Lynda Parven:

Thank you. Good morning. And thank you to the public and the council and staff for your participation in today's employment security council meeting. My name is Linda Parven and I serve is the administrator of the employment security division and an exo member of the council. Today we're announcing the retirement of Fred suey, who was a council member and the chair of the council since 2018. I'd like to take a moment to honor his service to the state and the positive impact he's had on the council and Nevada's public workforce system. He has to, he has decided to retire yet again, for those of you who don't know, he served as the deputy administrator of the employment security division prior to his council membership. We wish him well and will miss him on the council. We do have three new members of the council to welcome Jeffrey Frischmann, Mark Costa, and Latonya Coleman. Welcome and congratulations to you all on your appointments. The next item that must be addressed is nominating and electing a new chair of the council. Please see, agenda item two, to discuss and elect a new chair of the council. We will accept nominations for chair from the council members at this time. Thank you.

Jeff Frischmann:

This is Jeff. Can you hear me? I'd like to volunteer as chair. I had been working with the employment security division as a deputy administrator retired about a year and a half ago. I've attended it over the last decade, probably 10 of these meetings and understand how to facilitate and work the meetings. And I believe I could make this a lot easier process as chairman. So I'd like to volunteer as chairman.

Lynda Parven:

Thank you, Jeff. Any other nominations, Troy, do we take a vote then? Or is that the appropriate next step?

Troy Jordan:

Yes. Unless there's any you call for further discussion and then a vote.

Lynda Parven:

Okay. Any further discussion

Peter Guzman:

I move to accept.

Lynda Parven:

Thank you. Do I need a second Troy? Or can I just do all in favor? Yeah. Need a second.

Danny Costella:

Second, second. I'll second that Danny Costella.

Lynda Parven:

Thank you. All right. We'll take a vote then all in favor. Aye. Any opposed? All right, then. Thank you. Mr. Frischmann, and I will hand the meeting over to you for the next agenda items.

Jeff Frischmann:

Thank you for your confidence in selecting me as the new chair of the employment security council without our next agenda item will be the first opportunity for public comment. Public comment will be limited to three minutes per speaker. And this round of public comment will last no longer than 30 minutes. Total. Is there anyone in the south who would like to make comment?

Lynda Parven:

There's no one here for comment.

Jeff Frischmann:

Okay. Thank you. Is there anyone on in the north who would like to make public comment, hearing nothing? No one. Is there anyone on the phone line who would like to make public comment at this time? Lindsey? Is there anybody who Jim responding just sorry. No one is raising their hand at this time. Okay. Thank you. With that, we'll move to the next dig agenda item, which is the confirmation host. Mr. Terry.

Stewart Terry:

Stewart Terry for the record management analyst for the employment security division management and administration support services unit. Yes. Proper notice was provided for this meeting to Nevada's meeting law and confirmation of sending was received.

Jeff Frischmann:

Thank you, Mr. Terry. With that, we'll move on to the roll call with council members. I'll start off and we'll do like suppose an introduction. Each of us who are the members? My name Jeffrey Frischmann and I represent the public. If you, the members, if you want introducing yourself, please. My name is, excuse me.

Danny Costella:

My name is Daniel Costella and I represent labor. Thank you.

Mark Costa:

My name is Mark Costa and I represent the public.

Jeff Frischmann:

Thank you.

Latonya Coleman:

My name is Latonya Coleman and I represent business employers.

Jeff Frischmann:

Thank you.

Tom Susich:

My name is Tom Sui and I'm a member of large.

Jeff Frischmann:

Thank you. Any other council members?

Peter Guzman:

Uh Peter Guzman president of the Latin chamber of commerce. I represent business.

Jeff Frischmann:

Okay. Any other council members present? Ueither on the phone or okay. With that, it appears we have a quorum. So,uwe will thank you. And we'll now move on to the next agenda item, which is a review of written comments,uor have there been written comments received?

Stewart Terry:

Stewart Terry for the record management analyst for the employment security division management and administration support services unit, no written comments had been received prior to this meeting.

Jeff Frischmann:

Okay. Thank you, Mr. Terry. Thank you. The next agenda item will be a discussion in approval of the minutes from the October 3rd 2019 council meeting.

Danny Costella:

Make a motion to approve the meeting minutes of the meeting. Daniel Costello.

Jeff Frischmann:

Sorry. Is there a second?

Tom Susich:

I'll second.

Jeff Frischmann:

Okay, Mr. Sutich is second. Thank you. We take a vote on that now. Okay. All those in favor, please? Say aye. (all Aye). Opposed (none). Let's pass. Thank you. You very much.

Mark Costa:

This is Mark Costa. I was not present at that meeting, so I think I should abstain unless somebody has a different opinion.

Jeff Frischmann:

You can abstain if you, you can abstain. Thank you. Mr. Costa, and you can abstain. That's fine. So for, we need a noted in the record, he was saying if you'll note it in the record that member council member Costa abstained.

Latonya Coleman:

Just as a note, I was not a part of that meeting as well. I, I did print the transcripts, but I was not a part of the meeting.

Jeff Frischmann:

Okay. Thank you. We'll make note of that.

Jeff Frischmann:

Okay. Any other comments? Okay. Moving along. Thank you. And we'll move to the next agenda item that we have a, and we have a few presenters from DETR staff to review the economic outlook and provide an unemployment insurance update. We will begin with Dave Schmidt the chief economist, who will provide us an economic overview and expectations for 2022. Afterwards, we will have Jason Gortari provide us a review of the trust fund and 2022 rate projections. Finally, we will have Joanne Wiley from ESDs unemployment insurance contribution section, providing us an explanation of the tax rate schedule. Dave, please feel free to get started whenever you're ready.

David Schmidt:

Uexcuse me. Thank you, Mr. Chair. Umy name is,uuDavid Schmidt. I am the chief of research and analysis bureau. UI'm gonna go ahead and wait for our presentation to get,ushared,uif you can,uzoom a little bit on the keyboard screen and they can just use the arrow,usorry about that. We're trying a different technology to share my slides and just wanna make sure we can get everything going,uobviously,uwith not having a council meeting in 2020, this is our first opportunity at the security council,uto talk about,uthe, the COVID recession,uthe impact that it's had on Nevada's economy,uthe impacts it's had,uon unemployment benefit payments,uand the projections for the future. Umy presentation is going to focus on the economic side of the question and the landscape in which we find ourself. Uand then Mr. Gortari will go through the, the,uspecifics of unemployment trust fund financing,uand the, the impacts for,unext year,ugoing,utwo slides forward. Uthis chart looks at the,ujob loss that we've seen since peak employment to each of the last three recessions. And you can see three very different stories here. Uin the 2000 recession, we had the,udot com stock market bubble bursts,uand then roughly halfway into that recession, we had the impacts of 09/11,uand what happened to our tourism based economy,ufollowing that recession. And you can see about halfway through that recession, that sharp dip,uis what happened at roughly 09/11 prior to that the, the.com burst had very little impact on Nevada's employment,uand even 09/11 when it happened, though it was,usharp. It was also fairly short lived where,uby year and a half, since our peak employment, we had recovered all of the jobs that we lost during that recession. Uthe 2007 recession,uactually went on even longer than the seven years that are included in this chart. I just cut it off because otherwise it becomes a very, very long chart. Uh,but you can see just how far,uwe fell in at recession as the housing market bubble bursts. Uand we lost two thirds of the state's construction jobs. And we had the, the after shots of that,uvery serious change flowing through the rest of our economy. It's interesting to note that where we stand today in the current,uCOVID recession that far into, at the housing recession, we're just now getting to the point where Lehman brothers fail and the financial market seized up. And the real,udepths of the great recession had started to hit. Uit, it's important to think that since our peak employment in roughly 2006, we went a long time before we hit that, that really big moment,uthat turned the great recession into what we think of as the great recession,ufor comparison,uwhen we get to our current recession,uthe, the COVID recession,uthis happened,uin a much different fashion than prior recessions. Typically you have that sort of build up of, u,onomic, u,rces, and there there's a little bit of a rebalancing that takes place. Uh,ereas the, the COVID recession, u,s caused by these, u,pid emergence of COVID 19 and the, u,licy response to that pandemic, u,th the closure of non-essential businesses in the state, u,d roughly a third of the workers in the state, u,ving their, their businesses close, u,e to that, u,blic health order. Uh,d we lost a very significant number of jobs said roughly a third of the jobs in the state, but then a couple of months later as that initial wave of closures started to be relaxed, u,ere was a very

