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TRANSCRIPT OF A MEETING
OF THE
STATE OF NEVADA
DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
EMPLOYMENT SECURITY DIVISION
NEVADA EMPLOYMENT SECURITY COUNCIL

Tuesday, October 6, 2009
10:00 a.m.

Live Meeting:
Legislative Building
401 S. Carson Street, Room 2135
Carson City, Nevada 89701

Video Conference To:
Grant Sawyer Building
555 E. Washington Ave., Room 4406
Las Vegas, Nevada 89101

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A P P E A R A N C E S

Board Members:

- Paul Havas, Chairman
- Kathleen Johnson
- Margaret Wittenberg
- George Foster
- David Garbarino
- Ross Whittaker
- Paul Barton
- Michelle Peranza
- Daniel Costello

Staff:

- Cynthia Jones
- Kim Morigeau
- Bill Anderson
- David Schmidt
- Donna Clark
- Joyce Golden

Public:

- Tray Adney
- Ray Bacon
- Jim Nelson
- Veronica Meter
- John Hinchliffe
- George Ross
- Danny Thompson
- Andre' Rochat

1 -oOo-

2 CHAIRMAN HAVAS: ...the Unemployment Insurance
3 Trust Fund, which is only used to pay benefits, will be
4 depleted during the third week of October 2009.

5 The Unemployment Insurance Program is a
6 federal-state partnership and a safety net that's in
7 place for states that run out of funds to pay benefits.
8 The Employment Security Division has already been
9 approved to borrow up to \$264 billion to insure benefit
10 payments through the end of this calendar year.
11 Unfortunately, additional borrowings is unavoidable.

12 I would like to make a couple of additional
13 comments regarding the Unemployment Insurance Program
14 and the role of the Council.

15 Our recommendation to the Administrator
16 regarding the Tax Rate Schedule for Calendar Year 2010
17 has no impact on unemployment insurance benefits, only
18 on how benefit payments are financed. The Unemployment
19 Insurance Trust Fund is a separate standalone fund
20 residing with the federal government that could only be
21 used to pay unemployment insurance benefits. Therefore,
22 the recommendations of this Council have no impact on
23 the state's General Fund or any of the administrative
24 operating budgets.

25 The Employment Security Council finds itself in

1 unchartered waters, and the task before us is critical.
2 We must work towards the goal of reestablishing Trust
3 Fund solvency while at the same time keeping in mind the
4 impact on Nevada businesses during this period of
5 economic turmoil.

6 Our agenda today is quite extensive.
7 Therefore, I request that all questions and comments are
8 held until the Council discussion and public comment
9 periods begin.

10 At this juncture, I would like to introduce
11 Council Members, beginning with yours truly, Paul Havas.
12 I'd like to introduce, to my left, Kathleen Johnson,
13 representing the public and Board of Review member;
14 Margaret Wittenberg, employers, Board of Review member;
15 George, George Foster, employees, labor, Board of Review
16 member; David Garbarino, employees, labor; Ross
17 Whittaker, public; Paul Barton, public; Michelle
18 Peranza, employers; and Daniel Costello, employees,
19 labor.

20 I'd like to now have a discussion and possibly
21 a motion, and by the motion, regarding the approval of
22 the minutes from October 2nd, 2008 of the Employment
23 Security Council meeting.

24 MR. GARBARINO: Garbarino I would like to make
25 a motion to approve those minutes.

1 CHAIRMAN HAVAS: David Garbarino has made a
2 motion to approve those minutes. Do I hear a second?

3 UNIDENTIFIED WOMAN: I'll second.

4 MR. FOSTER: I'll second, Mr. Chairman, George
5 Foster.

6 CHAIRMAN HAVAS: Okay. It's been moved and
7 seconded that we approve those minutes. Is there any
8 discussion?

9 No further discussion. Those in favor, signify
10 by saying "aye."

11 (The Council Members said "aye.")

12 CHAIRMAN HAVAS: Those opposed?

13 Carried.

14 Going on, at this point we'd like to hear from
15 Cynthia Jones, our Deputy Director, Department of
16 Employment, Training and Rehabilitation, the
17 Administrator of Employment Security Division, Cynthia
18 Jones. And this will be on legislative update.

19 MS. JONES: Thank you, Mr. Chairman.

20 Good morning, Members of the Council, public,
21 staff and all those who are participating in this
22 hearing and in Vegas and over the Internet as well.
23 Again, my name is Cindy Jones. I serve as the
24 Administrator of the Employment Security Division, I am
25 statutory secretary for this Council, and I also act as

1 Deputy Director for the Department of Employment,
2 Training and Rehabilitation.

3 I'd like to provide you a brief update on
4 legislative initiatives that has passed that have had an
5 impact on Employment Security Division programs.

6 A.B. 884 passed during the most recent session
7 was designed to safeguard the Unemployment Insurance
8 Trust Fund by increasing the penalties for the
9 commission of unemployment fraud.

10 A.B. 338 provided a new program to make small
11 loans to new businesses that are being initiated by
12 veterans and senior citizens. We are in the middle of
13 the regulatory process for the implementation of that
14 program. The workshop has been held. And the
15 regulations will be adopted next month. And then we can
16 go forward with starting up that program.

17 A.B. 469 enabled Nevada to access nearly
18 \$70 million in American Recovery & Reinvestment Act
19 incentive funds that are currently being used to pay
20 unemployment insurance benefits. This bill amended the
21 unemployment insurance provisions to provide for an
22 alternate base period claim process, and modified the
23 trigger mechanism for extended benefits that now allow
24 for benefit recipients to receive up to 20 weeks of
25 state extended benefits, versus the traditional 13 weeks

1 of traditional benefits. This change was made to take
2 advantage of ARRA provisions that provide for a hundred
3 percent funding of state extended benefits at this time.

4 Senate Bill 152 provides for the use of
5 incentive funds contained in the American Recovery &
6 Reinvestment Act to provide job training and the
7 promotion of energy efficiency and the promotion of the
8 use of renewable energy in Nevada.

9 And, finally, S.B. 239 authorizes the
10 Governor's Workforce Investment Board to create industry
11 sector councils to identify job training and educational
12 programs that best meet their regional workforce goals.
13 At the federal level, certainly the most significant
14 legislation that was passed was the American Recovery &
15 Reinvestment Act. And my next presentation will go over
16 it in detail, how that has impacted programs.

17 I'd also like to bring your attention to a
18 current bill under consideration, H.R. 3404, at the
19 federal level. The bill number may have changed as of
20 late. But that bill would provide, if approved, another
21 13 weeks of unemployment insurance benefits, yet a third
22 federal extension. It has passed the House and is
23 currently being considered in the Senate.

24 Mr. Chairman, with your permission, I can just
25 move straight into the next presentation, if you would

1 like.

2 CHAIRMAN HAVAS: Absolutely.

3 MS. JONES: All right. Thank you,
4 Mr. Chairman. Again, Cindy Jones for the record.

5 The next presentation is in regards to the
6 American Recovery & Reinvestment Act and the impact on
7 the Unemployment Insurance Compensation Program, as well
8 as Nevada's Workforce Investment Programs.

9 As you can see, we have it displayed up on the
10 slide, on the projector there. And it's in the handout.
11 There's a handout available that contains the same
12 presentation.

13 I'm going to take kind of a high-level overview
14 of this, as opposed to going through the details, but
15 there is a lot of information in this presentation for
16 you to consider at your leisure.

17 First, I'd like to start on page one, which is
18 really the page right after the cover, just some current
19 unemployment insurance facts.

20 Our current unemployment rate for the month of
21 August was 13.2 percent. Since July of 2008, over
22 \$1.1 billion have been paid out in regular unemployment
23 insurance benefits. Federal studies indicate for each
24 dollar of benefits paid, economic activity of \$2.15 is
25 the result.

1 120,000 weekly claims for benefits were filed
2 last week, compared to 40,000 just a year ago. The
3 Division released 37 million in benefit payments last
4 week, approximately half of that being out of the state
5 Trust Fund, the rest being the variety of federal
6 programs and extensions.

7 The maximum weekly benefit amount as of July
8 2009 is \$400 a week. And on top of that \$400 a week and
9 on top of any entitlement for benefits, the Federal
10 Additional Compensation Program, which is a hundred
11 percent federally funded and then authorized through the
12 Stimulus Act, provides an additional \$25 payment.

13 The maximum number of weeks right now someone
14 can collect benefits, if they are eligible for maximum
15 entitlement, is 39 weeks. This compares to the maximum
16 that was available in the recessions of the '80s of 59
17 weeks. 26 weeks of these benefits are from the state
18 Trust Fund that we are here to discuss today. 20 weeks
19 are the state extended benefits. The other 33 weeks are
20 the earlier extensions.

21 All told, one could be eligible for up to
22 \$33,575 in benefits, \$23,175 of which is federally
23 funded. And at this point, 8,800 workers have exhausted
24 all entitlement for unemployment insurance benefits.

25 The Emergency Employment Compensation Program

1 are those federal extensions that I talked about that
2 pay up to \$33 million a week. The period to apply for
3 an extension under this federal program was extended
4 through the Stimulus Act from March of this year to
5 December of this year, and nearly \$463 million have been
6 infused into Nevada's economy as a result of this
7 program.

8 The F-A-C program, or FAC Program, the one that
9 I had mentioned that adds an extra \$25 onto everyone's
10 benefit check, has resulted in another \$81 million being
11 infused into Nevada's economy.

12 The State Extended Benefit Program triggered on
13 in February of 2009 based on economic conditions in this
14 state. And as I had mentioned before, A.B. 469 amended
15 the triggering mechanism to allow us to take advantage
16 of an extra seven weeks that was available for a hundred
17 percent federal funding, compared to the normal 13 weeks
18 that's available under state extended benefit programs.
19 So far, \$44 million in these types of benefits have been
20 paid to our unemployed workers.

21 The Act also allowed for federal extensions to
22 be paid before state extended benefits. And this is
23 beneficial in periods where the state has to contribute
24 half of the state extended benefit payments, because it
25 allows us to use the federal funds first to pay

1 benefits, as opposed to state funds.

2 And in addition, the federal extensions for
3 reimbursable employers are covered by the federal
4 government. So that delays any impact to our
5 reimbursable employers until workers who are unable to
6 secure employment move on to the State Extended Benefit
7 Program.

8 AARA -- ARRA -- I apologize -- temporarily
9 waives interest payments to loans with states with
10 depleted trust funds through December 31st, 2010. As
11 our Chairman mentioned, our Trust Fund will be
12 completely depleted the third week of October. And at
13 the current benefit payment rate, Nevada will have to
14 borrow approximately a hundred million dollars each
15 month that there is no funds in the Trust Fund to pay
16 benefits.

17 Through the Act, Nevada was fortunate in that
18 it received \$5.4 million to augment our administrative
19 funding. This helps us modernize some of our
20 infrastructure and hire additional staff in order to
21 support our unemployment insurance programs. Certainly
22 the volume of work that our agency has faced has more
23 than, I would say, tripled at this point. The
24 unemployment rate and rising payment in regular benefits
25 is compounded by the variety of federal programs that

1 the agency is responsible for administering.

2 Since we went into this recession, our staff
3 has worked steadfast in providing benefits to our
4 unemployed workers, working approximately 80,000 hours
5 of overtime so far.

6 As I mentioned before, through A.B. 469, Nevada
7 modernized its unemployment insurance provisions. The
8 federal government provided states with incentive
9 payments for implementing certain provisions in their
10 unemployment laws that would expand eligibility.

11 In order to be eligible for those payments,
12 Nevada needed to implement what is called an alternate
13 base period claim, which, basically, says if someone is
14 not eligible for a claim under normal circumstances,
15 looking at the four, first four of the last five most
16 recently completed quarters, we look at the most recent
17 quarter to see if that might help secure eligibility.

18 And through this program, over 400 workers have
19 been identified who may be potentially eligible for
20 benefits who would not have been eligible without this.

21 And as I in mentioned before, these funds are
22 currently being used to pay unemployment benefits at
23 nearly \$77 million, because the regular Trust Fund
24 assets were depleted a couple of weeks ago.

25 I'd like to move on now to some of the impacts

1 on our workforce investment system.

2 Our JobConnect system received approximately \$
3 3.4 million for employment services. 2.1 million of
4 these funds will be utilized for our reemployment
5 services program. And Ms. Kim Morigeau will be
6 providing you an overview of that program shortly.

7 The remaining funds have been used to augment
8 staff in our Nevada JobConnect offices to address the
9 burgeoning needs of our unemployed workforce. As a
10 result of this funding, we've been able to serve an
11 additional 8,300 workers so far.

12 The Stimulus Program also provided some
13 additional funding for a variety of partner programs.
14 The Vocational Rehabilitation Division received
15 \$4.2 million. And the uses of those funds may be found
16 on page 12 of the presentation.

17 Moving on to page 13, our Workforce Investment
18 System Programs received an additional \$25.3 million in
19 addition to their normal formula funding, 3.4 million
20 for adult programs, youth programs received 7.6 million,
21 and dislocated worker programs an additional
22 14.3 million. These funds do have to be expended by
23 June 30th, 2011.

