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PRESS RELEASE

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State Repays Unemployment Insurance Debt to the Federal Government

Carson City, NV —The Nevada Department of Employment, Training and Rehabilitation (DETR) today announced it has paid off the state’s unemployment insurance debt to the federal government through the issuance of bonds.

“By issuing bonds to pay off this debt, the state is estimating employers will save approximately \$24 million,” Employment Security Division Administrator Renee Olson said. “Because the cost of borrowing was reduced, employers will see their tax rates stabilize over the course of the bond repayment period. What’s more, while the state was paying about 2.5 percent interest to the federal government, the bond interest rate is less than 1 percent, a savings of approximately 1.5 percent. This will go a long way in helping to rebuild the health of the state’s unemployment trust fund and prepare us in case of future economic downturns.”

Because of the savings, the move to issue bonds received wide support from employers, including the Nevada Taxpayers Association, the Reno & Las Vegas Chambers, the Nevada Resort Association, the Nevada Employers Association, and many other organizations and business groups.

At its meeting last month, the Employment Security Council recommended that the state unemployment tax rate be reduced from 2.25 percent to 2.1 percent. Olson will take into consideration the recommendation of the council, but will make the final decision in a public meeting in December. The new rate will go into effect in January.

BACKGROUND:

DETR’s Employment Security Division (ESD) was allowed to request the ability to issue bonds for the refinancing of federal loans obtained to pay unemployment insurance benefits during the recession through the approval of Senate Bill 515, passed during the 2013 Legislative session.

Prior to the recession, the state’s unemployment trust fund held reserves of over \$800 million. However, due to the severity of the recession and extremely high levels of

unemployment in Nevada, at the height of the economic downturn, ESD had borrowed \$846 million to cover the cost of weekly unemployment insurance payments.

The proceeds of the bond totaled \$612 million with an interest rate of less than 1 percent. The bond term is four years with callable maturity at the end of 2017. Assessments charged to employers are based on the employers experience rating with the State Unemployment Tax system. Federal Unemployment Tax (FUTA) increases were eliminated, and the FUTA reset to minimum level starting in 2014 for 2013 tax year.

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DETR is comprised of the Employment Security Division, Equal Rights Commission, Rehabilitation Division, the Information Development and Processing Division and the Research and Analysis Bureau. DETR works in partnership with the Nevada JobConnect System to provide training and job placement services to job seekers and to assist employers in hiring practices.