rapid resumption of business where a large number of the jobs that were closed were allowed to start coming back. And then since that time we've been continuing to add jobs month over month. It's not like we flip a switch and every single job came back. There's still, uh oing pandemic. There's still some, uh nificant disruption in the state labor market. Uh, we are on that, uh t of rapid upward trend. That's really faster than the trend that you see in either the last two recessions in part, because this isn't a normal recession for the normal reason, there's, uh oing disruption, uh it's different. And the cause of each of the last three recessions is something that's a little bit different. Uh, s recession will probably go down in the history books, uh the shortest recession of all time. It officially lasted two months. Uh, that's important to note because the way that we measure a recession is from when things are at their best when things are at their worst. Uh, as soon as start building back up from where you were at the worst moment, that's when you start to be in that recovery phase. So even though we're still down, roughly a hundred thousand jobs officially, we are into the recovery period, uh the current session going to the next slide. Uh, can see the, uh impact of this disruption, how focused it is. Uh, will probably get tired of hearing me say this by the end of the day. Uh, the COVID recession is something, uh t's very focused in the leisure and hospitality industry. And in particular in Las Vegas, uh , the impacts of this recession, uh e not been equal. They have been, uh y, very focused on the Las Vegas area. And that disruption is a story that will pop up time. And again, uh s chart looks, uh the left at the jobs that we lost across, uh or industries in Nevada from February of 2020 to may of 2020, and then the blue lines at the right side of the chart show the jobs that we've gained from may of 2020 up through our most current data, which is August of 2021, the numbers down the left side of the chart tell you the net. Now the, the total difference between the jobs lost and the jobs that's gained in those periods. Obviously most of the numbers are red. We are still down a hundred thousand or so jobs in the state, uh where you really see the most disruption is in, in hospitality industry and in particular, uh ino hotels, uh accommodation industry, uh down, uh casino hotels I'll say are down about, uh 000 to 65,000 jobs, uh ce their peak employment level. And we're down about 98,000 jobs total in the state can see just from those two rough numbers, roughly two thirds of this impact is the casino hotel industry. Uh, re are some industries that are doing better, retail, trade, trade, transportation, and utilities, transportation, warehousing, and utilities, uh well as professional and technical services. And a couple of other industries have gained at this point more jobs than we lost. Uh, thse industries tend to be a little bit more focused on, uh sumer expenditures. Uh, of the stories of this recession has been, uh very large amount of fiscal stimulus that's been provided into the economy through, um anded unemployment benefits through tax credits, through expanded child, our, uh entives through the paycheck protection plans, small business loans, uh arge number of avenues to help pump money into the economy. And you can see in the things that help to support eCommerce in areas of retail trade, uh n in our areas of food services, these are some of the, uh ustries that have grown back the strongest, uh le we've been in recovery mode. Uh, go to the next slide. You can see a little bit more detail on some of the industries here, uh the level you, you can see here on the chart, you mostly see a whole lot of color and a whole lot of bars. On the left side, we have lots of Vegas on the right side. We have Reno/Sparks, uh state's two largest metropolitan areas. Uh, s is just the change from August of 2020 to August of 2021. Uh, chart for Las Vegas is particularly distorted, uh ause we have other support services growing in more than a hundred percent. Uh, can see that we are definitely into a rebound mode over the last 12 months, uh our total employment. Uh, in particular, if you look down near the bottom of the chart, you see some green bars, uh you can see, uh top set of green bars is a little bit further to the left than the bottom set of green bars. And those green bars are the leisure and hospitality industry. And the top part is the accommodation side, uh ommodation, um ino, hotels, as well as the arts entertainment, recreation and amusement gambling industries. And those industries are recovering, but they're not recovering nearly as fast as the bottom set of green bars, which is food services and drinking places, restaurants, and other eating places, whole service restaurants, and limited service restaurants. And so the food service industry, even within leisure and

hospitality is growing much faster than the casino hotel and accommodation side. In part, this makes sense. We're in the middle of a global pandemic, we still see a reduction in overall travel. We see fewer conventions and fewer, uh ge scale events bringing the number of visitors that we typically had to the Las Vegas area. And even though, uh s chart shows Las Vegas going past through over the last year, uhtt's because Las Vegas fell further and has more jobs to recover. And so, as they're recovering, they're recovering from a lower place, which makes their growth look a little bit bigger, uh shift from employment to unemployment. Uh, ths chart shows that the history of Nevada's unemployment rate, uh comparison to the other 50 states with the gray bar or the gray ribbon, uh resenting the highest rate and the lowest rate for, of unemployment in every other state in every month, going back to 1976 broadly, uh can see that prior to the great recession, Nevada tended to be kind of in the middle of experience of every other state, until we got to the, the great recession, we had never had, uh highest unemployment rate in the country. Uh, because of the particular impact of the housing industry collapse on Nevada, losing two thirds of our construction jobs, uh r the course of that recession, uh ada's unemployment shot up significantly above to where we see some states between Nevada and the second highest state. We shot up to the highest rate in country. Uh, an then as we recovered, uh the time we get to the middle of the, the 2010s, uh then into the right before the start of the great recession, you can see that, that Nevada's fallen back to that kinda of normal range, right about in the middle of all the experience of all of the other states. Uh, then COVID 19 happened. Uh, we, I got the opportunity to say lot and lots of time today. Nevada now has the, uh que honor of having had the highest unemployment rate of any state in any month, going back to the start of the consistent data here in 1976, and you can see just how far above anything else COVID 19 pushed us, uh our unemployment rate approached 30%, uh second highest rate that any state and any month has experienced was Michigan also in April of 2020 at about 22%. Uh, soNevada had much higher unemployment because of the particular impact COVID 19 has had on our economy. We might be tempted to look at this and say, well, clearly there's something up with Nevada's economy, highest unemployment last recession, highest unemployment this recession what's going on. But remember the story behind these recessions is two very different things. And one, you have the housing market and the very particular impact we had there, uh the current recession, you have COVID 19 and the response to the public health crisis, and, uh ticularly the impact on travel and tourism. These are two very different things that happen to have both hit in Nevada very hard. And I think that's an important story to say, uh iously that rate has come down. Uh, current rate stands at 7.7%, uh ch is still high, but it's not in the crazy high territory that we were at the peak of the COVID recession. Uh, bu it shows that we are still in the process of trying to recover, uh m the impact of that recession on Nevada's economy. If you go to the next slide, uh can see the experience, uh county. Uh, s chart just goes back to about 2005 or so, so that you can see it. Uh, the one thing I want to highlight is Clark county, which is at the top center of the chart. You can see just how much larger that spike in 2020 is compared to any other county in the state. Uh, ry the, the peak, uh mployment we get in any other county approaches about 20%, but in Clark county, it jumps up to nearly 35%. And so, again, COVID 19 is focus on the leisure hospitality industry in Las Vegas, uh some of the rural areas of the state, you can see that bump is almost negligible, like it jumps up, and then it falls back very quickly because unlike the last recession where Nye county and Lyon county had the highest unemployment because of the impact of the housing market, pushing a lot of, uh elopment into the areas outside of Las Vegas and Reno in this recession, that script has been flipped Nye county Lyon county are kind of in the middle of the pack, uh other counties in the state where Clark county in particular has had the, the biggest impact. And so instead, the outlying areas, it's now really the urban core that's been impacted in this current recession. Uh, ther way of looking at this is to look at, uh ada's unemployment rank, uh mployment rate ranking compared to other states, uh I mentioned in August, 2021, or at 7.7%, which is the highest in the country, uh pretty close to a number of other states. Uh, if you were to split Clark county, uh t slide, please, uh m the rest of the state Clark