24 Page 14 describes the methodology of
25 distributing funds to our two Local Workforce Investment

1 Boards. Nevada has two, one in northern Nevada called
2 NevadaWorks; and the one in southern Nevada, covering
3 Clark County and Nye, is called Workforce Connections.
4 They recently had a name change. But, basically, the
5 funds are distributed based on a variety of factors,
6 including population, unemployment rate, plant closures,
7 et cetera, as discussed on page 14.

8 Page 14 just shows the distribution of the ARRA
9 funds to the Local Workforce Investment Boards. You
10 will note that only 21 of the 23 million went to the
11 workforce boards, because 15 percent is held as the --
12 set aside by statute, 5 percent for administration,
13 oversight and monitoring of the programs, and 10 percent
14 for what is called Governor's Reserve to fund statewide
15 activities and special projects.

16 Page 16 just described some of the services
17 that we provide to our youth through our Workforce
18 Investment Act programs. Now, these programs, again,
19 are administered by our Local Workforce Investment
20 Boards. DETR's role and responsibility is, basically,
21 to be the pass-through agent for the federal funds and
22 to provide monitoring, guidance and oversight to our
23 Local Boards. It's the Local Boards' responsibility to
24 effectively manage these programs, to insure effective
25 use of their Employment Training Fund, and target

1 investment to the need of their workforce and their
2 businesses in their local communities.

3 The Summer Youth Program was a newer component
4 of the Workforce Investment Act stimulus package as some
5 youth programs haven't funded for some time through the
6 program.

7 Summer youth activities this summer resulted in
8 430 youth, approximately, in the north and over 2,500
9 youth having summer employment opportunities, in which
10 they gained work experience and a workforce readiness
11 certificate.

12 Services provided to adult and dislocated
13 workers can also be found on page 18.

14 And page 18 talks about the number of
15 participants that are expected to be served with the
16 additional funds provided to the Local Boards through
17 the stimulus package. In the north, it's expected that
18 nearly 400 additional workers will be served, and in the
19 south another 5,000 workers.

20 Now, I mentioned before the Governor's Reserve
21 Fund, how we use that for statewide activities and
22 special projects. Page 20 shows the investments that
23 our Governor's Workforce Investment Board has made in a
24 variety of special, employment and training initiatives.
25 We virtually use the entire balance of our ARRA funding

1 for this purpose as quickly as we possibly could to
2 insure maximum positive impact on our communities. The
3 result is that approximately an additional 1,250 people
4 will receive much needed training.

5 I'd like to bring your attention to a couple of
6 grant opportunities. A part of the stimulus package
7 provides for a variety of competitive grant
8 opportunities that are being rolled out incrementally by
9 the Department of Labor.

10 The first one is for a -- our Green With Envy
11 grant that was primarily authored and supported by our
12 Research and Analysis Bureau. This project incorporates
13 a variety of research approaches, providing all
14 workforce development stakeholders with the necessary
15 information required to identify existing and expecting
16 opportunities in our emerging green economy.

17 The Department is also in the process of
18 applying for a State Energy Sector Partnership Training
19 grant. The purpose of this grant is to insure a
20 strategic plan and alignment is initiated for the
21 development of emerging green industries and to develop
22 Nevada's green emerging sector with comprehensive
23 partnerships and the development of a sector plan.
24 States will be awarded between \$2 to 6 million for this
25 grant. And we hope to submit that grant application

1 very soon, as it's due in four days.

2 Thank you for your attention on this. And if
3 you would like additional information, you can find that
4 at the Department's recovery site at
5 www.nvdetr.org/recovery. Updated information is posted
6 weekly regarding the investments we are making into our
7 local communities and economy with American Reinvestment
8 funds.

9 Thank you.

10 CHAIRMAN HAVAS: Thank you, Cynthia, very much.

11 We'll now have Kim Morigeau present
12 Reemployment Services Program update. And she is an ESD
13 Program Specialist III with the Employment Security
14 Division.

15 MS. MORIGEAU: Good morning, Mr. Chairman and
16 members of the Council.

17 Good morning, Mr. Chairman and members of the
18 Council. As stated, my name is Kim Morigeau, and I am
19 an ESD Program Specialist for the Department's
20 Employment Security Division.

21 Nevada has over 20 years experience providing
22 reemployment services to unemployment insurance
23 claimants. In Nevada, the theme is connecting
24 unemployment insurance claimants to reemployment
25 opportunities. Nevada has been successful in helping

1 unemployment customers with reemployment services and
2 experience successful performance outcomes because
3 everyone works together.

4 Besides, people receiving unemployment
5 insurance are excellent candidates to receive
6 reemployment services. They have established
7 occupational skills, have good work skills, and they
8 know how to work. After all, they're out of work
9 through no fault of their own. They know how to work,
10 but we can assist them in helping them find work.

11 One of the main reasons Nevada has been
12 successful working with unemployment insurance claimants
13 is because of the strong collaboration, commitment and
14 communication between the Employment Service, ES, and
15 Unemployment Insurance, UI, staff. ES/UI staff work
16 very closely together to insure that everyone is on the
17 page as it pertains to the reemployment activity of
18 unemployment insurance claimants. This collaboration
19 truly makes Nevada's experience in assisting
20 unemployment insurance claimants with the reemployment
21 effort a win-win situation.

22 A major disconnect occurred in Nevada, as it
23 did in very -- in a number of other states, when UI
24 moved out of the JobConnect centers, and telephone claim
25 filing was the method of filing. Many people have filed

1 for UI by telephone, and they weren't even aware of the
2 JobConnect centers and the resource, resource of
3 reemployment services available to them.

4 Our department implemented a number of
5 processes to reconnect unemployment insurance and
6 employment service, developed programming so a job
7 seeker record is created after the UI claims record is
8 created, hired and trained staff on how to provide
9 reemployment services and, also, to recognize, identify
10 potential issues, developed a call-in selection system
11 so unemployment insurance claimants can be called in to
12 receive reemployment services in our JobConnect centers.

13 We train the UI staff on reemployment services
14 and how to accurately assign an O-net, or an
15 occupational code, at the time they file the initial
16 claim. And then we measure and track UI performance
17 outcomes after receipt of the reemployment services.

18 Reemployment service activity begins with when
19 the claimant files for an initial UI claim. In fact, UI
20 staff are considered the front door to the one-stop and
21 are taught how to locate the claimant's O-net, or
22 occupation code, or codes, and to enter the appropriate
23 codes in the UI system as part of the initial claim.

24 The job seeker registration is created real
25 time from the UI system, which allows reemployment

1 services to be offered immediately.

2 Also, as part of the initial claim, the
3 claimant is informed about the JobConnect centers and
4 encouraged to visit the center nearest to them.

5 In 2001, the Reemployment Services Initiative
6 grant, or RES, was issued by the Department of Labor for
7 states to develop reemployment services in order to
8 increase the number of UI claimants entering employment
9 as a result of services and efforts provided by our
10 department.

11 In 2001, Nevada became one of 21 states to
12 voluntarily participate in the unemployment insurance,
13 Reemployment and Eligibility Assessment, or REA,
14 Initiative sponsored by the Department of Labor.

15 The primary objective of both of these
16 initiatives is to assist UI claimants find jobs through
17 the one-stop centers. Nevada combined initiatives so
18 the staff delivering the services in the JobConnect
19 centers provide one-half RES and one-half REA services.

20 During the implementation of each one of these
21 reemployment service initiatives, it was recognized that
22 cross-training of JobConnect and Unemployment Insurance
23 staff was critical to insure that everyone understood
24 their roles. Step-by-step procedures were developed.
25 RES staff were cross-trained on UI eligibility

1 identification, and UI staff are trained on occupational
2 coding and services offered through the one-stops.

3 All reemployment service interviews are
4 conducted in person and on a one-on-one basis. The
5 purpose of the interviews are to assess job readiness
6 and job search assistance and to provide specific labor
7 market information; for example, what industries and job
8 occupations are available in the area. Nevada
9 JobConnect staff developed a personalized work search
10 plan and referred the individuals to suitable job
11 openings, to other reemployment services and/or
12 training, as needed.

13 Reemployment service interviews also offer
14 information and education to unemployment insurance
15 claimants on their rights and responsibilities while
16 receiving unemployment insurance benefits. In addition,
17 the interview allows JobConnect staff to determine
18 continued eligibility for unemployment insurance. There
19 are times when it's discovered that the claimant is
20 ineligible for unemployment and may have incurred an
21 overpayment as a result of not meeting the continued
22 eligibility requirements.

23 JobConnect staff report potential eligibility
24 issues to the UI telephone initial claims centers for
25 further determination.

1 Nevada's reemployment service initiatives,
2 which we use the acronyms RES and REA, each have two
3 goals. The RES initiative has the entered employment
4 and UI duration Trust Fund savings goals. And attached
5 to the presentation is a handout; it says Attachment 1
6 handout, looks like this one page. What this provides
7 is information to you on how Nevada's RES Initiative is,
8 has been operating since its inception in 2001.

9 And if I may direct your attention to the lower
10 part of the page, there's a table. And in that table,
11 it lists by year from 2002 to present, UI Trust Fund
12 savings that have been realized for those claimants that
13 have participated in the RES Initiative. The annual
14 savings to Nevada's Trust Fund has demonstrated that
15 assisting UI claimants with their reemployment efforts
16 has been beneficial to both Nevada's employer community
17 and those claimants who need assistance finding
18 employment.

19 The annual entered employment rate for REA in
20 fiscal year 2008, which represents July 1st, 2007
21 through June 30th, 2008, was 82 percent, compared to 73
22 percent entered employment rate for all job seekers.
23 The annual entered employment rate for RES in fiscal
24 year 2009, which is July 1st, 2008 through June 30th,
25 2009, was 77 percent, compared with 68 percent entered

1 employment rate for all job seekers.

2 Nevada's Reemployment and Eligibility
3 Assessment Initiative, REA, also has two goals, an
4 annual assessment goal, which is 10,000 for this year,
5 and savings to the UI Trust Fund. Nevada currently has
6 an -- again, the annual savings to Nevada's UI Trust
7 Fund has demonstrated that assisting UI claimants with
8 their reemployment effort has been beneficial.

9 And attached, also, is another attachment, 2.
10 First page of Attachment 2 down in the table area,
11 again, it does demonstrate the Trust Fund savings
12 realized for our claimants that have participated with
13 the REA initiative, on an annual basis.

14 As individuals return to employment after
15 receiving unemployment insurance, their annuals -- their
16 earnings power increases. And that ultimately
17 stimulates Nevada's economy.

18 Nevada's UI Duration Report compares UI
19 claimants that have been selected to receive the
20 reemployment services or that have voluntarily
21 participated through the RES initiative with those
22 claimants that have not been selected. As evidenced by
23 the Trust Fund savings realized since 2002, providing
24 reemployment services to the unemployed also benefits
25 the employer community. By assisting UI claimants'

1 return to work, employers benefit, because they pay into
2 the UI Trust Fund.

3 As stated in the beginning of this
4 presentation, Nevada's goal is to connect unemployment
5 insurance claimants to reemployment opportunities.
6 Nevada's reemployment efforts have also been
7 strengthened by reconnecting employment service and
8 unemployment insurance. This goal benefits everyone.
9 Employers win, as there's a savings to the UI fund, and
10 they may also be a recipient of a talented employee who
11 had become unemployed. Job seekers win as they are
12 found new jobs, and they can continue being productive
13 members of society.

14 My contact information is attached. With
15 sharing and working together, it's the customers who
16 truly win.

17 Thank you for your time.

18 CHAIRMAN HAVAS: Thank you, Kim Morigeau, very
19 much for your report on Reemployment Services Program
20 and its update.

21 And at this point, we'd like to have Cynthia
22 provide an additional comment, please.

23 MS. JONES: I just want to make an additional
24 comment regarding the effectiveness of this program.
25 Typically, the investment in this program is, depending

1 on the year, between 400 and 800 thousand. So certainly
2 there's a return on the investment.

3 And another comment I would like to make is
4 just to congratulate and thank Ms. Morigeau on her
5 nationwide recognition as an expert in these programs.
6 She is often invited to be a guest speaker to share
7 Nevada's best practices throughout conferences and
8 meetings throughout the state and throughout the nation.

9 So thank you, Kim.

10 CHAIRMAN HAVAS: My apologies for
11 mispronunciation of your name, Ms. Morigeau.

12 MS. MORIGEAU: It's okay.

13 CHAIRMAN HAVAS: We are moving on to the
14 important subject of a workshop to consider adoption of
15 the regulation to establish the unemployment insurance
16 Tax Rate Schedule for Calendar Year 2010.

17 And at this point, I will turn the meeting over
18 to Cindy Jones. And we'll go from there.

19 MS. JONES: Okay. Thank you, Mr. Chairman.
20 Again, my name is Cindy Jones, and I serve as the
21 Administrator of the Employment Security Division.

