. And as of the latest weeks here in 2014, we're actually at about 2.9. So we're right back to where we were on average during the 1990s. This fell to almost 2 during the housing boom in the middle of the last decade. But on average over this time period, we've seen about three initial claims per thousand jobs, that's the average. That's the steady state level.

So we're already there. What this means going forward is that we really don't expect to see much more of a decline in the number of people that are in the unemployment insurance system. Where there is any decline in benefits going forward, it's going to be through things like, shortening the average duration of a claim or other changes sort of within that volume of people who are claiming benefits.

This chart looks at the percentage of people from 2007 to 2014, who qualified for either the maximum duration of benefits, which is 26 weeks in Nevada, the maximum benefit amount that was in effect for any given year or both. And this gives you an idea of how many people are at the high end of the range of benefit payments. You can see that there's been a slight increase in the number of people that qualify for the maximum duration, which is the blue line at the top of the chart. We've gone from a little under 60 percent in 2011/2012, to a little bit over 60 percent in 2013/2014. What this suggests is that there's an increase in the number of people who have more wages over more quarters, because the average duration is based on the total wages that someone earns during their base period, which is the wages on which their benefits are based.

If everyone has all of their wages concentrated into just one quarter, they might qualify for a very high benefit amount, but the number of weeks that they'll qualify for, the total benefit amount, will be lower. And so, because this percentage of people eligible for the maximum duration is increasing, we can see that there's an increase in the number of people who have their wages spread over multiple quarters, which means they're finding some steadier employment, they're seeing wages in multiple quarters, they're not just sort of into employment and out of employment very quickly.

Looking down at the number of people who are eligible for the maximum benefit amount, you can see that's actually been pretty steady from 2011 through 2014. That suggests, as Bill said, we've seen very low wage growth. We haven't seen a lot of increase in the wages that people are earning, and so the number of people eligible for the maximum benefit has been pretty steady. And then, obviously, that affects the number of people who are eligible for both the maximum benefit and maximum duration, which has also been fairly steady from 2011 through 2014. As the economy improves, I'd expect that we might get back up toward the levels that we were seeing back in 2007.

Something that's interesting is that while we haven't seen a big increase in the number of people at the maximum wage level, we have seen some increase in the average payment that people are receiving. And so there has been some improvement in wages. It hasn't been enough to push lots of people into that maximum benefit amount, but the benefit amount that people receive has been increasing a little bit. This also makes sense because the maximum payment increases over time as average wages increase to keep up with inflation. And so we have seen the dollar amount rise a little bit since it hit its low in 2012. However, there, it's still been pretty steady through 2013-2014.

The average duration, similarly we saw some improvement in the number of people eligible for the maximum duration. The average duration has broadly been declining since we came down from 2010. It flattened out through 2012 into 2014. Prior to the recession, we were running at about 13 weeks. Although you'll remember that was a boom time where there was so much employment opportunity that it was easier for people to leave unemployment insurance and get into employment again quickly.

Long run, we probably expect to see that fall to about 14 weeks over time. It's still somewhat elevated, but there's probably some room for the total number of people claiming benefits to decline as we see some improvement in that average duration of benefits.

One thing that's happened over the course of the last year is that all of the federal unemployment benefits that were available for benefits have ended. Those ended as of the end of 2013. At one time, people were eligible for up to 99 weeks of unemployment insurance benefits. If they were at the maximum of 26 weeks in the regular program, then they would be eligible for the maximum federal weeks. With the end of those federal extensions, the total number of weeks that people can claim is back down to 26. And you can see that represented by the end of the gray and light-blue portions in this chart.

It's interesting to note that, while our total weekly claims in the regular unemployment insurance program are just under 30,000, which is pretty much where they were back in January of 2008, it's actually slightly lower than they were then. The total number of people who were unemployed, which is that red line, is still about 30,000 higher than where we were at that time. What's reflected here is that there are still a large number of that long-term unemployed that Bill mentioned earlier, where people who have been unemployed so long they really just don't qualify for unemployment benefits anymore. Currently, a little under 30 percent of all the people who are unemployed in the state are actually eligible for some form of unemployment insurance benefits.