county would have the highest unemployment of any state in the nation, uh y at 8.2%. Uh, reas the rest of the state would really fall in the middle of the path. Uh, s is not to say that Clark county has the highest unemployment anywhere in the country. Uh, s actually about number 20, uh ghly speaking, uh it is definitely one of the higher rates, uh the difference between Clark county and the rest of Nevada is really what I wanna highlight here. But if you're looking at rural Nevada, if you're looking even at Washoe county, you see something very different than what you see in Las Vegas, because of the particular focus that this recession and these events have had on the Las Vegas area, uh sort of take from this and turn a little bit toward where do we expect to go from here? Uh, of the topics of conversation over the last several months have been the impact of, uh eral extended unemployment benefits on job searching employment. Uh, umber of states chose to, uh some of the supplemental federal benefits that have been available in this recession early. Uh, there was a, a question of will that have an impact on, on people going back to work and finding jobs, uh ause the question of where are all of the jobs is something that we get pretty commonly. Uh, wht is really interesting to me in this chart is if you didn't have any colors and you just looked at where all the dots are, you probably wouldn't be able to say, here's the group of states that ended benefits early. And here's the group of states that did not end benefits early here, the group of states in red is those that ended benefits early and in blue are the states that did not end those benefits early. Uh, what I'm measuring is the change in, uh mployment claims and the regular unemployment program, because these $300 benefits were available to people in the regular unemployment program. Uh, ould expect to see that as the impact of ending those benefits early sort of bled into the public awareness of this program, uh t if there is a big impact of these $300 benefits in the number of people claiming benefits, there should be some distinction here, but that's not what we see instead, the clusters are really pretty similar. There are some states that have had bigger declines on one side, there are some states bigger declines on the other side. Uh, , uh we look at the next slide, one of the, the causes of this, I think is that the, the larger impacts are less, uh tes that ended benefits or not, but rather, uh broader economic region, uh re states are located. And so, uh particular earlier in the, uh y to, to August timeframe, uh you look at the trend by census region around the country, uh s was a, a stronger determinant of how much have unemployment claims come down where the, the south, uh oss the board had lower declines in unemployment, uh n some other areas of the country. Uh, overall, both red and blue, uh , you can see that the broad trend here has been a decline in unemployment benefits. That's pretty similar across all of the states, regardless of whether they ended benefits. So, uh takeaway from this, uh much as it's really interesting to talk about, um ing to identify trends in the unemployment insurance program, uh big takeaway for me is now that those benefits have ended for everybody, uh ghly a month ago, uh ly in September, uh of those programs went away. I don't that we're suddenly going to see a, a switch get flipped and a rapid change of our, the, the broad pace that we've seen in employment recovery, uh ause there wasn't a big impact for those things really, uh king ahead for the next three months, we probably shouldn't expect to see a, a big change in the story. Things will probably continue, uh h as they have, uh o looking at unemployment, uh , the impacts of the COVID recession, uh e been different, uh oss the different regions of the state and the different industries. Uh, ths data's a little bit older. Uh, s uses a five year average to look at unemployment rates of people in different demo graphic groups, uh county. Uh, the top chart shows the large counties in the state, uh rk, Washoe, Carson city, Lyon, and Elko counties. And the bottom chart shows the range of unemployment rates for these groups in every other, uh nty of the state. Uh, these are the groups that have the highest unemployment rates overall, as well as the total population, which is the, the far left, uh umn, which is a population 16 plus, uh can see that these are broadly true stories, uh t, that the youngest workers in the state, uh se age 16 to 24, uh black or African American American Indian Pacific Islander, or, and two or more racist groups, uh d to be the, uh ial and ethnic groups at the highest rates of unemployment, uh ales who are 20 to 64, who have children both zero to six, as well as six to 17, uh ividuals who are in households below the poverty level or people who have any disability, uh those

groups that tend to have consistently the highest rates of unemployment in the state, uh n when times are good, uh probably faced therefore harder, uh ger burdens, I should say, uh n we're in, uh t of the, the difficult environment in the middle of the recession, uh ing that last column and looking at it though, uh entire story is not just, are you unemployed or unemployed, but whether you're in the labor force at all, uh loyment and unemployment are typically measured only for people who are actively looking for work, because if someone is retired or chooses to be a stay at home parent, or is outside of the labor force for any reason, uh y may not want to work, or they may have given up looking for work. It can be hard to kinda tease out the differences between the two of those, uh looking at the trends for people who have, uh type of disability, uh top left chart here shows the population, uh h in Nevada and the us Nevada represented by solid law. The us by a dash line broadly, people who have no disability tend to be employed at a very high rate. Uh, re's a, roughly a 20% nonparticipation rate. Uh, then the unemployment rate is pretty low. And I should, uh hasize this is only for workers 18 to 64, uh focus on the working age population and not be larger share of people who tend to be retired, uh people who have a disability, uh t rate of nonparticipation tends to be much higher. And the rate of employment tends to be much lower. And so in this case, someone who's outside, who's not working, uh some groups, people in general are much more likely to be just not participating in the workforce at all. Uh, thre are a couple of areas where we have higher rates of employment. That's people who have a hearing difficulty or a vision difficulty. Uh, I would like to highlight that for Nevada in the middle of the chart, you can see the people of the, uh ual difficulty Nevada actually has a noticeably higher employment rate than the US average. You'll notice that you at the, the dash black line representing the rate of employment for the US as a whole, uh noticeably below the solid black line, which is the rate of employment for people with a visual, uh ability in Nevada, uh the point where we even have a higher rate of employment of people with disability, or a people who have a visual difficulty in Nevada than the rate of nonpartisan in the US. You're more likely to be out of the labor force in Nevada. You're more likely to be working if you're someone who has a visual difficulty, uh next slide, uh ws that same data, but only focused on Nevada and talking about the total number of individuals involved, um t to show that there are, uh entially tens of thousands of people, uh h disabilities working, uh Nevada across these different categories, including people with a self care difficulty, or an independent living, living difficulty, uh ng through all of this out here, uh , uh ober is, uh ional disability employment awareness month. Uh, so I like to bring a little of attention to this, uh , because if the question is where are all of the jobs, where can I find workers? I like to highlight that, uh department of employment training and rehabilitation has a number of programs to help people with disabilities, uh d competitive employment in the state. Uh, an if employers are struggling to find workers, there are populations of workers out there, uh y eager to get a job. And so, uh le I have my moment on the soapbox, there's some great programs out there to help people find work, uh if we're looking for workers, uh re's the opportunity for some gains to be had there. Uh, ing ahead, a couple of slides, uh king ahead, uh ittle bit more, where do we expect to go? Uh, do short term employment projections in our office on a, uh ecurrent basis. Uh, these projections are made earlier this year and look at the change of the employment from 2020 to 2022, sort of by definition, uh middle of 2020, the us, the, the middle of the COVID recession. So all of our projections showing credible employment growth, uh most of that employment growth was the jobs that we had lost from 2019 to 2022. And so the next six slides, which I'll go through pretty quick show by industry what our projected employment gains are from 2020 to 2022, uh t our job losses were from 2018 to 2020, and then the position of the numbers, uh w you the net again, difference between those two sets of numbers. Uh, king at agricultural agriculture, mining utilities and construction industries, uh lly where we expect to see the most gains is in the specialty trade contractors side, uh king at manufacturing industries, most of these numbers, uh up adding pretty close to zero, uh h some larger changes and some large, uh ller changes, uh n at the bottom of the chart. You can see a couple of industries where we lost jobs from 19 to 20 and expected to lose a few more jobs from 20 to 2022. Uh, t

because the trend in those industries had been flat to a liquid, uh ative. When last, we looked at it, looking at trade transportation and warehousing. Uh, an, you can see most of these net pretty close to zero, uh,w the, uh,ptive exception of warehousing and storage, where as we're moving more into the sort of e-commerce world that, that we have, that's probably been accelerated a bit by the, uh,CD 19 pandemic. Uh, wained jobs from 19 to 20 and expected to gain still more jobs from 20 to 22 with a net positive 10,309 jobs, uh,ling at professional services, again, most of the gains and declines that we've seen, uh,npretty close to zero, even the 4,387 net loss in administrative support services that we're expecting, uh,ihe net of, uh,rhly 20,000 jobs up and 20,000 jobs down. And so on a, a percentage basis, that's still pretty close to zero, uh,fsocial services industries we're broadly expecting growth, particularly in education, hospitals, and healthcare services, because that, uh,oously our, those are industry is that, uh,wxpect to see gains in, in part due to COVID 19 and the ongoing, uh,dgraphic trends in the state, but the really big number in all these projections is at the very end, uh,we we get to the leisure hospitality industry and sort of the personal services industries. And you can see that accommodation, uh,uwe we're expecting to see a lot of job to be added from 2020 to 2022, it's far short of the number of jobs that we lost from 2019 to 20. Uh, an, looking at the casino hotel industry, uh,t is an industry where we are still down, uh,600 or so jobs from our peak employment levels prior to the recession. Uh, ait's not an area where we're expecting very robust growth. Uh, aso I wanna take closer look at that. So the, the next chart shows you Las Vegas and Reno for the casino hotel industry, and the trend going back all the way to 1990. And you can see here, the shaded areas kinda show you how far down we are from peak employment, uh,o time. And you can see in Las Vegas, our peak employment in this industry is something that we hit before the onset of the great recession back in about 2006, uh,fowing the great recession, we lost the number of jobs, and then it pretty much stayed flat since the, we have a little bit of a game, but the long term trend in that industry was we went through the recession, jobs went away and they did not come back. Uh, tha's not to say we expect no jobs to come back in the casino, hotel industry in this recession. Uh, bthat, especially as we've gone through about a year and a half and probably have some time left to go, uh,s of the jobs, uh,t go away are probably not likely to come back of that 36,000 jobs. A lot of that may be permanent displacement in these industries while jobs will be recovering. They probably won't recover to where they were in part, because this looks like a very mature industry in Reno. Uh, wit peak complain roughly the time the Silver Legacy opened, uh,b in the mid nine. Uh, ias roughly flat until the 2001 recession and then jobs went away and it was a downward trend from that recession to the great recession where still more jobs went away. And then it remained roughly flat since then, uh,tcasino hotel industry, uh,dn't have rapid growth. It's been kind of a mature industry for a while where it's, uh,rhly decides that it's likely to grow to with, uh,nproperties opening probably rebalancing the existing labor pool, rather than adding a lot more jobs the way that it did, uh,b in the 1990s. In contrast, if you look at the food services industry, you can see that, uh,t has been much more rapid to recover and grow, uh,tugh recessions, even the great recession, uh,we our current employment levels are actually very close, both in Las Vegas and Reno, where they were prior to the recession. Uh, yll note, may note, if you flip back a couple sides, we were projecting about 15,000 jobs down in the food services, services industry. Uh, i were making those projections today, I will would guess that we're probably, uh,t's probably too pessimistic because we're roughly 99% recovered in this industry overall right now. Um, in art, because while since there's been so much, uh,fal stimulus out there hitting people's pocketbooks, those things that people can go out and spend their money on like retail trade e-commerce and food services, uh,h been those industries that are re recovering more quickly. There's been a lot of money flowing out into people's pockets, which then can flow more directly to these industries where the casino hotel industry to support the levels of employment that we have needs, those conventions, those large events, uh,athat activity to be happening, to help, uh,sain the levels of employment that we have in those industries. Uh, sor my, my sort of final points, uh,we are all of the jobs? Uh, i a complicated question. It's not all extended unemployment benefits, but rather,