22 This meeting is conducted by the Administrator
23 and the Employment Security Council, is a regulation
24 workshop to solicit public comment on a proposed
25 amendment to the tax schedule regulation in Nevada

1 Administrative Code 612.270 in accordance with NRS
2 233B.061.

3 Mrs. Golden, was proper notice of today's
4 public workshop given as required by NRS 233B.060?

5 MS. GOLDEN: (Indistinct.)

6 MS. JONES: I need your speaker on, Joyce. I
7 need you to confirm that proper notice of the workshop
8 was given and --

9 MS. GOLDEN: Joyce Golden. Yes, it has.

10 MS. JONES: Okay. Thank you, Mrs. Golden.

11 In accordance with NRS 612.310, the Employment
12 Security Council provides a recommendation to the
13 Administrator regarding the Tax Rate Schedule for the
14 upcoming calendar year through this process. The
15 presentations you are about to hear are intended to
16 provide you with information you need to make this
17 important recommendation.

18 At this time, I will turn the meeting back over
19 to the Chairman to introduce the next agenda items.

20 CHAIRMAN HAVAS: At the table are Bill
21 Anderson, Chief Economist; David Schmidt, Economist; and
22 Donna Clark, Chief of Contributions. They will provide
23 information key to the rate recommendation we are
24 charged with making today.

25 And we will have first Economic Projections and

1 Overview from Bill Anderson, Chief Economist, Research
2 and Analysis Bureau of DETR.

3 MR. ANDERSON: Thank you, Mr. Chairman. Good
4 morning to you and Members of the Council and Ms. Jones.

5 Again, for the record, my name is Bill
6 Anderson, Chief Economist in the Research and Analysis
7 Bureau within the Department of Employment, Training and
8 Rehabilitation.

9 Typically, at this point of the workshop, I've
10 been charged with providing you with a relatively
11 straightforward overview of the economy. Hopefully,
12 that's information that you have historically used to
13 assess the various options placed before you with
14 respect to setting next year's tax rate structure.

15 And to a large extent, I'll be doing much the
16 same this time around. However, it is a bit different
17 this time around. Because really my main objective is
18 to give you a feel for the rather unprecedented nature
19 of the current economic conditions that we are faced
20 with. And as a result of these uncharted waters, as
21 the Chairman referred to, it's proven to be very
22 difficult to accurately predict where the economy's
23 headed, not only for my highly qualified staff in the
24 Research and Analysis Bureau, but forecasters and
25 economists throughout the nation. It's just proven to

1 be a very difficult job.

2 And these unchartered waters, on a second note,
3 also really help explain the various challenges that
4 Mr. Schmidt will lay out for you, that the Unemployment
5 Insurance Trust Fund is currently facing.

6 I think, the best way to start out is to try to
7 put current trends in some sort of a historical context.
8 Certainly, as we all know, Nevada, over the course,
9 roughly through the middle part of this decade and for
10 roughly two decades prior to that, led the nation in
11 terms of economic growth, regardless of the measure
12 used. Our population growth during that period tended
13 to average anywhere between three and five percent on an
14 average annual basis. And in 19 of those prior 20
15 years, we had the number one rate of population growth
16 in the nation.

17 But you can see that things changed
18 considerably in 2008 and that those boom conditions, as
19 I would call them, basically came to a halt. And we saw
20 our state's population barely budge relative to year ago
21 readings.

22 Looking at the employment side of the picture,
23 what's interesting here, going back roughly
24 three-quarters of a century, you see that in previous
25 downturns in the early 2000s and the early '90s and the

1 early '80s and in a few previous periods, our employment
2 numbers barely budged. Basically, when there was a
3 recession, the way that impacted Nevada is that it
4 brought employment growth to a temporary halt. But
5 during the current downturn, you can see that a couple
6 of years ago, we started seeing outright job losses here
7 in the state. And that's something that we really
8 hadn't experienced before, during previous downturns.

9 On the unemployment front, we've had, prior to
10 this downturn, several years of relatively encouraging
11 unemployment statistics. We had unemployment rates
12 averaging, over the course of the past several years,
13 anywhere between four and six percent. But, again, you
14 can see, in 2008, that that, that measure of labor
15 market activity, began to deteriorate. And through the
16 first eight months of this year, we're sitting on an
17 11.3 percent unemployment rate here in the state, which
18 is unprecedented by historical standards.

19 So, clearly, our boom-like conditions have come
20 to an end with the onset of the current national and
21 global recession. But even as this recession has
22 unfolded, our experience has differed considerably here
23 in Nevada relative to how we perform during previous
24 downturns.

25 If you look at the unemployment rate, this

1 recession officially began in December of 2007; since
2 then, our jobless rate has risen to the tune of
3 approximately eight full percentage points. If you look
4 back at the two prior recessions, the early part of this
5 decade, then the early part of the 1990s, our
6 unemployment rate barely budged during that official
7 period of recession. In the early 1980s recession,
8 which is often the downturn that our current
9 difficulties are compared to, we saw that the jobless
10 rate did increase, but still just a little more than
11 half of the increase that we've recorded this time
12 around.

13 Much the same is true with respect to our job
14 base. Since December of 2007, we've lost in excess of
15 120,000 jobs here in Nevada. If you look back at the
16 three previous recessions, and, again, this goes back to
17 that historical job chart that I showed you at the
18 beginning of my remarks, our unemployment -- or our
19 employment levels, basically, held steady during periods
20 of recession.

21 So, again, this recession has proven to be
22 quite different than in the past.

23 Now, in talking about the downturn, I think the
24 simplest way to characterize it is that there are three
25 driving forces behind what's taking place. Number one,

1 problems in the residential real estate and construction
2 markets. That, arguably, was the first sign of
3 recession back in the middle part of 2006, at least here
4 in Nevada.

5 The second driving force and somewhat related
6 to the first, problems in national and global credit
7 markets, which has brought commercial development almost
8 to a halt, here in Nevada especially.

9 And then the third driving force is weak
10 consumer spending. Consumers have turned very cautious
11 during this, this downturn, and as a result, they've cut
12 back on their discretionary spending.

13 Now, if you think about these three driving
14 forces, residential construction, commercial
15 development, consumer spending, that's the lifeblood of
16 Nevada's economy. That, in essence, hits at the core of
17 our economic activity in the state. And as a result,
18 we've suffered greatly during this recession. And
19 that's reflected in our forecast from a year ago.

20 We thought at the time that this recession
21 would unfold in much the same manner as previous
22 downturns had, and we were looking for an 8.6 percent
23 unemployment rate. Year to date, we're sitting on an
24 11.3 percent unemployment rate. And as Ms. Jones said,
25 in August alone, it was 13.2 percent.

1 Last year, we were looking for relatively
2 stable labor markets, much or very similar to what we
3 experienced in previous recessions. And we thought we'd
4 add about 44,000 new jobs over the next three years.
5 But this year alone, we've lost about 75,000 jobs so far
6 in 2009.

7 So, hopefully, I've done an adequate job of
8 establishing this fact that we were in unprecedented
9 times concerning economic conditions. And now I'll
10 embark upon a rather traditional economic overview, one
11 that you're probably very familiar with from previous
12 years.

13 Our unemployment rate in August was 13.2
14 percent. That put it about 6.2 percentage points higher
15 than a year ago, essentially double where our rate was a
16 year ago in August, when it was 7 percent. And
17 conditions have deteriorated as the year has unfolded.
18 If you go back to January of this year, our jobless rate
19 stood just about four percentage points higher than it
20 was a year ago.

21 So that gap, that year-over-year comparison,
22 has widened in a negative fashion as the year has
23 unfolded here in Nevada.

24 If you look at our conditions relative to the
25 U.S., in 2009 so far, as I've mentioned before, we have

1 an 11.3 percent unemployment rate. That compares to 9.1
2 percent in the nation as a whole. And it was only a
3 couple of years ago where we were in the midst of a
4 five-year-long period where our jobless rate came in
5 well below national readings.

6 And to just give you another sense of how
7 things have deteriorated in a relative sense here in
8 Nevada, how those three driving forces have really
9 impacted our economy, our unemployment rate of 13.2
10 percent is the second highest state unemployment rate in
11 the nation. The only one, the only state with a higher
12 unemployment rate is the state of Michigan.

13 Now, I'll leave specific discussions of
14 unemployment insurance activity to Mr. Schmidt. But I
15 do like to utilize this chart, which shows the number of
16 folks exhausting their regular state benefits. We're
17 not talking about their entire 79 weeks of benefits that
18 many of them are entitled to, but rather just the
19 26-week base period of regular state benefits. And you
20 can see the cyclical nature of that and how, with the
21 onset of recession, this measure of economic health in
22 the state deteriorated markedly.

23 In terms of job growth, unfortunately, we have
24 further signs of deterioration. In August, job readings
25 were down about 6.7 percent. That's roughly 84,000 jobs

1 lost relative to a year ago. At the beginning of the
2 year, in January, our year-over-year decline was about
3 four and a half percent in terms of the number of jobs.

4 So, again, the economic indicators that we
5 track in the Research and Analysis Bureau suggests to us
6 that conditions have deteriorated more as the year
7 unfolded.

8 Looking at our job growth relative to the U.S.,
9 so far this year, we've lost about 5.9 percent of our
10 jobs. That's roughly double the 3.7 percent loss in the
11 nation as a whole. Again, further evidence of the
12 relatively hard hit that Nevada has taken during this
13 downturn.

14 Looking at trends in our largest industries,
15 it's obvious that this downturn has been very
16 widespread. For the most part, it's not spared any of
17 our major industry. Leisure and hospitality's lost
18 22,000 jobs this year. Construction, down some 25,000
19 jobs relative to the first eight months of 2008.

20 If you're looking for a bright spot in the
21 state, I would argue that the state's mining
22 establishments are holding up relatively well. They're
23 really not growing in terms of employment numbers, but
24 they are holding their employment base relatively
25 stable.

1 And indeed that leads me into a brief
2 discussion about how this, how economic conditions
3 differ throughout the state. If you look at the regions
4 hardest hit by this downturn, our research suggests that
5 what we call bedroom communities -- and specifically,
6 I'm talking about Lyon County neighboring Reno and Nye
7 County neighboring Las Vegas. They've suffered the
8 most. They have the two highest unemployment rates in
9 the state; if memory serves me correct, approaching
10 about 16 percent during the month of August.

11 The next hardest hit regions in the state are
12 the state's metropolitan areas; in the case of
13 Las Vegas, largely reflecting problems in gaming and
14 tourism.

15 The regions that have held up the best in the
16 state are the state's rural counties, especially those
17 in the northeast concentrated in mining activities.

18 I want to give you a feel for -- change pace a
19 little bit and give you a feel for some nonlabor market
20 impacts of the current downturn. And several of these,
21 I'm sure, you've read about in various media reports.

22 Taxable sales growth, which supports the
23 state's largest general fund revenue source, taxable
24 sales are down, essentially trending down, close to 20
25 percent on a year-over-year basis.

1 With respect to the Las Vegas visitor volume,
2 we've had 11 straight months of year-over-year declines
3 in the number of folks visiting Las Vegas.

4 And then, similarly, our gaming win. If you
5 smooth out all the ups and downs and establish a trend,
6 you can see that, oh, roughly two years ago or so, our
7 gaming activity peaked, and gaming win has been
8 declining ever since. And that, again, reflects those,
9 some of those three driving forces, especially as they
10 pertain to consumer spending in the way that that has
11 impacted our state.

12 Now, that's also reflected in job trends in our
13 state's largest industry, leisure and hospitality. You
14 can see that job growth gradually receded over the
15 course of 2006 into the middle of 2007, and we've been
16 on the decline ever since. As of August of this year,
17 our job readings in leisure and hospitality are down
18 close to 25,000 relative to where they were just a year
19 ago.

20 Much the same is true with respect to our
21 construction employment trends, another significant
22 industry that, I would argue, helped drive our boom
23 times prior to the onset of this recession. As I
24 mentioned earlier, I think this was one of our earliest
25 indicators of problems on the economic front. And you

1 can see that in mid to late 2006, indeed we started
2 seeing weakness on the job front with respect to
3 construction. And as of August of this year, our
4 construction job levels were down some 30,000 relative
5 to where they were in August of 2008.

6 I like to look at physical housing activity to
7 give you a feel for what's going on, and we have some
8 good data from down south, good timely data. And what
9 I've done is, over the course of the next three charts
10 is to show you some trend lines. An agreement with the
11 organization that provides us with this information
12 prohibits us from actually giving you the actual
13 numbers, but we can display them in trend lines.

14 And with respect to the number of new home
15 closings down south, you can see the massive correction
16 that began in 2006 and how it has unfolded over,
17 roughly, the last three to three-and-a-half-year period.
18 And the number of new home closings has dwindled greatly
19 over that time period in the Las Vegas area.

20 As a result, new home prices have been trending
21 down. A little bit of a bright spot here, starting to
22 look like they may have reached a bottom. I doubt that
23 we'll see much appreciable growth in the months ahead,
24 but it looks like prices are in the process of bottoming
25 out.

1 Now, at least on the surface, there is some
2 good news with respect to the resale market. On the
3 positive front, you'll see that resale activity has
4 rebounded sharply over the course of the last year or
5 so. And that's suggesting to us that the markets are
6 figuring out how to maneuver through these very
7 difficult times.

