

Exhibit C- Small Business Impact Statement

Small Business Impact Statement Department of Employment, Training, and Rehabilitation 2016 Unemployment Insurance Contribution Schedule Pursuant to NRS 233B.0608

1. Description of the manner in which comment was solicited from affected small businesses, a summary of their responses, and an explanation of the manner in which other interested persons may obtain a copy of the summary.

On October 01, 2015, the Employment Security Division Administrator and the Employment Security Council held a meeting to review, discuss, and solicit comment on the proposed amendment of a regulation pertaining to Chapter 612 of Nevada Administrative Code. On August 25, 2015, the Division publicly noticed the Employment Security Council Meeting in accordance with Nevada Revised Statute NRS 241.020. In the meeting notice, written comment was requested on or before September 24, 2015. As of October 01, 2015, no written comments were received. On October 1, 2015, the Employment Security Council met to discuss the 2016 Unemployment Insurance Contribution Tax Rate Schedule and one member of the public provided public comment in favor of a 1.95% Tax Rate. No other public comment was provided. Minutes from this meeting will be made available on the Division's web page on or before November 1, 2015.

2. Manner and Method of Analysis

This analysis was conducted by the state employee with the most understanding of the subject of unemployment insurance data. Analysis of expected benefit costs comes from a model of estimated employment growth and estimated average wage growth on a quarter-by-quarter basis throughout the time period to which the regulation would apply. Data about the number, size, and distribution of employers comes from the records of the Division from the required reports filed by those employers.

3. Estimated Economic Impact

All Nevada employers subject to unemployment insurance (UI) contributions and eligible for experience rating will be affected by the proposed regulation, constituting approximately 38,400 employers, or 61.5% of all employers registered with the Employment Security Division. This regulation represents a net decrease in the average UI contribution rate from 2.00% in 2015 to 1.95% in 2016, as recommended by the Employment Security Council on October 1, 2015. This change would decrease the estimated revenue collected by \$14 million compared to keeping the average contribution rate at 2.00% in 2016, and would decrease the average cost per employee with wages greater than or equal to \$28,200 by \$14.

Adverse Impacts

The reduction in the average employer contribution rate from 2.00% to 1.95% was recommended in light of an increase in the special bond contributions paid by Nevada employers from 0.56% to 0.62% in 2016 (which is not a part of this regulation). With the 1.95% average contribution rate, the total costs paid by Nevada employers will rise from 2.61% on average to 2.62% on average. Because of a statutory increase in the wages subject to unemployment insurance contributions from \$27,800 to \$28,200 (NRS 612.545), the average cost per employee of all unemployment insurance contributions will rise from \$725.58 in 2015 to \$738.84 in 2016.

Beneficial Impacts

This regulation will lead to an improved Unemployment Trust Fund balance in 2016 compared to 2015. The balance is expected to grow from \$409 million to \$585 million. The Trust Fund is expected to earn \$13.6 million in interest from the US Treasury, continuing to rebuild reserves in advance of a future recession.

Direct Impacts

The direct impact of this regulation on any particular Nevada business depends on that business' prior experience with respect to unemployment. Because the rates that employers pay are fixed in statute, the average rate is adjusted each year in the regulatory process by adapting a range of reserve ratios which will apply to those rates. Each employer's reserve ratio changes each year as well, rising or falling, depending on the net balance of UI contributions and benefit charges from and to that account.

Indirect Impacts

This regulation complies with the federal compliance regulations governing unemployment insurance contribution rates. Therefore, employers maintain eligibility for a full 5.4% credit toward their federal unemployment insurance taxes. In addition, the additional solvency in the UI system will help to pay for

unemployment benefits in the future. On average, evidence suggests that for each dollar in UI benefits, \$2 or more in economic activity results. In addition, employers benefit as funds are returned to the economy through UI benefit payments, helping to mitigate the drop in consumption that takes place in a recession. Finally, the UI system helps to maintain the attachment of workers to the local workforce and facilitate a faster return to work, both through job search and training services and through mandatory work search requirements.

4. Consideration of Impact on Small Businesses

By using an experience-rated structure, employers' tax rates depend primarily on their own experience with unemployment, without regard for employer size or industry type. The distribution of small employers through the UI contribution schedule closely mirrors that of the state as a whole, varying by no more than 0.5%. For all new employers – those who have less than 3 full years of experience in the Nevada UI system – the contribution rate remains fixed by statute at 2.95%, and is unaffected by this regulation. In addition, federal laws only allow the State to assign rates of less than 5.4% to employers in a state based on their experience with respect to unemployment, so no preferential rates may be assigned to small businesses.

5. Estimated Cost of Enforcement

This regulation will be enforced as a regular part of ongoing UI operations, and does not represent any additional burden on staff time, as the regulation is used to modify contribution rates each year. Funding for the administration of the UI program is provided to the Department by the US Department of Labor.

6. Anticipated Revenue Increase and Use

This regulation does not raise any additional revenue compared to keeping the average unemployment contribution rate at 2.00% in 2016, as it results in a decline in the average contribution rate to 1.95%.

7. Duplication or More Stringent Standards than Federal, State, or Local Governments

This regulation is only an annual modification to the unemployment insurance contribution schedule. Therefore, this regulation does not duplicate or provide a more stringent standard than any other regulation of federal, state, or local governments.

8. The Reason for the Conclusions of the Agency Regarding the Impact of the Regulation on Small Businesses

Because the regulation lowers the average contribution rate, because the distribution of small business employers closely matches the overall distribution of all employers in the state, and because US unemployment insurance law does not allow states to assign rates of less than 5.4% except on the basis of an employer's prior experience with respect to unemployment; the agency believes that there is no disparate impact to small businesses due to this regulation

Certification of Concerted Effort to Determine Impact on Small Business and Accuracy of Statement

I certify that to the best of my knowledge or belief, a concerted effort was made by the Department of Employment, Training, and Rehabilitation to determine the impact of this regulation on small business, and that the information contained in this statement has been prepared properly and is accurate.



Renee L. Olson, Administrator
Employment Security Division