uh,wave yet to recover all of the jobs that we had in the childcare industry, um,ae've had in the aging workforce and any pandemic that specifically affected, uh,or individuals, we may have may be seeing some rebalancing in who chooses to participate in the labor force. Uh, doessomeone want to, who help might be at risk, want to go out and work in the service sector job, where they might be at exposed to a lot of people and put on kind of the front lines of some of the, uh, hultural conflicts that we've seen, uh, ssociety over the last year and a half, or might they say, you know what, I don't wanna be working. I don't need the money that much. Uh, I nk it's a complicated question that unfortunately we don't have great data to the answer until we're able to get, uh, tle bit more, a full landscape of who are all of the people who are working and kind of look back at that data. Uh, sofortunately, while I'd love to answer the question in four right now, it'll probably take the, uh, hetter part of the year to get that data. Uh, we'v definitely seen, uh, of money go out of the economy with the end of the, uh, xded unemployment benefit programs, where we were paying out, uh, sdepartment to high million a week now, 10 million a week. Uh, soat's 90 million a week. That's not flowing out to, uh, oholds in the state, uh, olp support some of that economic activity. And so we, we could see a bit of a cool down coming out from that. Uh, we still have ongoing ways of COVID, uh, hthe delta variant, uh, a definitely made some news, uh, nt's still having impacts on our economy. Uh, ifat should start to impact any large events, uh, hwe could definitely see more slow down in some of the projected growth that we've seen. Uh, we have a large, uh, ur of job openings nationwide. Uh, late this month, the bureau of labor six will start to publish job openings data on a monthly basis for all of the states. Uh, an expect that Nevada will largely reflect that national trend, um, hthere's lots of openings and difficulties finding work, uh, sially where, if you're not in Las Vegas, unemployment is down below 5% on average is largely like the competitive environment we saw back in 2019, where it's hard to find workers, uh, nrt because there's a lot of competition for the workers that are out there, uh, h there are challenges finding workers, uh, h's that much more opportunity for those employers who, uh, ofor workers in non-traditional ways, whether it's, uh, lnative work arrangements, uh, ong for opportunities to work with people with disabilities or other disadvantaged populations. Uh, myy hope would be that, uh, hthe tight job market would help to drive, uh, dional, uh, ntment in looking at, uh, oof those groups that do face some higher barriers, unemployment, uh, ngain, the, the COVID 19 recession. It's hard to say enough just how much this has been incredibly focused on the Las Vegas area. Uh, ifu think about Clark county as a whole, uh, vwithin Clark county, north Las Vegas and Vegas have the highest unemployment rates followed by Henderson and Boulder city followed by Mesquite, the further you away you are from the core of Las Vegas and that, that highly urbanized area, the lower and lower the unemployment rate drops to the point where if you're looking at Boulder city or Mesquite, you're looking at rates that are much closer to you, what you would see in, uh, ae county or other areas of the state and not like what you see in Las Vegas and north Las Vegas, it's incredibly focused, uh, e the, the difficulty and the pain for workers, uh, sally, really focused in, in those areas as well. And having ranged, uh, lver the place and grown out, uh, oully about a million numbers. Uh, ifere are any questions for members of the council, I'm happy to take those now, uh, twise, um, introduce, uh, a Gortari to talk about the, uh, nloyment trust fund and some of those numbers for you.

Mark Costa:

This is Mark Costa. I have a general question. This is kind of hard to predict, but with the continuing funding problems of the federal government and the possibility of a debt ceiling not being raised and possible default on our obligations, that's very hard to predict. I understand. Is there any provision for that for allowing for that or, or any predictions what might happen if that occurs?

David Schmidt:

David Schmid again for the record obviously there, there has been some tense negotiating over the, the federal budget. Typically those, those sorts of impacts don't have any really short term large net challenges. It can be very difficult to administratively to deal with of the process of shutting down and reopening in the broader economy. Unless we get to a point where there is a very long shutdown, which starts to affect things like the provision of unemployment insurance or social security, or the large scale programs out there, you tend to have a little bit more limited in impact in areas that have a very high concentration of federal dollars in the economy. So a place like Guam where federal spending is the massive part of their budget. It, I, I would not want to be there. It would be very challenging for a state or the nation as a whole. That's a little bit more muted just because the federal government spending directly doesn't represent a large part of our economy unless it gets to the point where it's starting to affect those people who rely upon food stamps, social security or the administration, the federal programs that just start to shut down. And, and those are the, the impacts that would start to bleed out. But those tend to take a little bit longer. And I, I think that the broad picture, the, the direct impacts there would have the most lacking impacts once programs start up, most of those benefits are paid out retroactively. And so the, the big picture economic impact isn't ne nearly so large as the, the much more significant impacts to the individuals that are directly affected by it. If that, if that helps to answer your question.

Mark Costa:

Okay. Okay. Thank you.

Latonya Coleman:

One question as well about the population just in general, how has the population been impacted as far as have, have, have we seen growth? Have we seen a large number of people relocate from the states for those jobs that you, you mentioned? What have you noticed in that area?

David Schmidt:

Thank you. David Schmid again for the record. Broadly speaking the, the long history of Nevada has been fastest population growth in the nation decade after decade after decade in the two thousands and the 2010s. I think some of those numbers have slowed. I'm not sure if the official population projections or the future are out yet. But I believe Nevada is still ranked fairly high not number one with a bullet but on the leading edge of states, I think we have a slightly population. We do tend to get I think more immigration as well as more births and natural population growth than some other areas of the country. And I, we are supported by net migration out particularly from California having such a large state so close even if they're not rapidly shrinking the number of people coming to Nevada relatively the size of the population in Nevada is still really significant. And so Idaho, Nevada, Oregon, Utah, all of the, these states in the west tend to see a lot of that similar population grow there. And so while the nation as a whole is trending flatter, I believe Nevada is trending flatter as well. I think we're, we're in the 2% range, not the 6% range like we were I think we're still growing, just not quite as fast as we

Jeff Frischmann:

Okay. If you wanna move to the next presentation. Okay.

Jason Gortari:

Good morning, Mr. Chairman and members of the council for the record. My name is Jason Gortari and I'm an economist at the research and analysis bureau within DETR. Today I'll be covering the trust fund

review and 2022 rate projections. Next slide, please. This slide takes a look at the brief agenda of what we'll be covering today. First we're gonna talk about the national perspective and outlook then jump into Nevada unemployment insurance trends, and then follow with the discussion about the Nevada UI trust fund and finish with the 2022 rate discussion. Next slide please. Okay. Jumping into the national perspective this chart shows the expansions and contractions throughout us history, just prior to the pandemic. We had our, the longest expansion on record of 128 months. This was significantly larger than the us average of 59 weeks. Um when the economy shut down we had two months of contraction followed by 16 months of expansion leading us into August, 2021. Next slide, please. With all the economic volatility recently, it's reflected in the unemployment rate. This chart is the unemployment rate in the us dating back to 1940, just prior to the pandemic. We had had a rate that we hadn't seen since the 1960 at three and a half percent, which was near all time low. This was brought on by 113 consecutive months of employment growth. Then at the beginning of 2020, the pandemic hit and the economy shut down and we shot up to an all time high of 14, 8% from that period as the economy slowly reopened and the vaccination became widely available. We dropped back down to a 5.2% rate as of August, 2021 and are continuing to prove, but a little bit more slow and gradually next slide, please, not shockingly the UI claims for the US looks similar to the unemployment rate chart. Here it's a similar type of story. We were near all time lows and at levels that we hadn't seen since the 1960s at 220,000, just prior to the pandemic once the economy shut down, we jumped up over 6 million claims. And then from that point, as the economy reopened vaccine became available we drop back down to the 300,000 range, so slightly elevated from P pre pandemic levels. And that rating is as of September 25th, 2021. Next slide, please just chart the amount borrowed by each state as of the first of this year, as you can see Nevada borrowed 62 million. But we made it nine months during the pandemic before having to borrow. So come December, 2020 we had to borrow, but during that nine months prior we relied on our trust fund balance throughout the course of the pandemic, we ended up borrowing 332 million, which sounds like a lot of money. But comparatively speaking it's more moderate during the great recession. We borrowed 850 million more than double of what we borrowed for this. So I think that's a positive credit credit to the council and the work that they did in prior years to build up that trust fund to a point where we came more prepared and needed to borrow less in a crazy recession like this one next slide, please. This chart is moving into Nevada now and the UI trends here. Currently over the last 30 months, we've been averaging 10,000 claims per month, and this is initial claims. These levels are on par with pre pandemic levels, which were a little bit under 10,000 similar story Nevada as the nation, as a whole near all time lows prior, prior to the pandemic the economy shuts down, we shoot up to an all time high of 220,000 initial claimants. As the economy slowly reopened and the vaccine becomes available and claimants are starting to find work we've dropped down to that 10,000 range and have kind of level off, but are continuing to improve slowly, but gradually next slide please. Here's our continued claims several our story near all time blows in the 20,000 range prior to pandemic economy shuts down, we shoot up to 369,000, which was an all time high. And as things have reopened, we're now at 35 or 38,000 as of the report weeks, September 11th this level's slightly elevated from the pre pandemic lows, but it is gradually improving kind of leveled off. The report week for September 25th, I believe is 35,000 continued claimants. So we, we are continuing to improve and claimants are continuing to find work. Next slide. This chart shows the average duration of benefits and weeks in Nevada. Uthe, the dip that you see in a, around April, 2020 is noteworthy because there were so many claimants going through the system at that time, it dropped our 12 month average,uto an all time low below 10 weeks. Usince that period, the data,uadjusted and shot us up to an all time high of 25 weeks,ufrom that period, we've dropped down to 18 weeks, which is on par with the great recession,ubut are continuing to improve. Uwhat's normal for this measure is in the range of 13.1 to 13.8 weeks. Uso we have some work to do, but we are improving next slide, please. This chart shows Nevada's,uexhaustion rate,ufor claimants. Uthe exhaustion rate is the share of who have exhausted their benefits prior to finding employment.