Another trend that we've seen is the decline in the total amount that we're paying out each month. Obviously, when we've come down from the recession there, we peaked paying over $100 million every single month during 2009. That average was pretty high throughout 2009, near $100 million. Since then we've come down to where we're paying out about $30 million a month. This is somewhat higher than where we were at in 2005 to 2007, but as wages have gone up since then, as employment is continuing to recover, as we're seeing sort of a flattening out in the number of people entering into the system, the forecast that I'm going to give you doesn't really call for much of a decline here. We're looking at a decline of about $2 million out of total benefit payments of about $370 million. So we're expecting a little bit of a decline, but pretty much a flat trend going into 2015, just because we are in many ways back to sort of a regular, steady level of activity within the system.

So this is where I get to look at where did I think we would be this time last year and where are we at now, so you have some sort of perspective on what the accuracy of this forecast was at least last year. Last year we were expecting a lot slower recovery than we've seen. We were expecting the unemployment rate for 2014 to average 9.2 percent, looking for the average through the whole year to be about 7.8 percent. So that's obviously a significant improvement. Our employment growth is about a percentage point faster than we were expecting. We were looking for growth in the low 2 percent; now looking at an average of about 3.2 percent. As Bill was saying, we may come in even a little bit higher than that since we've been in the 3.5 percent range recently. Overall, our total level of covered employment is about 1 percent higher coming in at 1,009,000 people compared to expectations of just 1,000,000. The total number of weeks claimed was actually slightly higher than we were expecting, but pretty close overall. The reason that the forecasted unemployment rate improved so much, but the weeks claimed was pretty consistent with what we were expecting is that disconnect that we've seen, because of the amount of long-term unemployed, because we have so many people who are unemployed and affecting the unemployment rate, but not receiving any form of unemployment benefits.

The forecasting there used to be very closely tied together, but we've had to sort of break it apart and see what are we expecting with benefits, what are we expecting with unemployment, because there are so many people who are unemployed, but no longer eligible for benefits.

Overall, how this has affected the forecast for the Trust Fund is that we've collected more revenue than we thought we would and we've paid out less benefits than we thought we would. And so the Trust Fund balance came in about $80 million higher than we were expecting, based on the average tax rate that was in effect this last year. And so good news, I am much happier to come here bringing good news than bad news.

This table looks at the calculation of the state solvency measure. This is how we figure out that worst year in the last 10 years that I was talking about earlier. As laid out in the statute, we take four factors; the level of covered employment in the state, which is employment that's covered by insurance rules. We take the risk ratio, which is a measure of how many of those employed people are likely to enter into unemployment insurance and we take the worst level of the risk ratio in the last 10 years. We take the highest duration of benefits in the last 10 years, which peaked at a little over 19 weeks during the recession, and we take the average weekly benefit payment. If you multiply those four together you get a figure that's the total benefits you might expect to pay in the worst year in the last 10 years, which again is $1.1 billion.

Looking at the cash flows that we've seen during 2014, we brought in $507 million in revenue. We had bond proceeds of $592 million, which went to repay the federal loan we had at the time of repayment, which was about $550 million, and put a deposit into the trust fund of about $50 million to cover cash flow between November and April, which is the point in the year where we see the collections for the first quarter start to come in and is the highest revenue quarter over the course of the year.

We did receive interest because we repaid those federal loans in November. Having a positive Trust Fund means that we start earning interest from the federal government instead of having to pay interest as the State Trust Fund is invested by the Department of the Treasury. We paid out a little under $380 million in benefit payments over the course of 2014. This is down about $50 million from 2013. And as a result, again, we came in at the end of the year with about $215-216 million in the Trust Fund, which is a significant improvement from where we were last year. This leaves us, as I said before, at about a 20 to 25 percent level compared to the solvency calculations for both the state and federal solvency measures.

Down at the bottom of the chart you can see that in 2014, again, we had that 0.63 percent average Bond assessment rate, which put the total cost to employers between the average UI rate and the average Bond rate at 2.58 percent. And I would add a caveat to the numbers at the bottom of this chart, where while this reflects the cost from the UI rate and the cost from the Bond rate, this doesn’t' incorporate in 2012 and 2013, down at the bottom, the cost the federal tax credits or the interest assessment. This is just looking at sort of the big picture. And so what you see at the bottom is more meant for comparison to 2015 numbers, which are coming up, than comparing to 2013. I just don't want you to look at $605 per employee in 2013, $706 per employee in 2014 and go, whoa, we increased rates by 100 bucks a head.

If you take those other things into account, you get about $90 per employee in 2013. There was a small increase from '13 to '14, but that's because one of the goals for the bonding rate was to find a level where things could be flat over the course of 2014, '15, '16, and '17.