8 However, on the flip side, looking at it from a
9 more negative perspective, I have to point out that a
10 lot of this new -- or a lot of this resale activity is
11 attributable to foreclosed and distressed property.
12 Well over half of this activity, is my understanding, is
13 related to that segment of the market.

14 Now, let me wrap things up by giving you a
15 quick look forward. There's lots of different measures
16 of economic activity you can utilize to try to predict
17 where we're going. The Department, DETR, partnered with
18 UNLV, their Center for Business and Economic Research.
19 We partnered with them, and we went through a
20 collaborative research process. And we came up with a
21 leading employment index for the state that kind of
22 brings in all of this information that I've shared with
23 you today, or at least major portions of it, to try to
24 aggregate all of that information and to give us one
25 aggregate peek forward as to where we're going. It's

1 very similar in concept to the leading index for the
2 national economy. UNLV does some leading indexes for
3 southern Nevada as well.

4 But if you look at how that leading index is
5 behaving, we've yet to see any real signs that labor
6 markets are going to start to improve. We have been
7 seeing some signs that our deterioration in our labor
8 markets may be leveling off. But in terms of outright
9 growth, that doesn't appear to be on the horizon right
10 now.

11 And indeed, that's reflected in our -- in the
12 Research and Analysis projection with respect to
13 employment. We look for job losses to continue through
14 2009, but then it'll start to moderate a bit. 2010,
15 we'll look for a further loss of about 4.4 percent in
16 terms of our employment base. And then, in 2011, we'll
17 see some stability return.

18 Ms. Jones and my staff have had a couple of
19 conversations. There's all sorts of characterizations
20 about how the economy's going to perform over the course
21 of the next several months to few years. You talk about
22 a W-shaped economy. We tend to look at it, or what
23 we're expecting is probably something akin to a U-shaped
24 economy. We think a lot of the deterioration is behind
25 us, but we're going to spend a considerable amount of

1 time more or less treading water and scooting along the
2 bottom of that, that U-shaped business cycle, before we
3 start seeing some improvement, beginning not really
4 until 2011.

5 With respect to our unemployment rate, we're
6 looking for that to top out in the second quarter of
7 2010 at about 14 and three-quarters percent. For all of
8 2010, we're looking for an unemployment rate of about
9 14.4 percent. And, again, you might want to keep in the
10 back of your mind that compares to 13.2 percent
11 currently.

12 But then, as our job losses begin to recede a
13 little bit into 2011, we'll start to see that jobless
14 rate moderating a bit. But at least in the near term,
15 we don't see us returning back to the, you know, four
16 and five percent unemployment rates that we are used to
17 here in Nevada.

18 And with that, Mr. Chairman and Ms. Jones, I'll
19 turn this back over to you for the next presentation.

20 CHAIRMAN HAVAS: Thank you, Bill Anderson, for
21 an excellent presentation here on economic projections
22 and this overview.

23 We'll now have a review of the Unemployment
24 Insurance Trust Fund by David Schmidt, Economist,
25 Research and Analysis Bureau for DETR.

1 MR. SCHMIDT: Thank you, Mr. Chairman, Members
2 of the Council.

3 As the Chairman said, my name is David Schmidt.
4 I'm an economist with the Research and Analysis Bureau
5 of DETR. And I'm here today to talk to you about the
6 Nevada Unemployment Insurance Program.

7 Today we'll be going through the objectives of
8 the Unemployment Insurance Program -- it's also known as
9 UI -- reviewing the current state of the program in
10 light of the current economic conditions, reviewing our
11 2008 forecast for this year and presenting some tax rate
12 scenarios for 2010, and reviewing the wildcards that may
13 affect the forecast moving forward.

14 The Unemployment Insurance Program was
15 established following the Great Depression by the Social
16 Security Act of 1935. It was created to provide
17 temporary limited income replacement to workers who lose
18 their jobs through no fault of their own. Doing this
19 provides several benefits to the state. It provides
20 economic stimulus to the macroeconomy, the largest-scale
21 economy, by helping to act as an automatic stabilizer.
22 Because as unemployment rises, claimants claim benefits;
23 and this helps reinject money into the economy to
24 maintain demand.

25 As Ms. Jones mentioned before, Department of

1 Labor research has shown that for every dollar of
2 unemployment benefits that are spent, an average of
3 \$2.15 of economic activity tends to result.

4 The unemployment insurance system also
5 strengthens the economic safety net for individual
6 workers by providing them with limited income
7 replacement when they lose their jobs. This helps them
8 through periods of involuntary unemployment and helps
9 maintain their attachment to the local workforce.

10 These objectives are accomplished by funding
11 the Unemployment Insurance Program countercyclically.
12 This means that revenues are generally collected and
13 saved during good economic times and fed back into the
14 economy during bad economic times.

15 Heading into the current recession, Nevada had
16 a healthy Trust Fund. And Nevada has a history of
17 maintaining a healthy Trust Fund. In the quarter the
18 current recession began, Nevada had sufficient reserves
19 to weather the recession, according to both federal and
20 state measurements. Nevada had the 18th strongest trust
21 fund, a two percent surplus above the target solvency
22 level provided by the federal average high-cost multiple
23 and 47 percent above the target set out in Nevada
24 statute.

25 As has been mentioned a couple of times before

1 already, however, this is a very unprecedented
2 recession. It's unlike anything the Nevada Unemployment
3 Insurance Program has ever experienced. And in the past
4 12 months in particular, have seen levels of activity
5 that are simply unprecedented.

6 Using monthly data going back to 1971, Nevada's
7 seen the following: The highest year-over-year growth
8 in weekly claims, which peaked at 163 percent in May of
9 2009. The highest weekly duration of unemployment
10 benefits. That's 16.26 weeks in August 2009 and a
11 number that's expected to continue to rise. The highest
12 share of claimants using their full allotment of
13 benefits. That would be the exhaustions that
14 Mr. Anderson showed you earlier. That's 62.5 percent of
15 all claimants that are exhausting those benefits.
16 That's in August 2009 and another number that's expected
17 to continue to rise. And the highest growth in the
18 number of people using their full allotment of benefits.
19 The number's up 244 percent over the year in May, as of
20 May 2009.

21 And just a quick note on all the statistics
22 I'll be throwing at you, these are all dealing with the
23 regular Unemployment Insurance Program only. That is
24 benefits that are paid out of the Trust Fund. This sort
25 of sets aside any discussion of the federal extensions

1 that are available, because those don't have a direct
2 impact on our Trust Fund.

3 This recession is also the longest since the
4 Unemployment Insurance Program was created in Nevada in
5 1937. Prior to this recession, the two longest
6 recessions that the state has faced since 1937 have been
7 16 months, and those happened in 1973 and 1981. Through
8 September of this year, the current recession has lasted
9 about 22 months.

10 And, finally, a record number of extended
11 benefit programs are currently in place. And while this
12 doesn't directly affect the Trust Fund, the 53 weeks
13 that could potentially become 66 weeks shows the level
14 of additional benefits that the federal government has
15 said is necessary to help workers through this unusually
16 deep recession.

17 Now, this slide shows you the unemployment rate
18 going back to 1976 in Nevada. As you can see, the
19 unemployment rate's gone up to 13.2 percent in August of
20 this year. And we expect it to continue to go up to an
21 average of 14.4 percent in calendar year 2010.

22 As the unemployment rate's been increasing, the
23 demand for claims has increased as well. Now, this
24 chart shows you the growth in initial claims. This
25 would be people that are coming in and filing their

1 first claim for benefits in 2008 and 2009. So the 2008
2 data represents the change from 2007 to 2008, and the
3 2009 data shows you 2008 to 2009.

4 As you can see, following last October's
5 Employment Security Council, there was a substantial
6 increase in the number of initial claims that the
7 program has seen. And this is tied to the significant
8 deterioration in the economy that occurred beginning in
9 the fourth quarter of last year. For comparison, in
10 2007 there were 164,000 initial claims for benefits
11 filed. In 2008, that rose to 254,000. And through
12 August of 2009, which is only eight months out of the
13 year, there have been 230,000 initial claims. With each
14 initial claim generating a record number of weekly
15 continued claims, this effect is magnified as we look at
16 those weekly claims.

17 Now, this chart shows you the same thing, the
18 growth in weekly claims in 2008 and 2009. You can see,
19 in 2008 we only passed growth, year-over-year growth,
20 that is, of 100,000 once during the year, and that was
21 in December. We also passed 150,000 that year as claims
22 rose from 150,000 in December 2007 to 304,000 in
23 December 2008. But looking at 2009, you can see that in
24 only one month have we failed to pass 150,000 growth of
25 weekly claims in a given month. So far this year, in

1 January and twice in March and May we actually passed
2 growth of 200,000 weekly claims. This is a dramatic
3 increase in the demand for unemployment benefits.

4 This slide shows you the total number of weekly
5 claims by month, going back to 1971. You can see the
6 surge in benefits that took place over this time. In
7 2007 there were a total of 1.3 million weekly claims
8 over the course of the year. In 2008 the total rose to
9 2.1 million. And through August of 2009, again only
10 eight months, there have been 2.7 million weekly claims.
11 So in eight months, we've passed the total that we had
12 in 2008 by 600,000 claims, and we have four months yet
13 to go.

14 This growth in claims has a direct impact on
15 Nevada's Trust Fund as 92 percent, in general, of weekly
16 claims turn into weekly benefit payments.

17 This next slide is very similar. It shows you
18 the compensation that's been paid out of the Trust Fund
19 based on those claims. You can see benefits growing
20 from under 20 million per month to over 100 million per
21 month in the last four to five years. And the bulk of
22 this increase, again, has come since the last Employment
23 Security Council.

24 In November 2008, we paid out about 48 million
25 in benefits. In March of 2009, we paid out about

1 105 million.

2 This next slide shows the average duration of
3 benefits. Again, this is for regular unemployment
4 claims in that first up to 26 weeks of benefits. You
5 can see that 16.26 peak that we've hit and how it
6 compares to the last 10 years or so. And you can see
7 that sharp increase again in just the last couple
8 months, the end of last year, and the beginning of this
9 year.

10 This next chart is one that I typically present
11 at the Council. It shows you the contributions that are
12 received from employers for unemployment insurance, the
13 benefit payments that are made. And if you'll note, the
14 little red hash marks are contributions plus interest.
15 This represents all money generated by the state in
16 order to fund its Unemployment Insurance Program.

17 You can see, in the few recessions that are
18 included here in the early '80s, the early '90s and in
19 2000, the benefit payments do typically exceed the level
20 of revenue that the state is bringing in to fund
21 benefits. This is example of the countercyclical nature
22 of the program where, during recessions, the Trust Fund
23 is drawn down and used to pay those additional benefits.

24 You can also see in 2008 and especially 2009
25 the significant increase in benefits over revenues. And

1 on the next slide, you can see how that's impacted the
2 Trust Fund, with the Trust Fund falling from a little
3 over \$800 million to where we expect to borrow about
4 \$200 million by year end.

5 Before I provide you with the forecast for next
6 year, we're going to review the forecast that we made
7 for this year.

8 The unemployment rate, as Mr. Anderson
9 mentioned, is higher than we were expecting. These
10 numbers are a little different than the numbers he gave
11 you. That's because I'm looking at October through
12 September time period, which throws off the averages
13 just a little bit.

14 As you can see, the unemployment rate's gone up
15 from 8.3 percent, which we were expecting, to 10.6
16 percent over that time frame. And the employment growth
17 rate, which we were expecting to be slightly negative,
18 at a little under one percent, actually fell at an 8.3
19 percent rate over this time period.

20 Looking at our expected covered employment on
21 March 31st, we were off by 43,000, which is a 3.9
22 percent difference. But the total weekly claims over
23 the past year is where there was a significant
24 difference, with claims coming in 1.2 million above what
25 we expected, which was 51 percent higher.

1 Finally, you can see that revenues were about
2 40 million below what was expected, while benefit
3 payments were much higher than what was expected, by a
4 little over 400 million. And this has led directly to
5 the decline in the Trust Fund, to the point where we do
6 have about \$60 million remaining as of the end of
7 September 2009. And we'll begin borrowing, as the
8 Chairman mentioned, in early October to pay benefits.

9 This slide presents the solvency calculation
10 that's laid out in NRS 612.550. We multiplied four
11 factors, recovered employment, the risk ratio, the
12 highest week's duration, and the average weekly payment,
13 in order to estimate the total benefit obligations the
14 state might expect in the next year. By multiplying
15 these numbers out, we come up with a number that is
16 intended to estimate the total amount of benefits the
17 state would be able to pay from the Trust Fund without
18 bringing any additional revenue into the program.

19 You can see, in 2006 through 2008, the solvency
20 level was approximately 500 million to \$550 million.
21 However, as we've moved through this very long
22 recession, the beginnings of that recession are
23 beginning to be picked up in this calculation, and the
24 requirements rose, has risen to \$787 million.

25 The large driver of this is the increase in the

1 risk ratio, although increases in the highest week's
2 duration and average weekly payment also had some
3 impact. This offset the fall in employment which, all
4 other things being equal, would have led to a decline in
5 the solvency requirement.