Upre pandemic lows were around 33%. Uthe pandemic hit, we shut up to a hundred percent not shockingly,uwhen the economy was shut down,ufrom that period, as things have reopened, we've drop down to 44%. And,uduring this year we've, we've covered around that range,ugradually,uimproving by a 10th of a percent,ueach month. Next slide please. Uthis chart, it shows the continued claims,uin 2020 to current for all the programs. So the Nevada UI program, and then the,ufederal benefit programs. I really like this chart because it really tells the story of the pandemic. As you can see in early 2020,uwe're here are all time lows and continued claims. The pandemic hits the economy shuts down. We jump up to an all time high of 369,000 continued claims. Uthe casinos and,ua few other non-essential businesses like movie theaters and golf courses are allowed to reopen at the beginning of the beginning of June, 2020. And you can see it dips down about a hundred thousand and then,umoving on from that period,uthe economy slowly reopens and restrictions are eased. Uvaccine gets announced, and we gradually decline and hover around the 200,000 claimant period for total claims. Uin 2021,uthe economy fully reopens in June of 2021. And from that period on the trend declines and gradually declines,uto our current level of 38,000 and claimants,usome of the dips at the end there are,ujust due to the,uufraud screening program that was implemented by DETR,ucalled ID me and that reduced claimants by about 10%. But aside from that,upeople we're actually going back to work and finding employment and our numbers,ureflect that in this chart. Next slide, please. This chart shows the total amount compensated and the regular UI program by year. Uas you can see, 2020 was by far,uthe most compensated year,utotaling 2.7 billion in UI benefits. Uthis year we're at about 600 million in compensation benefit compensation. Uif you took this year, it would,ualmost succeed all three years during the great recession. So it really just,uportrays how crazy things were and how much money was needed to,ufund the benefits of this,uthis procession. Next slide, please. This chart shows,uNevada's UI contributions and benefit payments. The,ublue bars are the contributions and the red bars are the benefit payments when blue exceeds red, the trust fund grows and vice versa. When red exceeds blue, the trust fund depletes,ufrom 14 consecutive quarters, we grew the trust fund up until the pandemic hit it. Uh,once the pandemic hit benefits far exceeded,ucontributions. But if you notice at the last,ubar at the end there for 2021 quarter, two things are starting to,ueven out and,ulooking ahead to quarter three and 2021,uwe almost have a full quarters worth of data. So we know that contributions will exceed,ubenefits. So we will grow the trust finding quarter three, next slide, please. This chart takes a look at the,utrust fund balance over the past five years in Nevada, and also the last six months,uprior to the pandemic, through our trust fund balance to over 2 billion by February, 2020,uthat balance held us over for nine months, as you can see taking us down to the red,ujust before 2021. And then from that period,uwe, we borrowed and at the very end there, you can see the, the slight bump, which is the result of the American rescue plan funds putting us at $180 million positive balance rather than $180 million negative balance. It's kind of interesting if you look at the last six months chart,uit's somewhat similar to the continued claims chart as time has gone on this year, and things have fully reopened. Uclaimants are continuing to go back to work and that's reflected in this chart. As you can see that benefit payments are getting less and less and less as the months go on this year, and then at the area. And there you see the,upositive balance from the American rescue funds plans provided on September 1st of this year. Next slide please. Uone big benefit of not carrying,uloans, federal loans into 2022 is provided in this slide. Utotal value added is estimated about 43 million,ucame to that figure by taking the interest earned on our positive trust fund balance of about 7 million and then the interest avoided,upaying on the, the loans that we would've had without the American rescue funds of another 7 million. Um,if you look below that there would, would've been a assumed FUTA of cost,uper employee. This is essentially an extra tax,uput on the burden of the employers of about $21 per employee to help,upay off the federal loans for the UI trust fund. Uso if you take that number of times, the number of covered employment, you get 28 million altogether. Uit sends 43 million while in UI terms. That doesn't sound like a lot. Uit's not nothing. U43 million is enough to cover,usix weeks worth

of if payments for the state. It also would take six years to accrue that in interest earnings. Ufurthermore, it's the difference in contributions received at a 1.65 rate and a 1.75 rate. Uso overall having those loans paid off in a positive, moving into 2022,uwas a really good thing for us. Next slide. Uthis is just a chart of the,uhistorical interest rates on the trust fund dating back to 2000, as you can see,uthey were pretty high at 6% and then moving forward,uup until 2012, they've been pretty consistently in the two, 2.5 to 2.7 range up until 2021 currently. Uthe rates are 2.78 and should stay around that range for the next couple of years. Next slide please.

Speaker 8:

This is our 2022 historical solvency review. So basically the last five years of the trust fund cash flows, as well as some of the solvency calculations. We'll talk more about solvency measures later in this, but that's basically what's in the blue box which is the NRS 612 solvency calculation. You get that by taking average weekly payments times highest week's duration times high risk ratio divided by covered employment. In the gray box, we have the trust fund cash flow lows. And as you can see in 2017, up until the start of 2021, we had over a billion dollars in the trust fund. And then we needed to use those funds in 2020 and 2021. And the last box, which is the white box. We have the average tax rate and that's tax rate over the last few years back in 2016, it was at 1.95, and it has slowly been taken down a bit to 1 6, 1 0.65, which is it's current rate today. Next slide, please. Uh,this chart is,uNevada's benefit cost rate by year. Uthe benefit cost rate is the,upercent of benefits paid. Uas a percent of total wages prior to the pandemic, we were a little below half a percent,uwhich was near and all the time low,uwhen the pandemic hit, we shot up to an all time high of 4% and have since dropped to three and a half percent. Uin August of 21, this chart,ushows the frequency and density of,uNevada's UI tax rate throughout history on taxable wages dating back to 1938. Ufrequency is represented by the blue bars, but we're gonna focus more closely on the density, as you can see on the density,ubell curve, which is the red line,uat the top of the range. Uwe've been in the 1.6 to 2.0,urange for the majority of our history. That's the rate that it's been most dense. Unext slide, please. This is just a chart of,uNevada's UI tax rate ranking on total wages in comparison to our national counterparts,uNevada ranks third out of all states and DC, and is about three times higher than the us average of 0.2, 3%. Uwe're at 0.7, 9%. So we're definitely in the,utop tier and a little bit more aggressive than most states on UI taxes. Next slide please. And this chart, we have the estimated trust fund balance,uthrough 2022 and the rest of this year added assumed 1.65% tax rate, current rate that it is now. Uas you can see, we threw the trust fund for 14 consecutive quarters on the bottom chart. Uthe pandemic hit benefits far out, exceeded,ucontributions. And then,uwe're projecting through the end of this year and next year that contributions we'll exceed benefits and grow the trust fund. Um,the chart at the top to over 500 million, if we kept the same rate as we have currently,uthis chart is just a forecast of benefits payments over the next few years. Overall, the payments are expected to remain steady and,uslightly and gradually decline into 24. Uthe shaded red is just one standard deviation above and below the forecast. Uour estimate is around 70 million per quarter slide. Uthis chart shows a couple different rates,uover a longer extended period of time. We have a low rate of the current rate. Now, 1.6, 5%, a middle rate of 1.8, 5%, and then a high rate of 2.05%. Uthe dark blue dash line is the average high cost multiple of of 2.0, which basically means two years of recession worth of benefits. And then the,uaverage high cost multiple of one,uwhich is one year's worth of recessions worth of benefits in the lighter blue dash line. Under all scenarios, we reach average high costs, multiple of one,uby the first quarter of 2024. Next slide please. Uthis is just a variety of rates,uspread over a longer period of time and, and the,udemonstration of how much they spread out as, and goes on. Uwe have the current rate and red at 1.65, and then the high rate of 2.20,uat which would be the top line,uthrough 2025,u1.65 rate would,uput it at an estimated balance of 3.5 billion,uassuming there isn't any recessions. And then the high rate would put us at,ua

