

STATE OF NEVADA

Brian Sandoval
Governor



Dennis Perea
Interim Director

Renee Olson
Administrator

Department of Employment, Training and Rehabilitation
EMPLOYMENT SECURITY DIVISION
500 E. Third Street
Carson City, Nevada 89713-0001

WORKSHOP NOTICE AND AGENDA

WORKSHOP TO ADDRESS THE IMPACT OF A PROPOSED REGULATION ON
SMALL BUSINESSES
Pursuant to Nevada Revised Statute (NRS) 233B.0608

The Employment Security Division of the Department of Employment, Training and Rehabilitation will hold a Small Business Workshop to solicit public comment on a proposed regulation to establish the Unemployment Insurance (UI) Tax Rate Schedule for Nevada Employers for calendar year 2015. This notice is provided in compliance with NRS 241.020 and 233B.061.

Name of Division: Nevada Employment Security Division

Date and Time of Meeting: Tuesday, October 28, 2014, 10:00 A.M.

Place of Meeting: <u>Live Meeting:</u>	Video Conference To:
Legislative Building	Grant Sawyer Building
401 S. Carson Street, Room 2134	555 E. Washington Ave, Room 4412E
Carson City, Nevada 89701	Las Vegas, Nevada 89101

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

AGENDA

- I. Call to order and welcome – Renee Olson, Administrator, Employment Security Division (ESD)
- II. Public Comment – *Chair may limit public comment to 5 minutes per speaker*
- III. Confirmation of Posting – Renee Olson, Administrator, Employment Security Division (ESD)
- IV. Review Written Comments – Renee Olson, Administrator, Employment Security Division (ESD)
- V. Review of Trust Fund Status, Economic Analysis and Small Business Impact – David Schmidt, Economist, Research & Analysis Bureau, DETR
- VI. Tax Schedule Explanation – Edgar Roberts, Chief of Contributions, Employment Security Division, DETR
- VII. Public Comment – *Chair may limit public comment to 5 minutes per speaker*
- VIII. Adjournment

Agenda items may be taken out of order. Two or more agenda items may be combined for consideration. An item may be removed or discussion on an item may be delayed at any time.

A copy of the meeting Notice and Agenda can be requested either in person or by written request to the Department of Employment, Training, and Rehabilitation, Employment Security Division, 500 E. Third Street, Carson City, Nevada 89713, or telephone Joyce Golden at (775) 684-3909, or fax request to (775) 684-3910. Copies of pertinent documents will also be made available on the DETR website at: <http://nvdetr.org>.

NOTE: Written comments must be received by the Employment Security Division on or before October 21, 2014, at the following address:

Department of Employment, Training and Rehabilitation
Employment Security Division
500 E. Third Street, Carson City, NV 89713
Attn: Joyce Golden

NOTE: Persons with disabilities who require reasonable accommodations or assistance at the meeting should notify the Employment Security Division in writing at 500 East Third Street, Carson City, Nevada 89713, or call Joyce Golden at (775) 684-3909 (*for individuals who are deaf or have hearing disabilities, dial 711 for Relay Nevada*), or send a fax to (775) 684-3910, within 72 hours of meeting date and time. Supporting materials as provided for in NRS 241.020(5) may be obtained by contacting Joyce Golden at the above-noted contact information.

Notice of this meeting was posted at the following locations on or before 9 a.m. on the 15th day prior to the scheduled meeting date.