Because the federal tax on employers was increasing each of those years, if you take that increasing rate and you turn it into a flat rate, that means we were a little bit higher in '14 than we would have been otherwise, but we end up lower in '15, '16, and '17 than we would have been otherwise as we stabilize that rate. So that's where those numbers come from.

The next two slides look at the state solvency multiple, where one would represent a year's worth of benefits for both the state measure and the average high cost multiple, which is that federal solvency measure. Finally, looking at potential rates for 2015, there is a large caveat that, of course, the Council is not limited to any other rates that I present or Edgar will be presenting. This is just meant to be a framework for you as you consider what sort of recommendation you'd like to make.

This table also presents a much narrower range of options than we presented over the course of the last several years. This is meant to be consistent with that intent as we were pursuing the bonding in the last year of looking at more stable rates. So, whereas last year the range of rates varied by, I think, a full percentage point or more, here are the increments between the rates that we're presenting as just 0.05 percent. So it's a much narrower range that's sort of centered around the rate that we're at right now with that intent, again, of bringing some stability to what employers can expect in the state.

So looking at this range of rates, which are from 1.90 percent to 2.05 percent, when combined with the 0.56 percent average bond rate, you're looking at a total cost of employers between 2.46 percent at the bottom end and 2.61 percent at the high end of this range. With the taxable wage base increasing from $27,400 to $27,800, the total cost on average per employee would be between about $680 a head and about $725 a head. Our expected benefit payments for 2015 is $376 million. Like I said, this is $2 million lower than what we experienced in 2014, and we expect to bring in about $8 million in interest from the federal government on our Trust Fund over the course of this year.

Long-term, when you're looking for stability and a steady course over several years, this table gives you a slightly wider range of tax rates, because it fits better into this particular shape from 1.85 percent to 2.1 percent. What's the long-term impact on our federal solvency multiple where we hit that one level, which is that one year of benefit payments is highlighted in green. The other years are in red, so you can see at a 1.95 percent average rate, which is what we're at right now, we would expect to hit that federal solvency multiple of one in 2019. If the rate were 2.1 percent, we would expect to hit that multiple about a year earlier in 2018.

Also for comparison, so you can keep this in your head, because the average bond rate has come down from 0.63 to 0.56 percent, stability can mean different things to different people. And so one definition might be, if the average tax rate were to remain at 1.95 percent, then it's stable from where the average rate is in 2014. If you want to look at the total cost of employers, because the bond assessment has come down, if the average regular tax rate were to go up, 2.0 would be of these rates the one that is closest to maintaining the total cost to employers at the same level it was in 2014.

Another thing to consider, over the last couple of years I've given you this number where over the last 50 years the average period of time from the end of one recession to the beginning of the next recession has been 5.4 years. Dating it from June 2009, which was the official end of the last recession nationally, that would put us in December of 2014.

Fortunately, it looks like that most of our economic indicators are looking up, so I don't think that December of 2014 will be the start of the next recession.

But the longest period of time over that same time span, the last 50 years, from the end of one recession to the beginning of the next was 10 years. And if you take a look at that measure then you would be looking at June of 2019. This also isn't a prediction of a recession in 2019, but rather that's the longest time that we've seen in those last 50 years. It could be longer. We're coming out of a very deep recession. National expectations are for a long, slow recovery, so it could well carry on beyond June of 2019, or it could come much sooner.

Taking a look at the average tax rates that we're presenting here, the low end and the high end are indicated on the chart by the green and red lines there at the far right. The blue dot represents a 1.95 percent average rate if we were to keep the 2014 tax rates steady. You can see the expectations for the benefit cost rate over the next several years, or for it to level off at around the level that it was at in the 1990s, a little under 1.5 percent. So all of these rates would mean that we continue to build funds. None of the rates that we're presenting would cause us to start dipping into the Trust Fund, but they're all aimed at rebuilding the Trust Fund over the course of the next several years.

As Bill said, this is where I get to say I don't know the future. If I knew the future I would be a much wealthier person than I am right now. But as it is, the future is an uncertain place. What are some things that might affect these forecasts? Obviously, the Federal Reserve is ending its quantitative easing program as of the end of 2014. This has been something that the markets here have been looking at over time, is how the end of that program and eventually the increase in the federal funds rate affect the national recovery. Can we be weaned off of the stimulus that's been coming out of the Feds smoothly or will there be some disruption there? And that's one thing that can definitely impact the future.

