

STATE OF NEVADA

Brian Sandoval
Governor



Don Soderberg
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 2016. 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 27, 2015; 10:00 A.M.

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|--------------------------|---|--|
| Place of Meeting: | <u>Live Meeting:</u> | <u>Video Conference To:</u> |
| | DETR – SAO Auditorium 500 East Third Street Carson City, Nevada 89713 | DETR - Stan Jones Building, Conf. Rm. C 2800 E. St. Louis Avenue Las Vegas, Nevada 89104 |

AGENDA

- I. Call to order and welcome – Employment Security Division (ESD)
- II. Public Comment – *Administrator may limit public comment to 5 minutes per speaker, but may not restrict comment based upon viewpoint. No action may be taken upon a matter raised under the public comment period, unless the matter itself has been specifically included on this agenda as an action item.*
- III. Confirmation of Posting – Employment Security Division (ESD)
- IV. Review Written Comments – Employment Security Division (ESD)
- V. Workshop to consider a proposed regulation to establish the Unemployment Insurance (UI) Tax Rate Schedule for Nevada Employers for calendar year 2016
 - A. Review of Trust Fund Status, Economic Analysis and Small Business Impact – Research & Analysis Bureau, DETR
 - B. Tax Schedule Explanation – Contributions, Employment Security Division, DETR

VI. Closing Public Comment - *Administrator may limit public comment to 5 minutes per speaker, but may not restrict comment based upon viewpoint. No action may be taken upon a matter raised under the public comment period, unless the matter itself has been specifically included on this agenda as an action item.*

VII. 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 and supporting materials can be requested as per NRS 241.020, 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.

NOTE: Written comments must be received by the Employment Security Division on or before October 20, 2015, 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.

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 89703
Las Vegas Field Audit Office, 2800 E. St. Louis Ave., Las Vegas, NV 89104
Appeals Office, 2800 E. St. Louis Ave., Las Vegas, NV 89104
Reno Day Labor Office, 420 Galletti Way, Sparks, NV 89431
Las Vegas Day 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, 4500 E. Sunset Road, Suite 40, Henderson, NV 89014
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, Reno, NV 89502
Nevada JobConnect-Sparks, 2281 Pyramid Way, Sparks, NV 89431
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**

LCB File N0. R

October 1, 2015

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 2016 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 ~~2015;~~ *2016*:

1. Class 1: A rate of 0.25 percent is assigned to each employer whose reserve ratio is ~~11.9~~ *12.2* percent or more;
2. Class 2: A rate of 0.55 percent is assigned to each employer whose reserve ratio is at least ~~10.3~~ *10.6* percent but less than ~~11.9~~ *12.2* percent;
3. Class 3: A rate of 0.85 percent is assigned to each employer whose reserve ratio is at least ~~8.7~~ *9.0* percent but less than ~~10.3~~ *10.6* percent;
4. Class 4: A rate of 1.15 percent is assigned to each employer whose reserve ratio is at least ~~7.1~~ *7.4* percent but less than ~~8.7~~ *9.0* percent;
5. Class 5: A rate of 1.45 percent is assigned to each employer whose reserve ratio is at least ~~5.5~~ *5.8* percent but less than ~~7.1~~ *7.4* percent;

6. Class 6: A rate of 1.75 percent is assigned to each employer whose reserve ratio is at least ~~[3.9]~~ 4.2 percent but less than ~~[5.5]~~ 5.8 percent;

7. Class 7: A rate of 2.05 percent is assigned to each employer whose reserve ratio is at least ~~[2.3]~~ 2.6 percent but less than ~~[3.9]~~ 4.2 percent;

8. Class 8: A rate of 2.35 percent is assigned to each employer whose reserve ratio is at least ~~[0.7]~~ 1.0 percent but less than ~~[2.3]~~ 2.6 percent;

9. Class 9: A rate of 2.65 percent is assigned to each employer whose reserve ratio is at least ~~[-0.9]~~ -0.6 percent but less than ~~[0.7]~~ 1.0 percent;

10. Class 10: A rate of 2.95 percent is assigned to each employer whose reserve ratio is at least ~~[-2.5]~~ -2.2 percent but less than ~~[-0.9]~~ -0.6 percent;

11. Class 11: A rate of 3.25 percent is assigned to each employer whose reserve ratio is at least ~~[-4.1]~~ -3.8 percent but less than ~~[-2.5]~~ -2.2 percent;

12. Class 12: A rate of 3.55 percent is assigned to each employer whose reserve ratio is at least ~~[-5.7]~~ -5.4 percent but less than ~~[-4.1]~~ -3.8 percent;

13. Class 13: A rate of 3.85 percent is assigned to each employer whose reserve ratio is at least ~~[-7.3]~~ -7.0 percent but less than ~~[-5.7]~~ -5.4 percent;

14. Class 14: A rate of 4.15 percent is assigned to each employer whose reserve ratio is at least ~~[-8.9]~~ -8.6 percent but less than ~~[-7.3]~~ -7.0 percent;

15. Class 15: A rate of 4.45 percent is assigned to each employer whose reserve ratio is at least ~~[-10.5]~~ -10.2 percent but less than ~~[-8.9]~~ -8.6 percent;

16. Class 16: A rate of 4.75 percent is assigned to each employer whose reserve ratio is at least ~~[-12.1]~~ -11.8 percent but less than ~~[-10.5]~~ -10.2 percent;

17. Class 17: A rate of 5.05 percent is assigned to each employer whose reserve ratio is at least ~~[-13.7]~~ **-13.4** percent but less than ~~[-12.1]~~ **-11.8** percent; and

18. Class 18: A rate of 5.4 percent is assigned to each employer whose reserve ratio is less than ~~[-13.7]~~ **-13.4** percent.

Sec. 2. This regulation becomes effective on January 1, 2016.



Renee L. Olson, Administrator
Employment Security Division

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