6 The bottom half of this slide shows the cash
7 flows through the Trust Fund, with estimated benefits
8 and contributions numbers through September 30th and the
9 final balance that was available for paying unemployment
10 insurance benefit payments on September 30th.

11 At the very bottom of the gray section is the
12 solvency of the trust fund as a multiple of the
13 recommended balance determined by both state and federal
14 measurements. The state measure looks back on the last
15 10 years, and the federal measure looks back on the last
16 20 years in an attempt to estimate what level of
17 solvency we would require in the Trust Fund to continue
18 paying benefits.

19 And this slide shows you the solvency of the
20 Trust Fund with respect to that state solvency level.
21 Zero on this chart represents the solvency level defined
22 in NRS 612.550. As you can see, the fund is 92 percent
23 below that level, since we're beginning to -- we're
24 expecting to actually have to borrow and hitting zero in
25 the Trust Fund. These solvency levels, again, represent

1 estimated funds needed to pay unemployment benefits in a
2 single year without any additional revenue.

3 This slide shows you the solvency of the Trust
4 Fund with respect to the federal average high-cost
5 multiple. In this chart, zero represents having zero
6 dollars in the Trust Fund, and 1 represents the
7 recommended balance. And you can see, again, that we
8 are well below that target level.

9 As in the past, this slide presents you with
10 four potential tax rate scenarios for the Council to
11 consider. Included here for consideration are a
12 reduction in the average unemployment tax rate to 1
13 percent, keeping the average tax rate at 1.33 percent,
14 and raising the average tax rate to either 2 or 2.33
15 percent.

16 Under each of these scenarios, the state will
17 need to borrow money from the federal government, which
18 are known as Title 12 loans, in order to continue paying
19 unemployment benefits, as benefit payments are expected
20 to exceed \$1.2 billion in 2010. And even with an
21 increase to the average tax rate of 4.33 percent, which
22 is not on the chart here, the state would still bring in
23 only about \$1 billion in unemployment tax revenue, which
24 is still short of the demand for benefits that we expect
25 next year.

1 And please note there's a slight difference
2 between this Power Point presentation and the printed
3 materials presented to you. We caught it too late to
4 change the printing. But the beginning Trust Fund
5 balance on the printout should be 60.6 million. And
6 this also carries through to the ending fund balance,
7 which should be higher by about 23 million, and the
8 solvency multiples, which are about two to four percent
9 off.

10 So those numbers, again, the beginning fund
11 balance on this chart should be 60.6 million in your
12 written materials. The ending fund balance, if I can
13 just read across the four scenarios, should be 89.8,
14 negative, 82 -- 827.9 rather, 669.8 and 591.8 for the
15 ending fund balance. And that same change is continued
16 through the solvency multiples below.

17 Because of the large level of benefit payments
18 that we're expecting, the Employment Security Council
19 has three financial goals to consider over the short to
20 long term. The Trust Fund is, of course, established to
21 pay unemployment benefits. Looking further ahead, the
22 unemployment tax will need to repay the loans that are
23 being out to pay benefits now. And even further ahead,
24 we want to restore solvency to the Trust Fund in advance
25 of any future recessions. These goals can be considered

1 while keeping in mind the impact on Nevada employers of
2 any unemployment tax increase and the countercyclical
3 nature of the Unemployment Insurance Program.

4 To provide you with some historical perspective
5 for unemployment tax rates and some idea of the
6 long-term problem that the state faces, for program
7 years 2010 to 2013, that would be October through
8 September, we estimate that Nevada will be paying out
9 about \$3.8 billion in unemployment insurance benefit
10 payments. With the current average tax rate, which is
11 1.33 percent, we would expect to bring in approximately
12 \$1.3 billion in unemployment contributions. This
13 creates approximately \$2.5 billion shortfall, which the
14 state will need to address.

15 Obviously, this assumes that the Council would
16 keep the tax rate flat through four years, which is not
17 something that we necessarily expect, but it's just to
18 provide you with an illustration of the difference
19 between current benefit payments, expected payments and
20 the current average tax rate.

21 Further, Nevada will be required to pay
22 interest to any borrowing for the first time in state
23 history. Through the ARRA stimulus bill, though it
24 waives all interest payments during calendar year 2010,
25 the state will begin accruing interest on all

1 outstanding loans, beginning in 2011, under the current
2 law.

3 In 2008, Nevada's tax rate was very close to
4 the Department of Labor's adequate financing rate, which
5 is a tax rate calculation they do that takes into
6 consideration the expected benefit obligations, based on
7 the last 10 years, and the level of revenue that would
8 be necessary to achieve solvency that is an average
9 high-cost multiple of 1.0 in five years. And as you can
10 see, in 2008, Nevada's tax rate, which is indicated by
11 the red arrow, was, essentially, right at that adequate
12 financing rate. That is to say, our tax rate was where
13 it was expected to be.

14 Looking ahead, this chart compares from 1950
15 through 2009 the average tax rate in place in Nevada and
16 the benefit cost rate, which is the tax rate that would
17 have needed to be charged in order to pay benefits
18 during that same calendar year. You can see, especially
19 in 2009, the sharp increase in that rate is due to the
20 incredible increase that we've seen in unemployment
21 benefit payments.

22 You can also see that the actual tax rate has
23 been much smoother, because Nevada's historically had a
24 Trust Fund balance that it can use to smooth the
25 difference between recession and growth bases in the

1 economy.

2 The next chart, which is page 25 in the
3 handouts, shows you the average tax rates in place
4 during the last four recessions and then following the
5 recession, the year in which the unemployment tax
6 peaked. For example, you can see in the 1974 recession,
7 which is the only other time that the state has needed
8 to borrow. During the recession, the tax rate was 2.7
9 percent. And following the recession in 1976, the tax
10 had increased to 3.22 percent, and which is also the
11 highest rate that's been paid in the state's history.

12 Nevada's not alone in needing to borrow in
13 order to pay unemployment benefit payments. On
14 September 29th, 21 states plus the Virgin Islands have
15 had to borrow money in order to pay benefits. And this
16 chart shows you how much they've had to borrow. It's a
17 little behind the times, as I checked it this morning, I
18 believe, and California was already over 4 billion in
19 borrowing. But it shows you how many other states have
20 been faced with borrowing. And the Department of Labor
21 has estimated that as many as 40 states may need to
22 borrow during this recession in order to continue paying
23 unemployment benefit payments.

24 But Nevada is alone in one important respect.
25 This chart shows you the unemployment rate at which each

1 state began borrowing. That is the unemployment rate
2 that it has when it first started borrowing in order to
3 pay benefits. You can see that two states, for example,
4 began borrowing from the federal government to pay
5 benefits when they had an unemployment rate of under
6 five percent. The majority of states have had to borrow
7 when their unemployment rate was around seven or eight
8 percent. A few states made it to having an unemployment
9 rate of just over 10 percent when they began borrowing.
10 But Nevada is far off on the right there as we have an
11 unemployment rate of 13.2 percent when we can begin
12 borrowing.

13 This shows the sound nature of the unemployment
14 program in Nevada in the past and that we were well
15 prepared for a recession. And it took an unemployment
16 rate of over 13 percent in the state to get us to the
17 point where we have to begin borrowing to pay benefits.

18 Talking about borrowing, in order to pay
19 interest on any federal loans that we take out, the
20 state cannot use any federal unemployment money that we
21 get, and it cannot use any state UI money. So the state
22 unemployment tax cannot be used to pay the interest on
23 any loans that we take out. In the past, most states
24 have used a special assessment, which they collect
25 alongside the unemployment tax. Nevada doesn't

1 currently have a mechanism for that. This is just sort
2 of informational.

3 The interest rate that's charged on any
4 borrowing is currently about 4.6 percent. To put that
5 into harder numbers for you, we would expect in a given
6 year for every \$250 million of borrowing that a state
7 does, the interest expense on that would be about
8 11.4 million. That's charged each year. And, of
9 course, if we have a larger balance, the interest
10 expense would go up accordingly.

11 There's an additional cost of borrowing, which
12 is known as the FUTA offset credit reduction, which
13 Ms. Clark will mention about how the federal
14 unemployment tax works. But, essentially, beginning
15 with the second year the state has outstanding loans,
16 the federal government begins to reduce an offset
17 against an employer's federal unemployment taxes that
18 they pay, and which amounts to an increase of about \$21
19 per employee per year. So in the first year, they would
20 increase that tax by about \$21. In the second year, it
21 would go up to \$42. In the third year, 30 -- \$63, and
22 so on. And then that money is applied by the federal
23 government to a state's outstanding loans.

24 Finally, obviously, we are facing unprecedented
25 times. That means we have no historical precedent to

1 look back to say what we should expect the Unemployment
2 Insurance Program, how we should expect it to perform
3 over the course of next year. Moving forward, we do
4 expect significant pressure on employment, as
5 Mr. Anderson mentioned. And how this will play out with
6 the federal unemployment extensions in place remains to
7 be seen. It may be that the unemployment rate will
8 remain high, but the pool of former workers eligible for
9 workers could begin to decline, which would have a
10 downward measure on actual benefit payments.

11 And, finally, this recession is very unique,
12 and so there's a great deal of uncertainty about any
13 actions that the federal government may take to provide
14 relief to the states based on the fact that so many
15 states are going to be borrowing during this recession.

16 I'd now like to turn the presentation over,
17 back to the Chairman, so you can continue.

18 CHAIRMAN HAVAS: Thank you, David Schmidt.
19 Incisive indeed, the review of Unemployment Insurance
20 Trust Fund.

21 We'll now go to Donna Clark, Chief of
22 Contributions, for her interpretation, analysis of Tax
23 Schedule Explanation and the Small Business Impact.

24 MS. CLARK: Good morning, Mr. Chairman and
25 Members of the Council, Administrator Jones. My name is

1 Donna Clark. And I serve as the Chief of Contributions
2 for the Unemployment Insurance Program.

3 As are you aware, the purpose of this meeting
4 and workshop is to recommend the unemployment Tax Rate
5 Schedule for Calendar Year 2010. State law requires the
6 Administrator to set the tax rate each year by adopting
7 a regulation. Pursuant to Nevada statute 612.310, it is
8 the role of the Employment Security Council to recommend
9 a change in contribution rates whenever it becomes
10 necessary to protect the solvency of the Unemployment
11 Compensation Fund.

12 Bill Anderson talked to you about economic
13 conditions, and David Schmidt discussed the condition of
14 the Trust Fund and the forecast for next year. I am now
15 going to provide an overview of how the unemployment
16 insurance tax system works and how the annual average
17 tax rate is developed.

18 The rate booklets that were passed out to you,
19 that look like this, in the blue booklet here, we have
20 provided four tax schedules for the Council to consider
21 and give us a recommendation and, of course, to receive
22 any comments from the public. To complete the
23 regulatory process, a small business workshop has also
24 been scheduled for Monday, August 12th, followed by a
25 public hearing tentatively scheduled for December 7th,

1 2009.

2 Before we review the schedules contained in
3 your booklets, I would like first to give you a brief
4 review of how the unemployment compensation tax system
5 works.

6 The Unemployment Insurance Program, as you have
7 heard, is a joint state/federal partnership. The way
8 this partnership works is the Federal Unemployment Tax
9 Act, or FUTA, imposes a payroll tax on all employers at
10 a rate of 6.2 percent of each employee's wages up to
11 \$7,000. This equates to a federal payroll tax cost of
12 \$434 per employee per year.

13 If, however, a state maintains an unemployment
14 insurance system approved by the U.S. Secretary of
15 Labor, employers are allowed to offset 5.4 percent of
16 the federal unemployment tax, so that they actually pay
17 at a rate of 8/10ths of one percent, thereby reducing
18 the cost of the federal tax to \$56 per employee per
19 year. Now, this is the FUTA offset reduction that David
20 Schmidt talked about that would increase once we begin
21 borrowing and, at the point at which that offset credit
22 is reduced, would increase by \$21 per employee per year.

23 The 8/10ths of one percent employers pay back
24 to the federal government is passed back to the states
25 to cover their administrative costs for the state

1 unemployment insurance programs. The funds are also
2 used to build a reserve, a federal reserve from which
3 states may borrow, if necessary, to pay benefits. So
4 this is the fund from which we would be borrowing.

5 The State Unemployment Tax, or SUTA, that we
6 are considering here today, is deposited into a Trust
7 Fund which can only be used to pay benefits to
8 unemployed workers. It cannot be used for any other
9 purpose. The tax is paid entirely by employers. There
10 is no deduction from an employee's paycheck. The tax
11 rates will vary based on the employer's previous
12 experience with unemployment. And under federal law,
13 these funds must be deposited with the U.S. Treasury and
14 cannot be invested in any other manner. The fund does
15 earn interest.

16 In Nevada, the rate for all new employers is
17 2.95 percent of taxable wages. In 2010 the taxable wage
18 base or taxable limit will be \$27,000 per employee.
19 Employers pay at the new employer rate of 2.95 percent
20 for approximately three and a half to four years until
21 they are eligible for an experience rating.

22 Once eligible for an experience rating, an
23 employer's rate can range from .25 percent to 5.4
24 percent, depending on their previous experience with
25 unemployment. There are 18 different tax rates. The

1 annual Tax Rate Schedule adopted applies only to
2 experience rated employers. It has no impact on new
3 employers.