We've also seen the Euro area is sort of right on the edge of, are they in a recession or are they not in a recession. They're not collapsing, but they're also not growing very strong, and obviously that's a major player in the world's economy. China has been going through some drop in their expected growth compared to where they were growing at incredible rates over the last several years. They're seeing some pullback there. And China is a major trading partner, obviously, with the United States having just so many people and such a large economy.

South America, there's been some instability with Brazil and Argentina and other countries down there. So there's a lot of things in the world that are -- could it go very bad or maybe it won't be as bad as we expect. There are big questions there. The Middle East, there's a lot going on there and that's a major source of oil. Oil prices being so important to the economy where this is where we get a lot of our energy from, and energy is really what drives the national economy. So if something were to happen there that had a big impact on oil prices, I think that would certainly be felt throughout the country here.

And, again, one of the aims of bonding and repaying those federal loans and issuing the bonds that we did last year was to help give employers some predictability and some stability in their rates. And so as I said before, the average tax rate of 1.95 percent would be a rate at which the regular unemployment rates would be flat from 2014, or an average rate of 2 percent would be the rate that, given the drop in the average bond rate, would most closely match the total rate that employers were paying in 2014. And that's the end of my comments. I'd be happy to answer any questions you might have.

Chairman Havas asked if there were questions from members of the Council. There was a question on what the interest rate is, approximately, being charged by the capital markets, what we pay privately, and then what do we earn on our deposits and our positive deposits?

Mr. Schmidt responded by saying that the total federal rate that we're receiving on the Trust Fund varies from quarter to quarter as the treasury markets change. But it's been pretty steady over the course of the last couple of years at about 2.4 percent per year. The bond rates that we're paying, obviously there's a difference between the face value of the bonds and the total interest cost of the bonds. The total interest cost of the bonds that we issued peaks at about 1 percent for the 2017 bonds, and, obviously, the nearer maturities have lower interest rates, but they were all in the sort of .9 to 1 percent range.

Mr. Havas noted that he understands you can't calculate a spread. You can't really do an arbitrage, but you can generalize about really the kind of savings that we drive by doing this. Mr. Schmidt agreed and added that is also because we receive that AAA rating.

Mr. Schmidt continued by saying that the structure of the bonds is overall very short. This was not a 30-year refinancing, where we take an obligation and spread it over many years. This was an alternative to repaying the loans the way that we were already going, just trying to leverage the low rates in the capital markets to improve that 2.5 percent that we were paying the feds, or to the roughly 1 percent total cost that we have through the bonds.

Mr. Havas asked, but in a dimension that most of us understand, how would you project pursuant to -- we know '15, but '16, '17, '18, and '19? Mr. Schmidt responded that he would expect with the quantitative easing, ending with expected future increases in the federal funds rate and just the overall growth and strengthening that we've seen in the U.S. economy, we're definitely expecting the federal interest rate to increase, which means over time, because we have the bonds locked in at that up to 1 percent rate as the federal interest rate is increasing, that just increases the amount that we're earning, because we have a positive Trust Fund balance instead of paying because we have bonds.

Mr. Havas mentioned that we do not have to worry anymore about borrowing rates, but we can talk about our growth as far as the deposit earnings. How do you see the increase on an annual basis if there -- let's say projecting for the very best with the end of quantitative easing. Mr. Schmidt said that we have been generally looking at a fairly steady rate, we are not looking at a large jump in those rates, but probably going up back toward the 3 percent or 4 percent that we've seen in recent years. It used to be even 6 percent or higher. Mr. Havas wanted Mr. Schmidt’s thought on at about what a year. Mr. Schmidt said to just keep it pretty steady, maybe a quarter of a percent or so a year, somewhere in that neighborhood. Mr. Havas thought that would give us some real consideration.

Chairman Havas thanked Mr. Schmidt and thought his presentation was very stimulating.

At this point Mr. Havas asked for a short of about 15 minutes before continuing with the Agenda items.

Continuation after the break.

VII. REGULATION TO ESTABLISH THE UI TAX RATE FOR YEAR 2014

C. Tax Schedule Explanation (Exhibit F)

Edgar Roberts, Chief of Contributions, ESD/DETR

Mr. Chairman and members of the Council, my name is Edgar Roberts. I serve as the Chief of Contributions for the Employment Security Division. As previously mentioned, the purpose of this meeting and regulation workshop is for the Council members to receive information in order to recommend to the Administrator the next unemployment insurance tax rate schedule for calendar year 2015.