Nevada State Library & Archives, 100 North Stewart Street, Carson City, NV 89701
Legislative Building, 401 South Carson Street, Carson City, NV 89701
Grant Sawyer State Building, 555 E. Washington Ave., Las Vegas, NV 89101
Legislative Counsel Bureau Web Site
Department of Employment, Training and Rehabilitation Web Site
All County Libraries in Nevada
Employment Security Division, State Administrative Office, 500 East Third Street, Carson City, NV 89713
Employment Security Division Southern Administrative Office, 2800 E. St. Louis Ave., Las Vegas, NV 89104
Unemployment Insurance Contributions, 1320 South Curry Street, Carson City, NV 89710
Reno Field Audit Office, 1325 Corporate Blvd., Suite B, Reno, NV 89502
Las Vegas Field Audit Office, 2800 E. St. Louis Ave., Las Vegas, NV 89104
Reno Appeals Office, 1325 Corporate Blvd., Suite C, Reno, NV 89502
Las Vegas Appeals Office, 2800 E. St. Louis Ave., Las Vegas, NV 89104
Reno Casual Labor Office, 420 Galletti Way, Sparks, NV 89431
Las Vegas Casual Labor Office, 1001 North A Street, Las Vegas, NV 89106
Nevada JobConnect-Carson City, 1929 North Carson Street, Carson City, NV 89701
Nevada JobConnect-Elko, 172 Sixth Street, Elko, NV 89801
Nevada JobConnect-Ely, 1500 Avenue F, Suite 1, Ely, NV 89301
Nevada JobConnect-Fallon, 121 Industrial Way, Fallon, NV 89406
Nevada JobConnect-Henderson, 119 Water Street, Henderson, NV 89015
Nevada JobConnect-Las Vegas, 3405 South Maryland Parkway, Las Vegas, NV 89169
Nevada JobConnect-North Las Vegas, 2827 Las Vegas Boulevard North, Las Vegas, NV 89030
Nevada JobConnect-Reno Town Mall, 4001 South Virginia Street, Suite H-1, Reno, NV 89502
Nevada JobConnect-Sparks, 1675 E. Prater Way, Suite 103 Sparks, NV 89434
Nevada JobConnect-Winnemucca, 475 Haskell St., Suite 1, Winnemucca, NV 89445

Notice of this meeting was posted on the Internet on the following websites: DETR's Public Notices website at: http://nvdetr.org/public_notices.htm, the State of Nevada's Public Notices website at: <https://notice.nv.gov/>, and the Administrative Regulation Notices website at: <http://www.leg.state.nv.us/App/Notice/A/>.

**PROPOSED REGULATION OF THE ADMINISTRATOR OF THE
EMPLOYMENT SECURITY DIVISION OF THE DEPARTMENT
OF EMPLOYMENT, TRAINING AND REHABILITATION**

October 8, 2014

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §§1 and 2, NRS 612.220 and 612.550.

A REGULATION relating to unemployment compensation; prescribing the contribution rate schedule for calendar year 2015 and providing other matters properly relating thereto.

Section 1. NAC 612.270 is hereby amended to read as follows:

612.270 The Administrator establishes the following schedule of contribution rates for eligible employers for calendar year ~~[2014:]~~ *2015*:

1. Class 1: A rate of 0.25 percent is assigned to each employer whose reserve ratio is ~~[10.8]~~ *11.9* percent or more;
2. Class 2: A rate of 0.55 percent is assigned to each employer whose reserve ratio is at least ~~[9.2]~~ *10.3* percent but less than ~~[10.8]~~ *11.9* percent;
3. Class 3: A rate of 0.85 percent is assigned to each employer whose reserve ratio is at least ~~[7.6]~~ *8.7* percent but less than ~~[9.2]~~ *10.3* percent;
4. Class 4: A rate of 1.15 percent is assigned to each employer whose reserve ratio is at least ~~[6.0]~~ *7.1* percent but less than ~~[7.6]~~ *8.7* percent;
5. Class 5: A rate of 1.45 percent is assigned to each employer whose reserve ratio is at least ~~[4.4]~~ *5.5* percent but less than ~~[6.0]~~ *7.1* percent;

6. Class 6: A rate of 1.75 percent is assigned to each employer whose reserve ratio is at least ~~[2.8]~~ 3.9 percent but less than ~~[4.4]~~ 5.5 percent;

7. Class 7: A rate of 2.05 percent is assigned to each employer whose reserve ratio is at least ~~[1.2]~~ 2.3 percent but less than ~~[2.8]~~ 3.9 percent;

8. Class 8: A rate of 2.35 percent is assigned to each employer whose reserve ratio is at least ~~[-0.4]~~ 0.7 percent but less than ~~[1.2]~~ 2.3 percent;

9. Class 9: A rate of 2.65 percent is assigned to each employer whose reserve ratio is at least ~~[-2.0]~~ -0.9 percent but less than ~~[-0.4]~~ 0.7 percent;