4 Out of approximately 59,000 employers, more
5 than half, or 59 percent, of all employers are eligible
6 for an experience rating, while the balance pay at the
7 standard rate of 2.95 percent of taxable wages.

8 The standard rate established by the federal
9 law is 5.4 percent. Rates lower than 5.4 percent can be
10 assigned only under an experience rating system approved
11 by the Secretary of Labor. The intent of any experience
12 rating system is to assign individual tax rates based on
13 an employer's potential risk to the Trust Fund.
14 Basically, those employers with high employee turnover
15 and a greater cost to the fund pay higher, at higher
16 rates than those with low employee turnovers.

17 Nevada, along with the majority of the states,
18 uses a reserve ratio experience system. Under the
19 reserve ratio system, the Employment Security Division
20 keeps separate records for each employer to calculate
21 their reserve ratio each year. In the formula displayed
22 here, we add all contributions paid by the employer and
23 subtract the benefits charged. The result is then
24 divided by the average taxable payroll to establish the
25 employer's reserve ratio. Contributions are, of course,

1 the quarterly taxes paid by the employer, and benefit
2 charges are the employer's portion of unemployment
3 benefits paid to former employees.

4 The purpose of this method is to put small and
5 large employers on equal footing without regard to
6 industry type.

7 In the example on this slide, the employer paid
8 \$6,000 in contributions and had \$2,000 in benefit
9 charges, with an average taxable payroll of \$40,000,
10 which gives him a reserve ratio of positive 10 percent.
11 The higher the ratio, the lower his tax rate will be.
12 If an employer has received more benefit charges than he
13 has paid in taxes, his reserve ratio will be negative,
14 and he will generally have a higher tax rate.

15 Now, to the detailed schedules. As shown in
16 this sample slide, the detailed tax schedules contained
17 in your booklet show the result of four different
18 estimated average unemployment insurance tax rates.
19 This sample chart, which is listed as Chart 2 in your
20 booklet, displays an average rate of 1.33 percent, which
21 is the average UI tax rate currently in effect for
22 calendar year 2009.

23 In setting the schedule, the 18 different tax
24 rates displayed in the third column of the schedules do
25 not change. These rate classes are fixed by statute.

1 Rather, the law requires the administrator to designate
2 the ranges of reserve ratios to be assigned to each tax
3 rate. By doing so, the number of employers in each of
4 the tax rates is changed, which increases or decreases
5 the average rate and the total estimated revenues. In
6 other words, if you want to increase taxes, you adopt a
7 reserve ratio schedule that puts more employers into the
8 higher tax rates; and to lower taxes, you select one
9 that puts more employers in the lower tax rates.

10 The law also requires that increments between
11 reserve ratios must be uniform. In this sample
12 schedule, the ranges are from positive 5.2 to negative
13 17.2, with increments of 1.4 between each of the reserve
14 ratios. If an employer reserve ratio is positive 5.2 or
15 better, he gets the lowest rate of .25 percent.

16 So in our previous example, where the employer
17 had a positive reserve ratio of 10 percent, he would get
18 the lowest rate. An employer with a reserve ratio of
19 less than negative 17.2 would get the highest rate of
20 5.4 percent. And the rest fall somewhere in between.

21 In this particular chart, approximately 55
22 percent of eligible employers are in the lowest rates of
23 .25 percent.

24 There are 35,166 eligible employers from which
25 we estimate will generate 249.04 million in revenue to

1 the Unemployment Insurance Trust Fund. To that, we add
2 the estimate for employers not eligible for experience
3 rating, 64.61 million, for a total revenue of 313.65
4 million and an average rate of 1.33 percent for the
5 unemployment tax. You will see that these numbers
6 change for each one of the scenarios, charts 1 through
7 4, that we have provided for you.

8 As a note, you'll notice that there is an
9 additional .05 percent tax with the Career Enhancement
10 Program, which is a separate state training tax set by
11 statute. This is being provided for informational
12 purposes only and is not included in the projected
13 revenue amounts.

14 The four schedules in your booklets range from
15 an average rate of 1.0 percent to 2.33 percent. Each
16 schedule shows the reserve ratio increments between tax
17 rates, the ratios assigned to each rate, the estimated
18 number and percentage of employers, the estimated
19 taxable wages with percentages, and the projected total
20 revenue. Within this system, we can produce an infinite
21 number of charts. There was, we generally present
22 several different schedules to give you an adequate
23 number of choices.

24 In the front of your booklets, we have also
25 provided a summary page to make it easier to do

1 comparisons. The summary shows the range of reserve
2 ratios, increments, average unemployment insurance tax
3 rate, estimated revenue, and the distribution of
4 employers within each rate class.

5 On the final page of your booklets, we have
6 provided a few definitions and explanations of the items
7 shown on the tax rate schedules and the summary page,
8 also included in the reserve ratio formula.

9 As a final note, in compliance with Nevada
10 administrative procedures, the Employment Security
11 Division solicited comments from small businesses to
12 help gauge the impact of a potential rate change. A
13 total of three written comments were received. Copies
14 of the comments have been made available in your packets
15 there and at the workshop here.

16 Thank you, Mr. Chairman and members of the
17 Council. This completes our presentations.

18 CHAIRMAN HAVAS: Thank you very much, Donna
19 Clark. Certainly an excellent presentation of the tax
20 schedule and small business impact from Donna Clark,
21 Chief of Contributions.

22 I'm going to take the Chairman's prerogative
23 and continue. We will commence with the Council
24 discussion on the subject at hand, the tax rates. And I
25 will defer to members of the Council to express

1 themselves and voice their opinions.

2 Please introduce yourself by name as you -- as
3 you make your -- provide your statements.

4 MR. GARBARINO: Mr. Chairman, Dave Garbarino.
5 Just a question. In increasing the tax rate, even
6 though it's going to create more revenue for the fund,
7 are we going to put more strain on small business to
8 where it will actually be a burden on -- in other words,
9 there's more people creating any -- applying for the
10 unemployment?

11 MS. JONES: Would you like me to take that
12 presentation?

13 CHAIRMAN HAVAS: Yeah, certainly.

14 MS. JONES: Again, for the record, my name is
15 Cindy Jones. It's very difficult to address the impact
16 on any individual business. And as Ms. Clark explained,
17 Nevada's unemployment system is, is designed to where
18 it's equalized. The impact on a small business is no
19 different than the impact on a large business. The size
20 of the employer, the type of industry is not part of the
21 equation that's equalized out through the -- through the
22 process. Therefore, the impact on a small business is
23 no different than any impact on a large business.

24 Now, in general, it's very difficult to say or
25 to gauge what the actual impact would be to business.

1 And, I think, David, you had had a statistic
2 that had to do with how the change of employment would
3 be impacted by the change of rates, the one that you
4 discussed with Mr. Ramirez yesterday, that might be
5 helpful.

6 MR. SCHMIDT: For the record, David Schmidt. I
7 did have some numbers sort of going the other way. We
8 were talking about if you were to reduce tax rates, what
9 level of employment change would you need to see to have
10 a noticeable impact on the Trust Fund. And the numbers
11 we ran said, essentially, if you reduce the tax rate by,
12 say, 10 percent, that would be to 1.2 percent, you would
13 need to see an increase in employment of 11 percent to
14 actually have -- offset the impact on employers.

15 And that same sort of math would work in
16 reverse. If you increase the tax rate by 10 percent, in
17 order to actually have the Trust Fund collect less
18 money, you would have to see a decrease in employment of
19 about 11 percent in order to see that negative result
20 come about.

21 MS. JONES: Does that, does that help,
22 Mr. Garbarino?

23 Thank you.

24 UNIDENTIFIED MAN: Also, there's a small amount
25 of an -- of a loss of the offset as we take down these

1 funds, just to keep that in mind.

2 CHAIRMAN HAVAS: Additional comments by Members
3 of Council?

4 Hearing none, we are going to go to the public
5 for comments and input and established positions and
6 those that may very well be flexible. However, we -- we
7 welcome your discussion and articulation at this point.

8 We have the time to hear from you. We may
9 decide to limit speakers to five minutes, but at this
10 juncture, we certainly invite your commentary.

11 Please do speak your name, you know, express
12 your name, so we know who we are hearing from.

13 MR. ADNEY: Thank you, Mr. Chairman, members of
14 the Council and Ms. Jones. For the record, my name is
15 Tray Adney with the Reno-Sparks Chamber of Commerce. I
16 am going to submit a letter for the record, which I gave
17 one copy to Ms. Golden, but I have several copies here.

18 First of all, I want to thank you for your
19 service to the state. I know you're in a difficult, a
20 very difficult position in trying to make this fund
21 whole and exercising your fiduciary responsibility to
22 make sure that this fund does what it is supposed to do
23 and has the money to do that.

24 I represent 1,500 members. And, of course,
25 with the Chamber of Commerce, most, a vast majority of

1 those members are small businesses. You've heard how
2 unprecedented the times we are in. And, of course, most
3 of my members tell me that they have never seen anything
4 like this, ever, in this state. It's the worst that
5 they can remember.

6 I would urge this Council to maintain the tax
7 rate for now, exercise all options using federal funds.
8 It's usually not our position to fund government needs
9 and government programs by borrowing, but in these
10 unprecedented times, in addition to the tax increases
11 that my members have already sustained after the 2009
12 Legislative Session, we just feel that this would be a
13 very difficult additional burden to be placed on the
14 business community at this time.

15 So when times do improve, this chamber and my
16 members pledge to work with you to make sure that we do
17 what it takes to make that fund hold then and take care
18 of that issue.

19 Thank you very much for your time. I
20 appreciate it.

21 CHAIRMAN HAVAS: Thank you.

22 MR. BACON: Thank you, Mr. Chairman. For the
23 record, Ray Bacon, Nevada Manufacturers Association.
24 Let me give you a little more depressing data since you
25 haven't had enough yet today.

1 The recession in the manufacturing sector on a
2 national basis goes all the way back to 1978.
3 Nationally, the manufacturing sector has been losing
4 jobs since 1978. There has been blips in that, but
5 that's fundamentally when the depression in the
6 manufacturing area or recession in the manufacturing
7 area started.

8 That, the job losses that have taken place over
9 that period, or since then, have fundamentally gone in
10 three areas. Number one, and this is the most important
11 one from my standpoint, about a third of the job losses
12 have resulted from improvements in productivity. Now,
13 that's bad news and good news. That means that we're
14 getting more efficient and better in the process of what
15 we're doing. But, simultaneously, those jobs never come
16 back, they're gone permanently.

17 About a third of those jobs are jobs that have
18 gone overseas from whatever. As you're well aware,
19 because of our labor rates in this country, it's one of
20 those things where those high labor intensive jobs, they
21 tend to be in consumer goods, but that's not universally
22 true. Those jobs have gone to China. Well, they first
23 went to Japan, then Taiwan, then China. Now they're
24 going to southeast Asia and whoever knows where next.

25 And then the fourth one is that one that tends

1 to ebb and flow. And that's the one that goes away
2 during poor times. And as I think this group is well
3 aware, during the early 2000 -- starting in July of 2000
4 and going through the end of 2003, the recession in this
5 country was almost exclusively in the manufacturing
6 area. It was our guys that took the hit.

7 During that period of time that was -- we were
8 gifted with one of those rare occasions when Nevada was
9 the only state, for about an 18-month period, to
10 actually show growth in manufacturing jobs. Every other
11 state was upside down. And we actually showed a growth
12 in manufacturing jobs. Now, it was 400 jobs, which is
13 insignificant in the total picture. But when 49 states
14 are upside down, and we were the only one positive, that
15 was pretty good news.

16 At this stage of the game, the vast majority of
17 my members are going through substantial reductions. If
18 you talk to Mr. Anderson, and he starts to take a look
19 at his individual data sector by sector, the
20 manufacturing sector, for the first time in Nevada, is
21 actually taking a fairly healthy beating. Most of my
22 members' businesses are down in the range of 30 to 40
23 percent. I talked to one the other day whose business
24 is down 85 percent.

25 We used to steal companies from California. At

1 this stage of the game, the thing that Bill mentioned in
2 his presentation is the loss of commercial credit.
3 There are companies that want out of California. The
4 comment I have been accredited with and I will have to
5 take the fall for and say that it's true, because that's
6 what I did say, it's easy to look good when you live
7 next door to stupid. California does some things that
8 are just plain stupid. But at this stage of the game,
9 for the first time ever, the commercial credit issue is
10 companies that would love to leave California, because
11 of the stupid things that they do, can't. They can't
12 get that relatively small loan that it takes to move.
13 They can't leave California. They're effectively
14 handcuffed to the environment that they live in.

15 The secondary thing where we've seen job growth
16 historically in the state of Nevada has been in the
17 manufacturing sector, has been people that need to be
18 reasonably close to that California environment. Which
19 those of us that have been in this state for a while
20 remember it was listed as the fifth largest economy in
21 the world as little as six years ago. It's now down to
22 the eighth largest economy in the world. And that means
23 you got a drop by a whole bunch of folks in that
24 relatively short period of time.