State law requires the Administrator to set the tax rates each year by regulation. The Administrator sets the tax rates each year by adopting a regulation per NRS 612.550(5). In addition, pursuant to NRS 612.310(2), it is the role of the Employment Security Council to recommend a change in contribution rates whenever it becomes necessary to protect the solvency of the Unemployment Compensation Fund. This slide outlines a regulatory process with the Security Council making a recommendation for the 2015 tax rate. The holding of a Small Business workshop, which is scheduled for October the 28th, and followed by a Public Hearing to adopt a regulation tentatively scheduled for December the 3rd, and then the actual adoption of the annual regulation by December 31st.

The Federal Unemployment Tax, or FUTA, imposes federal payroll tax on all employers at 6 percent of each employee's wages, up to $7,000 or $420 per employee per year. Employers then receive a credit of 5.4 percent if the employer participates in a federally approved state unemployment insurance program. The cost is .6 percent times $7,000 or $42 per employee under normal circumstances. An employer's FUTA credit is reduced when the state has to borrow funds from the federal government as Nevada had to, to pay benefits and the loan remains on -- when the loan is remaining outstanding. In 2013, Nevada's bonding solution restored the full FUTA credit of 5.4 percent back to Nevada employers.

In addition, to ensure that a proper tax and a proper credit are given for State Unemployment or SUTA taxes, the IRS requires an annual crossmatch or certification process with states to validate SUTA payments for FUTA credits. The State Unemployment Tax or SUTA taxes collected from Nevada's employers are deposited into a Trust Fund. This Trust Fund can only be used to pay benefits to unemployed Nevada workers or to repay the principal of loans that were used to pay benefits. The revenue in this Trust Fund cannot be used for any other purpose. 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 fund does earn interest. This unemployment insurance tax is paid entirely by employers, and there is no deduction from an employee's check for this tax. An employer's tax rate will vary based on the employer's previous experience with unemployment.

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 rating system works as follows: the rate for all new employers is 2.95 percent of taxable wages pursuant to NRS 612.540. The annual taxable wage base or taxable limit is an annual figure calculated at 66 2/3 percent of the annual average wage pay to Nevada workers pursuant to NRS 612.545. Unemployment insurance taxes are paid on an individual's wages up to the taxable limit during a calendar year.

Turning to slide seven. The UI taxable wage limit in 2014 is $27,400 per employee. Effective January 2015, the taxable wage limit is increasing to $27,800. That was the figure you were looking for. Employers pay at the new employer rate of 2.95 percent for approximately three and a half to four years, and until they are eligible for an experience rating. Once eligible for an experience rating, an employer's rate can range from .25 percent to 5.4 percent, depending on the individual employer's previous experience with unemployment. The 18 different tax rate classifications are outlined in NRS 612.550(6).

The annual tax rate schedules 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 percent. The standard rate established by federal law is 5.4 percent. Rates lower than the 5.4 percent 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 higher employee turnover rates are at a greater risk cost to the fund to pay higher rates and will pay higher rates than those with a lower employer turnover rate.

Also on seven, employers' annual cost per employee for unemployment insurance range at the highest rate from $1,479.60 per employee, to the lowest of $68.50 per employee. In calendar year 2015, the maximum annual cost per employee will increase slightly by 1.44 percent due to an increase in annual average wage and annual taxable wage limits.

Turning to the next slide. To measure an employer's experience with unemployment, Nevada along with a majority of other states, use their reserve ratio experience rating system. Under this system the 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 established 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 $60,000 in contributions, had $20,000 in benefit charges and an average taxable payroll of $400,000, the employer would have a reserve ratio of a positive 10 percent. The higher the ratio the lower the tax will be for an employer. If an employer has received more benefit charges than they have paid in taxes, the employer's reserve ratio will be negative and the employer will generally have a higher tax rate.

Turning to the next slide. The reserve ratio calculated for each experience rated employer are then applied to the annual tax rate schedule to determine which rate classification will apply to the calendar year. Before setting the annual tax rate schedule for the next calendar year, Nevada's unemployment law NRS 612.550(7) requires the Administrator to determine the solvency of the Trust Fund as of September 30th. Projections are then developed for the subsequent calendar year.

Those 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 revenue that the Trust Fund will need to meet those benefit payouts and maintain solvency. Using the employer reserve ratio data, optional schedules are produced and a variety of average tax rates and revenue projections are made.