10. Class 10: A rate of 2.95 percent is assigned to each employer whose reserve ratio is at least ~~[-3.6]~~ -2.5 percent but less than ~~[-2.0]~~ -0.9 percent;

11. Class 11: A rate of 3.25 percent is assigned to each employer whose reserve ratio is at least ~~[-5.2]~~ -4.1 percent but less than ~~[-3.6]~~ -2.5 percent;

12. Class 12: A rate of 3.55 percent is assigned to each employer whose reserve ratio is at least ~~[-6.8]~~ -5.7 percent but less than ~~[-5.2]~~ -4.1 percent;

13. Class 13: A rate of 3.85 percent is assigned to each employer whose reserve ratio is at least ~~[-8.4]~~ -7.3 percent but less than ~~[-6.8]~~ -5.7 percent;

14. Class 14: A rate of 4.15 percent is assigned to each employer whose reserve ratio is at least ~~[-10.0]~~ -8.9 percent but less than ~~[-8.4]~~ -7.3 percent;

15. Class 15: A rate of 4.45 percent is assigned to each employer whose reserve ratio is at least ~~[-11.6]~~ -10.5 percent but less than ~~[-10.0]~~ -8.9 percent;

16. Class 16: A rate of 4.75 percent is assigned to each employer whose reserve ratio is at least ~~[-13.2]~~ -12.1 percent but less than ~~[-11.6]~~ -10.5 percent;

17. Class 17: A rate of 5.05 percent is assigned to each employer whose reserve ratio is at least ~~[-14.8]~~ -13.7 percent but less than ~~[-13.2]~~ -12.1 percent; and

18. Class 18: A rate of 5.4 percent is assigned to each employer whose reserve ratio is less than ~~[-14.8]~~ -13.7 percent.

Sec. 2. This regulation becomes effective on January 1, 2015.



Renee L Olson, Administrator
Employment Security Division

Small Business Impact Statement
Department of Employment, Training, and Rehabilitation
2015 Unemployment Insurance Contribution Schedule

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 37,300 employers, or 62.3% of all employers registered with the Employment Security Division. This regulation represents a net increase in the average UI contribution rate from 1.95% in 2014 to 2.00% in 2015, as recommended by the Employment Security Council on October 8, 2014. This change would increase the estimated revenue collected by \$15 million compared to keeping the average contribution rate at 1.95% in 2015, and would increase the average cost per employee with wages greater than or equal to \$27,800 by \$14.

Beneficial Impacts

This regulation will lead to an improved Unemployment Trust Fund balance at the end of 2015. That will mean an additional \$300,000 in interest earned from the federal government on a higher Trust Fund balance over the 12 months affected by the regulation. The additional \$15 million represents slightly more than 2 weeks of unemployment benefit payments, strengthening the state's ability to withstand a future economic downturn without needing to borrow funds to pay benefits.

Adverse Impacts

This regulation, compared with one which kept the average UI contribution rate at 1.95% represents a small increase in the cost of employing workers. However, the increase was recommended in the context of a drop in the bond contribution rate from 2014 to 2015, from an average of 0.63% to an average of 0.56%. Because the overall cost to employers will fall from an average of 2.58% (1.95% regular UI + 0.63% bond assessment) to 2.56% (2.00% regular UI + 0.56% bond assessment), the average rate paid by employers will fall slightly. Because of an increase in the average wages in the state from 2012 to 2013, the wages subject to unemployment insurance contributions will rise from \$27,400 in 2014 to \$27,800 in 2015, as laid out in NRS 612.545. Due to that increase, the cost per employee will rise from \$706.92 in 2014 (2.58% x \$27,400) to \$711.68 in 2015 (2.56% x \$27,800), a 0.7% increase.

Direct Impacts

The direct impact of this regulation on any particular Nevada business depends on that business's 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.

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.

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.

Anticipated Revenue Increase and Use

This regulation is expected to increase UI contributions by \$15 million compared to a scenario in which rates remained at an average of 1.95%. Because these funds are unemployment insurance contributions, they are deposited in the Nevada Unemployment Insurance Trust Fund and may only be used to pay for unemployment insurance benefits.

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.

Manner and Method of Analysis

This analysis was conducted by the state employee with the most understanding of the subject of these special bond contributions. 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.

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 Olson, Administrator