25 So people that used to have that burning urge

1 to be close to their customer base in California now
2 have seen that customer base in California decline
3 substantially. And so that urge for people from the
4 Midwest or the East Coast to get a Nevada presence so
5 they'd be close to their California customers but not in
6 California, that's gone, too.

7 So the growth and economic growth in the
8 manufacturing sector that we have enjoyed for the best
9 part of 25 years is pretty well gone.

10 We recognize the reality of the situation and
11 would love to say come up, you know, stand up and raise
12 our hand and raise the flag and say lower the rate. We
13 know that that's not realistic. We know that there will
14 continue to be cuts that'll take place in our sector.
15 All we would urge you to do is go as lightly as you
16 possibly can and be as realistic as you possibly can,
17 because we know that whatever we do from a rate increase
18 is going to continue for a long period of time.

19 So that's -- you've done a great job in the
20 past. I learned all this stuff at the -- by going to
21 lunch one day with Stan Jones probably 20 years ago, and
22 it has served me very well, and he served the state very
23 well. And, I think, part of the reason this Trust Fund
24 is in the shape that it is, is the imprint that Stan
25 left on this, this operation, for what, he was with the

1 Department for about 20 years, if I remember correctly.
2 So.

3 Anyway, with that, go as lightly as you
4 possibly can. And thank you.

5 CHAIRMAN HAVAS: Thank you, Ray Bacon.

6 MR. NELSON: Good morning, Members of the
7 Council. Jim Nelson. I'm the Executive Director of the
8 Nevada Association of Employers. And I'm kind of in a
9 unique position here, because I grew up in the
10 unemployment business. I am totally aware of
11 responsibilities that this Council has with respect to
12 maintaining a solvent Trust Fund.

13 So it's difficult for me to -- I certainly
14 don't want to see higher taxes. It doesn't do good
15 for -- you know, I represent 400 small businesses
16 myself. But in looking at the proposed increases that
17 we have, we go from 1.33 to 2.0. That's kind of a big
18 bite.

19 And to this gentleman's question earlier, how
20 many businesses would be impacted by these rate changes,
21 if you just go from the 1.33 to the 2.0 --

22 CHAIRMAN HAVAS: May I interrupt just for a
23 second? We do not have to focus entirely on the four,
24 four sheets here. We can, you know, we can opt for
25 something else.

1 MR. NELSON: Well, to my point was that there
2 would be -- if you take a look at the minimum rate of --
3 the employers at the minimum rate of 2.5, or .25, they'd
4 be going from 19,000 to 10,000. So almost half of the
5 employers, just by going up to 2.0, would have their
6 rates increase.

7 So that's, I think that's a -- to your question
8 earlier.

9 My thought would be maybe we could take a look
10 at something. I mean I understand that we need to take
11 a look, we need to create some solvency here. But
12 perhaps what we could do is maybe take a look at some --
13 again, some increases that aren't going from the 1.33 to
14 2.0. Maybe we can find something in the middle. Might
15 be a little bit more palatable, not that any increase is
16 going to be palatable, but maybe we could take a look at
17 some other options, would be my thought.

18 CHAIRMAN HAVAS: Thank you.

19 Anyone else? We'd like to go to Carson City,
20 if that's possible. Anybody else?

21 At this time, I'd like to go to Las Vegas for
22 public input and commentary. Please express your --

23 MS. METER: Mr. Chairman? Mr. Chairman,
24 Members of the Council, Veronica Meter, Las Vegas
25 Chamber of Commerce. I the Vice President of Government

1 Affairs.

2 The Las Vegas Chamber of Commerce has 6,500
3 members employing 200,000 people. 85 percent of our
4 members are small businesses.

5 I appreciate the opportunity today to read a
6 brief statement to you for the record:

7 I am here to ask you not to increase the
8 unemployment tax rate paid by our employers. Our
9 state's economy and the businesses that operate in it
10 are in exceptionally difficult circumstances. To call
11 Nevada's situation a mere recession may well be an
12 understatement.

13 The key to economic recovery and, ultimately,
14 the key to balancing the Nevada Unemployment Insurance
15 Trust Fund is job creation. While we cannot cite
16 statistics that show the relationship between increasing
17 this tax in this environment and potentially job losses
18 or diminished job creation, I think we can all agree
19 that an additional tax at this time would be harmful.

20 The Federal Loan Program allows us the
21 opportunity to defer these costs, to be repaid during
22 better economic times when these costs may not cause the
23 same negative impacts that may be seen today. In order
24 to balance the budget and to find essential state
25 services, the legislature recently raised the modified

1 business tax on companies with revenue over \$250,000 per
2 year, also increased the sales tax and increased vehicle
3 registration fees.

4 Your actions today do not take place in a
5 vacuum. Unemployment tax increases have exactly the
6 same impact on a business as legislative tax increases
7 do.

8 Typically, the Las Vegas Chamber of Commerce
9 would not support borrowing to solve today's problems in
10 paying for them in the future. However, in this unique
11 situation, we feel that the opportunity to borrow the
12 money from the federal government at no interest through
13 next year, and then at a favorable rate until repaid,
14 would be a good option.

15 In this case, we consider this an investment in
16 our economic recovery and in job preservation and in job
17 creation. We think leaving the unemployment tax at its
18 rate, at its current rate is a prudent decision.

19 And I appreciate the opportunity today to state
20 the Chamber's position on the record.

21 CHAIRMAN HAVAS: Thank you very much.

22 Any other speakers from southern Nevada?

23 MR. HINCHCLIFFE: Yes, Mr. Chairman. My name
24 is John Hinchliffe. I'm the Chairman of the Board of
25 Directors for the Nevada Restaurant Association and a

1 General Manager for McCormick & Schmick's Seafood
2 Restaurant in Las Vegas.

3 Obviously, over the last two years, we've seen
4 a significant decline in visitorship and discretionary
5 spending in our restaurants. Currently, many of our
6 restaurants have seen declines of upwards to 30 to 40
7 percent, decline in sales and visitors, which has
8 resulted in a number of restaurants operating negatively
9 over the last three to four plus months, meaning that
10 restaurants are investing, the restaurant owners and
11 investors are operating at losses in order to get
12 through the slow summer season in the hopes that we'll
13 see an increase in business as we head into January.
14 This may or may not be true.

15 However, increasing the tax on businesses may
16 result in more layoffs and more citizens taking use of
17 unemployment insurance. And I would ask that we
18 postpone increasing any taxes until such a time as our
19 industry, which is one of the major employers in the
20 state, can afford to.

21 Thank you.

22 CHAIRMAN HAVAS: Thank you very much.

23 Additional commentary from speakers in southern
24 Nevada?

25 MR. ROSS: For the record, my name is George

1 Ross. I am representing the Association of the Gaming
2 Equipment Manufacturers, consisting of 81 member
3 companies who manufacture the gaming devices, slot
4 machines systems, and components of the gaming industry.
5 44 of those companies have significant offices or
6 operations in Nevada. At the beginning of this year,
7 they employed 14,300 people. There have been
8 significant layoffs since. That number is now much
9 smaller.

10 Our plea echoes that of the restaurant
11 association and of the Las Vegas Chamber of Commerce.
12 We would urge you to keep the impact of this tax on
13 companies the same as it is today and not to increase
14 it.

15 I'm not an expert in the unemployment tax, but
16 as I sat there looking at the numbers, I began to
17 realize that as more and more companies are going to be
18 thrown into that higher tax rate, that's going to be a
19 major burden on all of them and our people and the
20 employees of the state. And, hopefully, when the
21 overall rate, this average rate is calculated, it
22 reflects the fact that a -- many more companies,
23 apparently, who already had to lay people off, there'll
24 be a big weighting of companies in that higher tax rate,
25 which will, of course, exacerbate the impact on them who

1 have already been hurt. But it also, hopefully, would
2 lead to a lower overall rate on all of them if they're
3 looking at the -- getting the same amount of money you
4 would have expected.

5 So, again, our plea would be to not change that
6 rate. Unfortunately, it means we -- and we know that
7 down the road it means paying a higher rate to replenish
8 the Trust Fund. But that's -- given the situation we
9 have today and the economy, we feel that's an acceptable
10 trade-off.

11 Thank you.

12 CHAIRMAN HAVAS: Thank you very much.

13 Additional speakers from southern Nevada?

14 MR. THOMPSON: Mr. Chairman, for the record,
15 Danny Thompson, representing the Nevada State AFL-CIO.
16 We currently represent over 120 different unions in the
17 state and over 200,000 workers in the state of Nevada.

18 You know, we -- I was interested in the
19 presentation by the economist that -- going back to the
20 session and thinking some of the testimony that I
21 provided, beginning with the unemployment numbers
22 amongst the 18 building trades unions in Reno starting
23 out this year at 30 to 35 percent and, you know, in May,
24 many of them being at 50 percent, and today some of them
25 at 65 percent, and looking forward in Las Vegas, you

1 know, when City Center is built out, they're going to
2 hire people to take -- to start those jobs. But the
3 people that are going to be laid off there are going to
4 have no jobs to go to. After City Center, the airport,
5 the big major jobs that are employing thousands of
6 workers, normally, what happens, those jobs get done,
7 they go back to the hiring hall, another job starts, and
8 they're sent out to do work.

9 There are no jobs. I was invited to speak at
10 the American Architects Association earlier this year,
11 to their Executive Board. They are all out of work.
12 And so, you know, if they're out of work, there's not
13 going to be any work. Because, typically, it takes a
14 year to two years, depending on the size of the project,
15 for them to do their work so others can come in and
16 build these things.

17 And so, clearly, we've not hit bottom yet,
18 coupled with the fact that there are going to be only
19 readjustment in some of these ARM loans that were given
20 to people, again. So the end of this year, I think, is
21 going to be bleak.

22 I came here mainly today because I had heard
23 that there may be a move to lower the rate. I think
24 that would be a mistake. Clearly, we have to borrow the
25 money under law. There is some concern, which is

1 something I didn't realize until today, that the
2 interest can't be paid back with UI funds. It has to be
3 paid back, I guess, under Nevada's law, from the General
4 Fund. And, you know, my experience with the Legislature
5 tells me that's as big a disaster as this is. And so --

6 CHAIRMAN HAVAS: Could we have Cynthia Jones
7 just respond to that for a second, please.

8 MR. THOMPSON: Okay.

9 MS. JONES: Good morning, Mr. Thompson. You
10 are correct, our options are a General Fund payment of
11 the interest funds or making a change to our statutes to
12 create a mechanism for the collection of a special
13 assessment, as was presented by, I think, Mr. Schmidt
14 earlier, earlier this morning. But you are right on
15 target there, Mr. Thompson.

16 MR. THOMPSON: Thank you. So. So the point
17 being, you know, this is going to put additional
18 pressure on the state's budget, which is already at a
19 point that, you know, I think everybody's just waiting
20 for the date of the next special session. Because I
21 think, clearly, you know, the people in my business all
22 believe that it's going to happen.

23 And so I think it would be a mistake to lower
24 the rate. I do believe that, you know, if you have to
25 raise it, it should be minimal. And if you can leave it

1 the same until we see what happens. Because I don't
2 think we're at the bottom yet. I know no one wants to
3 borrow money, and that's been a painful thing in the
4 past, but we've never -- I don't think we're at the
5 bottom yet. And we've never been at a place that we are
6 today.

7 And, you know, hopefully, that some of this
8 stimulus money can be spent in productive ways that are
9 going to create some jobs. But as of today, there just
10 has not been the kind of jobs created. Especially,
11 everybody is touting the green energy front. It just
12 hasn't created any jobs. And there's opportunity there,
13 but it's going to take time.

14 And so I think it would be prudent to wait and
15 see what happens and going forward. But, certainly, you
16 know, reducing, reducing the rate would be, I believe, a
17 huge mistake.

18 Thank you.

19 CHAIRMAN HAVAS: Thank you very much,
20 Mr. Thompson.

21 MR. ROCHAT: My name is Andre' Rochat. I'm the
22 owner of Andre's, and that is a restaurant; also,
23 Director of the restaurant and Nevada Restaurant
24 Association.

25 And customers normally purchase what's on fare

1 with discretionary income or as a business expense. Not
2 only recession has reduced both types of spending, but
3 conventions are way down, and attendees don't stay as
4 long, which means less meals for us. (Indistinct)
5 decline significantly. My restaurant is down 30 to 40
6 percent from the previous years. I closed a restaurant,
7 one of the restaurants already that was open for 29
8 years, and I laid off more people in the other
9 restaurant.

10 Right now, for the first time in about 30 years
11 in business, I'm offering a discount in the restaurant,
12 \$45 for three-course meal. Do I make any money? No.
13 Just to keep some people in the restaurant, keep my
14 employees working.

15 And if you look at it, when you come into the
16 place, you have a maitre d', you have the hostess, you
17 have the bartender, you have a summary, you have
18 waiters, busboy, cooks, chef, pastry chef, cleaner, for
19 \$45 bucks for the nice meal, with tablecloth, silverware
20 and nice glassware. That's really not much. It's a
21 better deal than McDonald's.