Now, let's look at your packet that's 2015 estimated tax rate schedule that you have. Contained in this handout, you'll see the estimated tax rate schedules we provided for the Council. We have six tax rates to consider. This information, along with any public comment, will assist you in giving the Administrator a recommendation for next year's tax rate. The detailed tax schedules display the reserve ratio increments between the rates, the ratios assigned to each rate, the estimated number and percentage of employers in each rate category, the estimated taxable wages, and the percentage of the projected total revenue. We have provided the Council, in previous years, five, and this year we have provided six schedules for you to give you an adequate choice to make a recommendation for the tax rate.

Turing to slide 10. In your estimated tax schedule you'll see that for the average rate of 1.95 percent, which is the current rate in effect for 2014, in this schedule, as well as the others in your handout, the 18 tax rates displayed in the fourth column of the charts do not change. These rate classes range from .25 percent to 5.4 percent and are fixed by statute NRS 612.550. The law also requires the Administrator to designate the ranges of reserve ratios to be assigned to each tax rate classification for the year. By doing so, the number of employers in each of the tax rate changes and will increase or decrease the total estimated revenue. In other words, if you increase taxes, if you want to increase the tax, you adopt a reserve ratio schedule that puts more employers in the higher tax rates, and to lower taxes you select those that put employers in the lower tax rates.

The law also requires the increments between reserve ratios to be uniform per NRS 612.550(5). In this tax rate schedule of 1.95 percent, the ranges are from a positive 11.5 to a negative 14.1, with increments of 1.6 between each of the reserve ratios. In this example, if an employer's reserve ratio is a positive 11.5 or better, the employer receives the lowest tax rate of .25 percent. An employer with a reserve ratio of less than a negative 14.1 would receive the highest tax rate of 5.4 percent, and as you can see, the rest of the employers fall somewhere in between.

In this particular chart, approximately 23.2 percent of the eligible employers are in the lowest tax rate of .25 percent, and 8.6 of the eligible employers are in the highest rate of 5.4 percent. As you review the tax rate schedules you will see that these numbers change in each of the estimated tax rate schedules. Out of our 60,127 total employers as of September of this year, there are 37,328 employers eligible for experience rating, which we estimate under the first schedule would generate $476.6 million in revenue to the Trust Fund. And to that estimate we need to add new employers at 2.95 percent, which are not eligible for experience rating, with $54.42 million for a total revenue of $531.2 million associated with keeping the average rate at the current rate of 1.95 percent.

Turning to the fourth chart in your estimated tax rate schedule handout and this next slide. This chart displays the detail for an average rate of 2 percent. To achieve this average rate, you'll see the reserve ratios change to a range of a positive 11.9 to a negative 13.7. The estimated total revenue increases to $546.19 million and the number of employers in each rate classification again shifts with 21 percent of the eligible employers being in the lowest rate of .025 percent, and 8.8 percent of the eligible employers being in the highest rate of 5.4 percent.

Turing to the last chart in your handout marked Summary. This chart displays the summary for the average rates of 1.85 percent through 2.10 percent. This summary shows the ranges of reserve ratios, increments, average employment insurance tax rate, estimated revenue, and the distribution of employers within each rate class. As a note, you will see that each of the schedules there is an additional 0.5 percent tax for the Career Enhancement Program (CEP), which is a separate state training tax set by NRS 612.606. In addition, the average bond rate of .56 percent is displayed and also added for a total tax rate.

One final note, the Division has not received any written comments in regards to the tax rates for this year or a potential tax rate change. With that, that concludes my presentation. I'd be happy to answer any questions.

Chairman Havas asked what the Division is recommending if anything. Mr. Roberts answered that that was up to Council to recommend one.

Ms. Olson responded: This is Renee Olson for the record. From the Division's perspective last year, when we talked about bonding and we were putting bonding into place, one of the important things that was discussed was stabilizing the tax rate. And we think, based on the projections for the economy and the growth that we can continue to pursue a stabilized tax rate. And I guess I would just leave it at that.

Chainman Havas opened it up to comments from the members of the Council.

Mr. Paul Barton took the floor. Considering the stabilization and everything at this point in the economy coming up, there is a rate there that considers leaving the cost to the employer the same, yet allowing us to increase the Trust Fund at a little bit higher rate. And we may consider that, considering we're getting towards that point to where the economy could go under another recession, looking at the averages. So that 2.0 rate would leave the actual cost to the employer stable and give us the benefit of causing a rate in the Trust Fund. So I would propose that we adopt a recommendation for the 2 percent rate.