little over 5 billion,uby 2025,uassuming that there were no recessions. So with all that in mind, we have our potential 2022 tax rates. Uthey're estimated solvency measures and cash flows within the trust fund,uprovided in this chart at the bottom and the white box. You can see the average tax rates,uranging from the current rate of 1.65,uto a higher rate of 2.05,uback up at the top, the solvency target,uin the blue box,ufor the NRS calculation,uwould, would be 4.8 billion. Uwe to the use of this measure because it only looks back 10 years and,uuses just the high cost year in that last, last 10 years, which would be 2020,uin the gray box below you have the cash flows. Uso the beginning balance, and then the ending balance of the trust fund,uunder the different tax rates,uthose ending balances range from 530 million to the high of 636 million under the 2.05% rate then down at the bottom is the federal average high cost multiple measure. Um,we tend to lean on this measure a little bit more because it takes an average of the three highs cost years. So this calculation,uis derived by taking the trust fund balance divided by,utotal wages and then divided by the average of the three high cost years. So this would incorporate 2009, 2010 and 2020. It also looks back a 20 years instead of 10. Uthe federal recommended minimum for this measure is one. So one year's worth of benefits. Uwe we're currently,uprojecting about four months worth of benefits under all tax rates scenarios,uranging from 0.29 to 0.35. Uthese numbers are likely to get bumped up a little bit,uas the data normalizes,uas far as,utaxable wages, average,uwages increase or decreasing due to,umore low wage workers entering the workforce. Uthis was a sector recession. And with that being said,ua lot of the low wage workers,uwere in the non-essential businesses and,uwere laid off or the, the company closed and removed from the workforce and,ueither removed completely or, or claim benefits. Unext slide please. And for the final slide, this is just the long term effect on all the different rates. Uyou can see it's drawn out to 2025 and what the average high high us multiple would look like. And then our,ufive different tax rates,uprovided under all,utax rates. We reach a average high cost multiple by 2025. And,uby 2024, 185 and up,uwould achieve a high cost multiple of over one. So one year's worth of recession,uworthy benefits. And with that, that concludes my presentation. And if there are any questions, I'd be happy to answer them.

Mark Costa:

All right. This is mark at Costa had a question that you showed the projections for both the benefit payments and for the income into the trust fund. How is that calculated? Do you have like a regression formula that you use or, or how do you determine that?

Jason Gortari:

So benefit payments for the, the

Mark Costa:

Like you showed the, the graph? I think it was towards the end of the presentation you showed, like over the next four years after this one. I think it was before this, it was the bar chart that showed a different before that one, it might have been like about 22 or so before this one, and I think it was the one before that one. Yeah, there we go. And like those on the extreme right? How do we project those?

Jason Gortari:

Those are just per, alright, Jason Gortari for the record, those are projected taking the current benefit payments and discounting them based on how many continued claimants we think we'll have moving forward. And then we carry it out six quarters from there based on historical averages and,uwhat, what the claimant trends are,ushowing us.

Mark Costa:

Okay. So that's like an analysis looking at the previous data and looking at the trends, you know, if I understand stand correctly, you know, if you, how it looks like they may be going up or down for the benefits and the contributions.

Jason Gortari:

That is correct. Okay.

Mark Costa:

Okay. Thank you.

Jeff Frischmann:

Jeff Frischmann. Um,I'd like to ask a couple questions here is you had mentioned that there was 332 million borrowed at this point. Is that, did I understand that correctly?

Jason Gortari:

Yeah.

Jeff Frischmann:

Yes. Okay. And please identify yourself for the record

Jason Gortari:

For the Jason Gortari. Yes, that is correct.

Jeff Frischmann:

Okay. Thank you, Jason. And there was an influx of money from the American rescue funds of 228 million that as I understand, was used to offset part that borrowing, is that correct?

Jason Gortari:

For the record, Jason Gortari you received 330, 2 million from the American rescue funds and all that money was put in the trust fund to put a set up positive balance moving into 2022 and to cover our ends through the out, hopefully cover our ends through the end of the year.

Jeff Frischmann:

Okay. So essentially the borrowing was paid by those federal funds

Jason Gortari:

For the record. Jason Gortari all the borrowing was paid by the federal funds.

Jeff Frischmann:

This is different from the last recession where the borrowing occurred and that money was bonded and the state, or the employer community had to pay back that, that money that was borrowed. So this is so it's very different from the last session that the employers are not on the hook this time for those funds. Is that correct

Jason Gortari:

For the record, Jason Gortari. That is correct

Jeff Frischmann:

Correct. Okay. Just so I'm understanding this, and if I'm understanding it correctly, what you presented here was that the rate was at one point in the percent along with a bond payment that the employers paid after the last recession, is that correct?

Jason Gortari:

For the record, Jason Gortari yep. That's correct.

Jeff Frischmann:

Okay. Thank you. Just so that I'm very clear on what it looked like last recession versus this session and what burden were placed on the employers. And it seems that the burden that was placed was much higher after the last recession than what's being proposed here between the 2.2, I believe was a high 2.0 to whatever. And the 1.65 is that accurate? Am I understanding that correctly? Yeah. And this is David Schmidt for the record and I, I just to, to help answer your question, one of the, the, the tables that Mr. Gortari provided shows, if you look at the historical solvency review table, which what page on that page?

David Frischmann:

Page 17. Okay. So if you look at page 17 in the white box at the bottom of the chart you can see the the total impact of all of the rates that employers were paying. Thank you. This is toward the tail end of the recovery. However, the, the broad policy that was in place while those bond assessments were in place was to add or to keep the overall rates stable at that roughly two point at six, 2%. And so from 2013 or 2014, when we first started paying for those bonds until they were repaid in 2017, the total rate that employers were facing between the bond and the UI rate was about 2.6% overall.

Jeff Frischmann:

Okay. Th thank you very much. Mr. Schmidt, I, that was probably explained, and it went a little over my head at the moment when that was being explained, but this outlines it very clearly. So thank you very much Other questions from the council members, please. Okay. With that, I think we can move to the final presentation from Ms. Wiley from UI contributions, please.

Jo Anne Wiley:

Good morning, Mr. Chairman members of the council. My name is Joanne Wiley, and I serve as the deputy tax chief for the contributions for the security division. This meeting and regulation workshop is being held for the council members to receive that information so they can recommend a tax rate schedule to the administrator for the tax rate for calendar year 2022. The administrator sets the tax rate each year by adopting a regulation per NRS, 612.550. In addition, pursuant to 612.310 is the role of the employment security council to recommend to the ESD administrator, a change in the contribution rate, whenever it becomes necessary to protect the solvency of the UI trust fund. Number three. This slide outline outlines the meeting schedule for setting the 2022 tax rate. After today's today's meeting, the small business workshop is scheduled for up to over 22nd. And the public hearing to adopt the regulation is scheduled for December 8th, 2021, turning to slide four is a little bit of history. Employers