22 Similar to another state, the minimum wage went
23 up, (indistinct) went up, a lot of other permits went
24 up. In most restaurants, we'd start minimum wage on
25 staffs. So the manager, the manager tell the staff,

1 well, as receive a raise, and in many cases, so have the
2 staff like dishwasher, we have to raise their wage just
3 to make it comparable to the other one.

4 On top of this, in 2009 Nevada Legislature, in
5 order to balance the budget and maintain essential
6 service, nearly doubled the modified business tax. Both
7 of this tax result in higher cost for employees.

8 With revenue down and costs up, first one
9 margin (indistinct). Matter of fact, for all of us,
10 there is no more margin. And we wait, we hope for a
11 good weekend that we can make next week's payroll. And
12 that's not easy, I can -- trust me on that.

13 In this recession, restaurants are severely
14 hurt. And another tax raise on employers is just going
15 to be, as far as some of us, the coup de grace. Worse
16 yet, those restaurants who have already been hurt, and
17 the most have been focused on the larger layoff, will
18 pay higher tax rate, increasing the chance that they
19 will have to close, resulting in the loss of their job.

20 Every problem has a solution. There is a quick
21 solution, and there is a right solution. The right
22 solution, I feel, is to create some more jobs. There is
23 a few things in town, I think, that would create more
24 jobs. One of them is the Fontainebleu. If we could
25 find a way to finish this place, that would be for about

1 4,000 jobs.

2 There is the Echelon. You know, it's that
3 place where they -- if they finish, we're talking about
4 another eight, 10 thousand jobs. And that would utilize
5 the workers from the City Center at the same time.

6 On the other hand, you probably could do
7 something to help us. It's easy to always ask us to
8 give more money. But you could help us (indistinct) to
9 give credit. We're one of the seven states that doesn't
10 have to give credit. That would help the small
11 business.

12 The other things that our Legislature could do
13 is raise hell in Washington, DC, and bring back the
14 entertainment expense account (indistinct) 100 percent
15 like it used to be. It's down to 50 percent now. A
16 hundred percent would mean more conventions, people stay
17 longer, more rooms, more food, more jobs for everybody.

18 And that's the way I see it. I believe, I'm
19 the last speaker. Thank you very much.

20 CHAIRMAN HAVAS: Thank you very much. I
21 appreciate it.

22 Well, it's incumbent upon Council Members to
23 continue and persevere in this discussion, so we can
24 arrive at a motion to adopt a specific tax rate
25 schedule.

1 MR. FOSTER: Mr. Chairman, George Foster. I
2 think we've heard what all the problems are, and I think
3 staff has done a good job telling us where we're at
4 today and where we possibly may be in the future. And
5 it's really hard for anyone to predict where we're going
6 to be a year or two from now.

7 I think, and I'll put this in the form of a
8 motion -- I don't know if the rest of the Council agree
9 with me or not, but I'll move that we keep the same rate
10 that we have today and recommend, recommend this rate
11 that we have today for 2010, with no increase, no
12 decrease.

13 MR. COSTELLO: I'll second that motion, Danny
14 Costello.

15 CHAIRMAN HAVAS: It's been moved and seconded,
16 moved by George Foster to adopt a zero increase in our
17 employers tax rate, and seconded by Danny Costello. I'd
18 like to hear for further discussion.

19 MR. WHITTAKER: Yeah. For the record, Ross
20 Whittaker. To keep the tax rate the same, is there any
21 additional negative impact that the Department will feel
22 from the Department of Labor as far as penalties? I
23 mean it sounds like we have a hold harmless year with no
24 interest on this money we're going to have tomorrow.

25 MS. JONES: For the record, Cindy Jones. No,

1 there's no adverse impact in maintaining the rate the
2 same.

3 Just for informational purposes, the Department
4 of Labor is considering some regulations that would
5 prospectively impact interest-free periods, not the one
6 that's currently being authorized through the American
7 Recovery & Reinvestment Act, that would put some
8 constraints on states borrowing in future years, that
9 they have showed that they've made -- that they haven't
10 taken steps to reduce the solvency in their states. But
11 at this point, there would be no adverse impact from the
12 Department of Labor from keeping our rates the same,
13 only the aforementioned potential FUTA offsets that
14 would occur too late, years from now, if we don't repay
15 all of our loans by then.

16 MR. COSTELLO: Mr. Chair, Danny Costello. I
17 just wanted to point out that we should all be aware as
18 Nevadans that most economists conservatively estimate
19 that the nation probably will not return to full
20 unemployment, which means about five percent or less,
21 until 2015. So we do have some issues we're going to
22 have to address in the future.

23 I would also like to say, I think Mr. Anderson
24 answered our question. He said -- I think, you said
25 there would be no growth. I was wondering, is there

1 anywhere that there can be growth, and are there any
2 industries that are growing in the state of Nevada? And
3 we should do what we can to support those industries.

4 I also would like to ask. I wouldn't know who
5 to address this to, but has there been any research done
6 to identify the workforce that's being used in any of
7 the green energies, like geothermal and stuff?

8 Because under my impression is a lot of this
9 work's being done by people from out of state. And I
10 feel that we have enough people that can man these jobs,
11 and maybe we should look at some kind of resolution
12 through the Legislature that Nevadans are being put to
13 work on these jobs.

14 Thank you.

15 MR. ANDERSON: For the record, Bill Anderson,
16 Chief Economist with the Research and Analysis Bureau.
17 Through you, Mr. Chair, with respect to the first part
18 of your question, where we're going to be seeing growth,
19 it's hard to see outright growth when two major drivers
20 in your economy are expected to continue to feel the
21 impacts of this downturn. Specifically, I'm talking
22 about accommodation and food services, as well as the
23 construction sector.

24 Looking out through 2010 in the construction
25 sector, we're looking for an additional loss of about 13

1 percent in terms of construction jobs. Looking at
2 another major employer, accommodation and food services,
3 we're looking at job declines in 2010 there of about
4 five and a half percent. Which given the well
5 publicized opening, our future opening of City Center
6 suggests that while that property will be creating a
7 payroll and hiring new workers, difficulties on the part
8 of the other properties will more or less swamp any
9 stimulative impact from City Center.

10 So in terms of numerically large areas of
11 growth in the short term, we're not seeing anything out
12 there. Now, there are some pockets of smaller
13 industries that are likely to grow or hold steady. For
14 instance, educational services, it's a relatively small
15 sector, but we're seeing some stabilization and perhaps
16 a little bit of growth there. Same for various
17 healthcare related type businesses. Given our
18 historical population growth, we still need to service
19 that population with respect to their healthcare needs.

20 So the way I'd answer that is we're not going
21 to see numerically large growth, especially when two of
22 our largest driving forces in our economy are going to
23 continue to struggle. That's not to say that there
24 might be some smaller pockets of relative strength
25 elsewhere in the economy. But, again, I think the key

1 point is that when we do recover, we're simply not going
2 to return to those boomlike conditions. We can't expect
3 any time soon, arguably in our lifetimes, that we're
4 going to see six percent year-over-year job growth,
5 we're going to see five percent growth in our
6 population. We're simply not going to be returning to
7 those types of times.

8 MS. JONES: If I might add a comment as well,
9 Mr. Chairman. As noted in my presentation regarding
10 ARRA fund, the grant that's being sought by Research and
11 Analysis for over \$800,000 and the other grant we are in
12 the process of seeking support of that'll be between
13 \$2 to 6 million, the idea of these grants is to map out
14 our labor resources, determine what their skills are,
15 determine where the opportunities are, and then
16 strategically invest our workforce development dollars,
17 so that the idea will be, is to train Nevadans for jobs
18 in Nevada.

19 So we have some resources that we are seeking
20 to gather from the federal government to move us towards
21 that end.

22 Thank you.

23 CHAIRMAN HAVAS: Any further discussion?

24 MR. WHITTAKER: Yeah, Mr. Chairman. For the
25 record, Ross Whittaker again. I think we've heard from

1 everybody that has talked to us today that -- and I
2 think we know the bad state that our economy is in, and
3 I think we know that it's going to stay bad for a long
4 time. It appears to me that the consensus probably is
5 to keep the rate the same as it was.

6 But I think we do have to be aware as a Council
7 that we're taking a chance here. Because when we come
8 back, next year, depending on what federal sanctions
9 are, and we're not going to know the state of the
10 economy, I think we need, we need to be prepared and be
11 thinking about the fact that we may have to take some
12 drastic action at that time.

13 So I don't know if there is any interest in a
14 slight tax rate this year to begin the process.
15 Because, historically, we -- the State of Nevada has
16 taxed countercyclically, and that has worked well. But
17 I think it's important to get it on the table that we
18 really could be facing a large problem when we come back
19 a year from now.

20 CHAIRMAN HAVAS: Thank you, Ross. I'm going to
21 defer to Cynthia Jones on this one.

22 MS. JONES: Again, Cindy Jones for the record.
23 There are no sanctions in place thus far, but there
24 could be adverse potential consequences in prospective
25 years, as I had mentioned before. But the one thing

1 that we are definitely facing, absent some sort of
2 federal intervention on the borrowing provisions of the
3 law, is that FUTA offset reduction. So it's not really
4 a sanction, it's just another way that the taxes are
5 going to have to be paid.

6 One way or another, Nevada employers are going
7 to have to pay for all these benefits via tax increases
8 to the State Unemployment Tax Act, the tax we are
9 discussing today, the FUTA offset reductions that will
10 be implemented by the federal government, and likely
11 some combination thereof.

12 We can hope for some federal intervention. As
13 stated before, up to 40 states are expected to borrow
14 somewhere between \$80 to 90 billion. So the nation's
15 unemployment insurance system as a total has been
16 underfunded for some time. Nevada has been performing
17 quite well. But I just came back from a conference that
18 demonstrated that the whole system has been underfunded
19 for some time. Payroll taxes for the last 20 years
20 across the nation have been historically low. And so
21 we're a little spoiled now.

22 But, you know, the time will come when we have
23 to pay. So, yeah, what we're looking at is a pay me now
24 or pay me later, kind of a catch 22 situation. We have
25 to keep in mind that over time, you know, the cost of

1 borrowing.

2 So I certainly understand everyone's comments
3 and everybody's, you know, discussion so far and
4 everybody's input. And I'm pleased that we've had more
5 participation than I've seen in the five years I've had
6 this position. And I appreciate everybody's attention.

7 But it is a tough decision to make. So I will
8 defer to the Council for continued deliberations as they
9 consider a recommendation to me.

10 Thank you.

11 CHAIRMAN HAVAS: You know, furthermore, it's
12 interesting to note that we are listening more today
13 from the public. And we really appreciate it. Of
14 course, we should continue on with discussion from the
15 Council.

16 We do have a motion on the floor, and it's been
17 moved and seconded, that we do adopt the average
18 employers tax rate of 1.33, which equates to a zero
19 increase, we retain the current tax rate as it exists.

20 Hearing no further discussion, it's been -- I
21 call for a vote. All those in favor, signify by saying
22 "aye."

23 (The Council Members said "aye.")

24 CHAIRMAN HAVAS: Those opposed?

25 It's carried unanimously.

1 I want to thank staff and thank Members of the
2 Council and thank the public.

3 And certainly at this point in time, I'd like
4 to defer to Cynthia Jones for some of her closing
5 remarks.

6 MS. JONES: Okay. Thank you, Mr. Chairman. I
7 didn't want everybody to get away before I had to make
8 my closing statement.

9 Thank you for your recommendation and
10 consideration for the average tax rate for adoption for
11 the 2010 Tax Rate Schedule. As stated previously, the
12 date for the formal regulation adoption is tentatively
13 scheduled for December 7th. So keep your eye on the
14 Internet and the various places and libraries that we
15 post the meeting agenda and notice. But so far, that's
16 the date we have. And we're still working with the
17 Legislative Counsel Bureau to firm up that date.

18 Again, I really appreciate everybody's
19 participation. It is a difficult situation. And I just
20 really appreciate your support of the Department and the
21 programs it's charged with administering and the support
22 of our workforce and Nevada's economy as a whole.

23 Thank you.

24 CHAIRMAN HAVAS: Welcome a motion to adjourn.

25 UNIDENTIFIED MAN: So moved.

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CHAIRMAN HAVAS: Second?

UNIDENTIFIED WOMAN: I got the second.

CHAIRMAN HAVAS: It's been seconded. No discussion. All those in favor, signify by saying "aye."

(The Council Members said "aye.")

CHAIRMAN HAVAS: We are adjourned. Thank you very much.

* * * * *

(The Nevada Employment Security Council Meeting adjourned at 12:16 p.m.)

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TRANSCRIBER'S CERTIFICATE

I, SHANNON L. TAYLOR, do hereby certify:

That I was provided by the Nevada Department of Employment, Training and Rehabilitation, Employment Security Division, Contributions Section, with a CD containing a Meeting of the Nevada Employment Security Council held on Tuesday, October 6, 2009, and that I thereafter transcribed, to the very best of my ability, the contents of said Meeting on said CD;

That the foregoing transcript, consisting of pages 1 through 98, is the transcription of the above-noted Meeting;

DATED at Carson City, Nevada, this 15th day of January, 2010.

SHANNON L. TAYLOR
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