Chairman Havas asked if Mr. Barton would want to make that in the form of a motion. Mr. Barton answered in the affirmative.

Robert Whitney Counsel for ESD (Mr. Tom Susich being absent). Mr. Chair, this is Robert Whitney for the record. Even though it was mentioned that the public hadn't submitted any written comments, public comment should still be taken orally before a motion is actually made.

Mr. Havas agreed, and stands corrected. I apologize for that. Please, Paul, I'm going to have to correct that and we'll have to invite a motion subsequently here after discussion.

VII. <u>REGULATION TO ESTABLISH THE UI TAX RATE FOR YEAR 2015</u>
D. <u>Public Comment on Tax Rate Schedule</u>

Carole Vilardo, Nevada Tax Payers Association. Mr. Chairman, members of the committee and staff, I appreciate the presentations this morning.

I would very much like to encourage you to maintain the lowest rates possible, and the reason for that being is that we have employers who will be faced with charges relative to Obamacare come January 1st, in addition to which we don't know the outcome of the margin tax initiative. If this were after it, it'd be a little easier to talk about what the potential situations would be relative to impacts on an employer, but this is not the only impact. There's a series of impacts that will come up. And, again, it might be fine to increase the rate if we knew what was going to happen with the modified business tax. If it was going to be reduced to its 19 -- I'm sorry, to its 2011 level, which was the .063 instead of remaining at 1.17. So I would ask that consideration be given when you're looking at the rates for what you might do on this. And I appreciate the efforts that have been made to show a stabilization of these rates. I think staff has worked very hard, and as always, their presentations have been very thorough, which is much appreciated. And I thank you.

Mr. Havas thanked Ms. Vilardo.

Good afternoon, members of the Council. Jim Nelson, Executive Director, Nevada Association of Employers. I concur with Ms. Vilardo's comments. I think we've got a lot of unknowns right now. Since our peak of about 2.25, we've come down. We've been making some adjustments that have had a bottom line impact on the overall solvency of the fund. Representing over 400 employers in the state of Nevada, it would be wonderful if I could go back this afternoon and say that the recommendation for the 2015 tax rate is to stay where we've been, no increase. I just think that that has an appeal. It sounds good to the business community. And so for the purposes that Ms. Vilardo mentioned, as well as that, I would suggest that we keep it at the 1.95 and move from there. Thank you.

Mr. Havas thanked Mr. Nelson and Ms. Vilardo. I apologize for not giving you the recognition you deserve. Appreciate it. Any other discussion from the public? Okay. I did stand to be corrected. I will invite now an entirely new motion, if that's okay.

VII. REGULATION TO ESTABLISH THE UI TAX RATE FOR YEAR 2015
E. Council Discussion
F. Council Adoption of Recommended Tax Rate Schedule

Mr. Paul Barton said that understanding that the 1.95 does sound better to the public for you to announce it, but it actually -- the cost will stabilize if we go to a 2.0 and it'll give us a little bit better increase in the fund, and I think that's a wiser choice at this point. So I would make a motion that we adopt the recommendation of a 2.0 tax rate. Mr. Havas asked if there were a second. Mr. Shawn Kinsey seconded the motion.

Mr. Havas noted that it has been moved and seconded in favor of the motion. Do I hear any discussion on the motion? All those in favor of the motion signify by saying Aye. The Council members responded with saying Aye. There was no opposition.

Mr. Havas said that the Ayes carry.

VIII. <u>CLOSING PUBLIC COMMENT</u>

This is Renee Olson. I just wanted to take a moment today to recognize the service of a long-term Council member that recently retired. Mr. Suwe has taken his place. Mr. Ross Whitacre served on the Council for a long time, and I just wanted to say today that we thank him for his service and we appreciate the time that he spent advising on this Council. Thank you.

IX. <u>ADJOURNMENT</u>

Chairman Havas asked if there was anything else the members would like to bring up at this time. If not I will invite a motion to adjourn. Ms. Katie Johnson said she would like to make a motion to adjourn, this was seconded by Danny Costella and the members responded with Aye to adjourn.

<u>NOTE</u>: These minutes have not yet been approved by the Employment Security Council and are subject to revision/approval at the next Employment Security Council Meeting scheduled.

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