are required to pay a federal unemployment tax or a FUTA of 6% on the first $7,000 of an employee's wages, unless the employer pays payroll taxes under estate program, such as ours, which reduces their federal tax to 0.6%. The 5.4 reduction in the tax rate lowers the amount due for the federal payroll taxes per employee from $420 down to $42 per person. The UI contribution section validates those federal tax payments with the IRS through yearly certification reports, the IRS for all employers, the state unemployment tax or SUTA collected from Nevada employers is deposited into the UI trust fund. Monies from the trust fund are used to pay unemployment benefits to qualified workers. PSDA is paid by employers and cannot be deducted from an employer's wages for NRS 612.700 SUTA rates vary. According to an employer's experience with unemployment, the more you have unemployment payments charged to you, the higher your rate tends to be at the core of the unemployment insurance tax program is a rating system known as experience rating to be in conformity with federal law. All states are required to have some method of experience rating that has been approved by the us secretary of labor. The Nevada rating system has two constants. The rate for all new employers is 2.9% of their taxable wages. And number two, the annual taxable wage base or the taxable limit is an annual figure calculated by the research and analysis division and is defined by NRS 612.506 and becomes 62 and two thirds percent of the average annual wages to all Nevada workers for the prior year. An employer pays unemployment insurance taxes on an individual's individual employees wages up to that tax limit during a calendar year on slide seven, the UI taxable wage limit in 2021 has been $33,400 effective January 1st, 2022. The taxable wage limit will be increasing to $36,600. Employee employers pay at the new employer rate of 2.95% for approximately three and a half to four years because they need three calendar years of wages to be eligible for an experienced rate rating once eligible for the experience rating, the employer's rate can range from a low of 0.2, 5% to the maximum 5.4%. And that will depend on the individual employers previous experience with unemployment. There are 18 different tax rate classifications as outlined in 6 12, 5 50, and the a annual tax rate schedule adopted through the regulatory process applies only to experience rated employers. The standard rate established by federal law is 5.4% rates lower than 5.4 are assigned under the experience rating system. And the intent of an experience rating system is to assign those individual tax rates based on the employer's potential risk to the trust fund employers with higher employer turnover are at a greater risk to the fund and would pay higher rates than those with a lower employee turnover. Okay. On slide seven in 2021 experience rated employers annual cost for employee for unemployment insurance ranged from a high $1,803 and 60 cents. That's at the 5.4 rate to a low of $83 and 50 cents per employee. At the 0.25 rate in calendar 2022, the maximum annual cost per employer will increase slightly to from a, from a high of $1,976 at the 5.4 rate to the low of 91 point 50 cents per employee due to the, at the 0.25 rate, this is due to the increase in the average annual wages and the average annual taxable wage limit. That's, what's gonna cause that increase on slide eight to measure an employees, employers experience with unemployment Nevada, along with the majority of the states uses the reserve ratio experience rating system. Under this system, the division keeps separate records for each employer to calculate their reserve ratio each year in the form they'll used to calculate each employer's reserve ratio. We add all contributions paid for the lifetime of that employer's account with ES D. Then we subtract all benefits paid out for the entire time that that account has been active with ES D. This creates what we call the reserve balance. We take the reserve balance. We divide that number by the average taxable payroll for the last three years. That's why we have that three years for being a new employer at 2.95, until you have three completed calendar years, we can't calculate the experience rating for you. This calculation establishes the total reserve ratio. And by this method we place large and small employers own equal footing. We don't have to look at industry types. We don't have to look at big casinos and little casinos. Everybody's on an equal footing. For example, if an employer paid $60,000 in contributions and had $20,000 in benefit charges and their average taxable payroll of $400,000, they would have a reserve ratio of a positive 10% cause you would subtract the 20,000 from the 40,000 and

divide by 400,000. The higher the reserve ratio, the lower the tax rate will be for an employer. If an employer has received more benefit charges than they have paid in taxes, the employer's reserve ratio will be negative and the employer will generally have a higher tax rate slide nine each employer's reserve ratio is applied to an annual tax rate schedule to determine which rate classification will apply for the calendar year before setting the annual tax rate schedule for the next calendar year NRS 612.550 requires the administrator to determine the solvency of the trust fund. As of September 30th, projections are then developed for the next calendar year. Those projections include estimates of the number of active employers, the amount of taxable payroll, the amount of UI benefits that will be paid and an estimated revenue that the trust fund will need to meet those benefit payouts and maintain solvency. Using the employer reserve ratio, several possible schedules are produced with a variety of average tax rates and revenue projection. Now let's look at the 2022 estimated tax rate schedules handout. That would be this what we in contributions call a blue book in the estimated tax rate schedule handout that we have provided the council. There are three tax rates to consider this information along with any public comment will assist you in given the administrator a recommendation for the 2022 average tax rate, the detailed tax rate schedules display the 18 classes of tax rates range of reserve ratios assigned to each rate, the estimated number and percentage of employers in each tax category. The estimated taxable wages with percentages and the projected total revenue for the trust fund, turning to slide 10 of this presentation. As an example, we will look at the average rate of 1.65%, which is the existing tax rate in this schedule, as well as others in your handout. The 18 tax rates displayed down the fourth column of the chart. These are the 18 classifications in statute, and they do not change these rate classes range from 0.25 to 5.4%. Furthermore, the statute requires the administrator to design a range of reserve ratios to be assigned to each tax classification for the year. And the increment between those reserve ratios must be consistent in this tax rate scheduled for 1.65, the reserve ratios range from a positive 15.95 to a negative 9.65 with increments of 1.6, between each reserve ratio. In this example, if an employer's reserve ratio is a positive 15.95 or better, the employer receives the lowest rate of 0.25% an employer with a reserve ratio of less than negative 9.65 would receive the highest rate of 5.4%. And the rest of the employers would fall somewhere in between. If you notice in this rate schedule, approximately 10.7, 7% of eligible employers are in that lowest tax rate. And only 2.63% of the eligible employers are in the highest tax rate of 5.4. As you review various schedules, you'll see that the number of employers shift in each of the estimated tax rate schedules out of our 88,839 employers scheduled to receive a tax rate. There are 54,368 employers eligible to receive an experience rating, which we estimate under the first schedule would generate 502 million in revenue into the trust fund. In addition, another 59 million would come from the new employers at that 2.95 rate that are not eligible for an experience rating. So you have a total of 561 million attributed with that average rate of 1.65, going into the trust fund on slide 11, that's where we're at this rate scheduled to displays the details for the average rate of 1.85 to achieve this average rate, the range of reserve ratios is now a positive 17 point 10 to a negative 8.5. The estimated total revenue increases to 628.7 million. And the number of employers on each rate classification shifts with 8.6, one of the eligible employers. Now in that lowest 0.25 rate, and now we jump to 2.77 of eligible employers being in the highest rate of 5.4 on slide 12, we have the rate scheduled, displayed the details for the average rate of 2.05 to achieve this average rate. The range of reserve ratios now goes from 18.25 for positive to a negative 7.35. The estimated total revenue increases to 696.9 million. And the number of employers on each rate classification. Once again, shifts with 7.3% of eligible employers in the lowest rate and 2.89% of the employers in the highest rate on the next slide. This displays a summary for the average rates of 1.65 1.85 and 2.05. So you can compare them side by side. The summary shows the range of reserve ratio shows, increments, average tax rate, estimated red and the distribution of the eligible employers in each rate class. As a note, you'll also see on each rate schedule that we have that additional 0.05 tax for the career enhancement program, which is a separate straight state training tax set by state statute 6 12 2 6

0 6. The last slide for the record one phone call from an employer was received by contribution section voicing their concern about not having the average annual rate increase. Thank you, Mr. Chairman, thank you members of the council. This concludes my presentation.

Jeff Frischmann:

Thank you, Ms. Wiley, any questions for Ms. Wiley? I don't see any of the council members with questions. I do have a question if Ms. Wiley, could you please explain to us I know that during the past year and during the last recession that there was a relief of charges provided to employers during that time to help give them some relief. Can you explain how that worked? What happened and what was the result for the employers and what kind of relief did they see from their tax rates over the past year that was designed to help that I believe was designed to help them during this difficult period.

Jo Anne Wiley:

The relief of charges will lower their rates somewhat because as long as they're paying in and they have a zero coming out that will increase their reserve balance. If you had 40,000, you paid in and zero paid out, you have a reserve balance of 40,000. If you have 40,000 in and you paid the 20 out 20% out, like in the example, there you have only a, you know, your, your reserve balance is now 20%, but since we use all your weight, all your benefits and all your contribution charges from the life of your hit of your, if you you've been in business since 1999, we added all the way back. So offsetting and not charging for maybe six quarters mm-hmm <affirmative> might not have as much impact on a long standing business. It'll have a little more impact on somebody that's only been in business maybe three years, that's just coming up for their very first rating E experience rating. It will like I said, it will give them a slightly better rate. It may or may not. It may not move them out of their tax rate. It depends upon your overall cause it's not just, we don't count just the last two years, we count entire lifetime so that it all would average out. You have your good years and your bad years, we're trying to get it to a level playing field for you.

Jeff Frischmann:

But overall, there was some relief for that was realized by employers, right?

Jo Anne Wiley:

It had more of an impact. I believe on, we don't have very many reimbursable employers. They're not in the tax rating system. And they were the ones who had the relief. They did not have the payback, the benefits paid out, right? So they were the, there was only like 400 of those employers, but that's your school districts. Then it gave a relief to them as far as helping them have a budget that they could live with.

Jeffrey Frischmann:

Thank, thank you for that information, Ms. Wiley and thank you for those presentations as every year that decade I've been going to these meetings, they're always very informative, very thorough, and thank all of you for very, very good presentations. From here, the next agenda item is the discussion and adoption of a recommended unemployment insurance tax rate schedule for calendar year 2022. So that will be discussion among the council members. So I'd like to open, open that up to all the members to share their thoughts or recommendations, make a motion discussion you'd like to have regarding the

Jeff Frischmann:

Won't make everybody jump in all at once, but this

Mark Costa:

This is Costa have an idea of, I understand the rate. Now, if I understand correctly is 1.65 but it's AHCM for that to reach up to. And what I understand is the recommended ratio of 1.0, it would, at that rate, it would take with no recession about three years in order to go ahead and do that. And I understand that the pointed out in our discussion that the total burden on the employers coming outta the last recession, because including the bond repayment was about 2.6. So I'm wondering, you know, throwing out the idea of if we should raise the rate to the minimum range that was talked about to like 2.0, to go ahead and, and get to that AHCM rate of 1.0 quicker, which is the recommended amount. And it's still less than what they experienced after the last recession. Not trying to go ahead and overburden the employers, but it seems like we want to go ahead and rebuild the trust fund more quickly.

Jeff Frischmann:

Thank you, Mr. Costa any other comments from council members

Speaker 7:

Daniel Costella for the record. Is there a recommended number that DETR's looking for as far as the,ucontribution that would, you know, kind of preventative maintenance type thing like we've done in the past to, you know, ease that burden like last time, you know,uwe had such a,uextraordinary, you know, the $2 billion was a lot that really helped us through this time. So I was wondering, is that, is this the, the aim now, is this something we wanna try and repeat or get close to? Is there a recommend recommended number? Thank you.

Jeff Frischmann:

Not to speak for DET I'll allow Ms. Parven to jump in if I'm incorrect, but I think that that's why they're relying on us to make that recommendation. I don't think that they're recommending anything in particular. Mr. Schmidt, did you have something to add on that?

David Schmidt:

Uh yeah, this, this is David Schmid for the record, just for, for a little bit of additional perspective there the, the chair is, is correct or, or longstanding position is, is that it's the employment security council who ultimately makes the recommendation for some additional context in this last legislative session, there was a proposal to put forward a formula to determine a, a recommended rate that would be taken. This proposal was ultimately not approved by the legislature. It was removed from the bill. If the formula that was proposed were followed it takes a number of things like your, your solvency level any bonds that you have out standing and other factors into consideration to calculate what, what a recommended rate might be. Uh but ultimately that, that proposal also limited the, the maximum potential change in any single year to up or down by a 10% total to help maintain overall stability for employers. Because as that was a, a key goal articulated following the, the great recession was not seeing very dramatic changes. Like we saw in the last recession where we went from a rate of 1.3 to 2.0, to 2.25 over the course of just a couple of beers, which is a very significant increase for employers. So if you were to follow of that, that structure the recommended rate would come out at increasing by 10%, because there's obviously a long way to go to resource solvency in the trust fund which would be to something in the range of 1.8, 5%. And just because I, I feel like I may or may not have identified myself for the record David Schmidt.

Jeff Frischmann:

Uthank you, Mr. Schmidt, any other comment from deed to respond to the council? Ucouncil members question.

Lynda Parven:

Thank you. No, Dave's comments were sufficient. Thank you very much.

Jeff Frischmann:

Okay. Thank you. Any other comments from the council members please? I would tend to lean and agree with Mr. Costa there that coming out of this recession, the trust fund is in very sad shape. We had to bar there were a lot of things that were different from this recession versus last recession. And I think that through the monies that were provided by the federal government the American rescue fund, which weren't available last time, that was a big benefit for employers and really helped employers this time. I think on top of that, the charging relief that was done through emergency regulations over the last year offered relief to the employers. I think that there is a responsibility to grow this trust fund and to grow it in a reasonable amount of time to be solvent. And I would tend to agree with Mr. Costa that a 2.0 rate would be a good recommended rate if I understood Mr. Costa's suggestion correctly. Was that correct, Mark?

Mark Costa:

Mark Costa for the record. Yes, that was correct.

Jeff Frischmann:

Okay. So I'm gonna offer a motion to raise the rate or to set a rate at 2.0 is there a second to that or any discussion?

Tom Susich:

This is Tom Susich. I guess my concern is and maybe we can address this to the economists if we adopt that significant of a raise, which is, is it seems to me fairly significant. Would we be really in affecting the ability of the employers to continue to hire and to increase the number of persons employed by raising the rate to that point?

David Schmidt:

This is David Schmidt chief economist for DETR. Obviously every employer is in a, a, a different position a couple of numbers to maybe help inform that consideration. First, if you look at slide 25 of Mr. Gortari's presentation you can see here we don't have 2.0 exactly. We have 1.95 and 2.05%, but you can see the the total cost per employee at a 2.0 rate would be about $750 give or take for employee at that maximum wage base of $36,000. That would be higher than the current rate of if I can put backward 6 23 6 23 in 2020 and 5 86 in 2021 because of the changes that we've had in, in average wages in the state. So in each of these schedules, there is an in, or yeah, 6 23 90. And if we had a 1.65 rate so that, that is a, an increase of $125 per employee. The, the question would be if that hundred $25 per employee at who earns $36,000 a year is significant enough to potentially affect hiring. I'd also like to point out slide if I can go back to slide 19 this shows you that, that the, as Mr go said that the, the frequency of different wage rate ranges that we've experienced in the history of the state and definitely the, the largest clump if I can describe it that way is from about 1.5 to about 2.0% as you go above 2.0, it gets more and more infrequent to experience rates that high. But 2.0 is within the highest frequency sorts of rates that we've experienced. Uh in prior years in the history of the program, we were much

lower back in the mid two thousands around 1.3%. We did go up to 2% as a first step in recovering from the great recession before going as high as a total cost of about 2.6% following the recovery from the great recession while we had that wage rate of about 2.6% all in we were actually in a period of significant, rapid employment growth in the state where we had grown out of being the highest unemployment rate in the nation to kind of our normal place during the mid 2000 tens. And so based on that history I would not characterize a 2.2% average rate as one that is out of step with experiencing strong employment growth in the state in and of itself. Obviously the economy is a very complicated place but we have in the past rapidly grown when we had higher rates than that as the total cost to employers. I think it's also worth thinking about the fact that if we wanted to get that 332 million, that we've got from the federal government through employers that amount would represent roughly a 0.8% average tax rate in a single on employers. And thank you for your, your time and opportunity to respond.

Jeff Frischmann:

Thank you, Mr. Schmidt.

Tom Susich:

I had another question. I wanna make it or find out if I'm understanding this correctly. We are not required to repay the loan that we received during this period of unemployment.

Jeff Frischmann:

Mr. Susich, I believe I can handle the question is that we are required to repay the loan. However, we're provided a grant or monies from the fed from the feds, the American rescue act, and the governor chose to, or the legislator actually chose to earmark 200 or 330, roughly 330 million towards this purpose of those funds. So this was approved by the legislature to offset the, those loans with these federal funds, rather than putting the burden on employers. So the legislature and the, and the governor of course, had to sign off on that. And so they supported those measures to give that huge relief to the employers that they wouldn't have to repay it. Does that make sense to you?

Tom Susich:

Yes. and I'm just wondering, I think Mr. Schmidt said that that would've accounted for about a an increase in the rate of what 0.08 if they had, yeah,

Jeff Frischmann:

I believe, I believe you're correct. That's just what he indicated it more or less 0.08. I'll let Mr. Schmid speak. If I can jump in the, the number would be 0.8% and, and you can think of it this way. We are bringing in roughly 650 million with a 1.6, 5% rate. And so if you cut that roughly in half, all very rough and loose here, but that's about 320 million, which is about the amount of money that we got through the American rescue plan. And that's where that 0.8 number comes from that would have taken roughly a 50% increase to 2.4 ish percent to bring in that additional 300 million in a single year to repay the loan and also make progress on solve and plus the interest on that loan, or would that increase it even a little bit more David sch for the record that would've increased it even more employers would've faced even higher charges cause had we not gotten the money appropriated we would've hit January 1st, 2022 with loans outstanding, which triggers the increased federal unemployment taxes.

Jeff Frischmann:

We also would've been or employers would've been liable to pay the interest assessment that exists in statute for money because interest began to approve starting September 6th. And because we now have a positive balance, we are able to earn interest instead of paying interest. And so instead of paying, we are now receiving, so we, we improve on both sides of the, the zero number there. So employers benefit from interest flow into the fund and from not having to pay interest and having their federal taxes increased to the tune of a total benefit in 2022 of about 40 million more. Right. So that 0.8 is a very conservative figure because it's not accounting for the interest manipulations. Yes. And again eight 0.8, which it's a big difference in the, the total cost to employers. Oh eight, not so much. Eight is almost a full percent increase that it would've taken to pay. Right. So that's quite a bit. Did that satisfy your question?

Tom Susich:

Yes. And I just have one other question. If we were to raise the rate to 1.85 or or I guess it's 2.0 how, what would be the difference in reach the solvency level by each of those two rates in time?

David Schmidt:

David Schmidt for the record. If you turn to slide 26 of Mr. Gortari's presentation you can see the long term impact turn. I think that this helps because the, the change in a sync year is much more minor. The change that you experience as you go through multiple years is where you start to see the separation and outcomes. So for 2022 at the one, the current 1.65 rate we would estimate solvency of zero or solvency multiple of 0.29 at a 2.0 rate. We would expect a solvency multiple of 0.3, four, or about a 5% difference in total solvency. As you go through the, the, the years, you can see that increase. If you look at 2025, you go from 1.37 at the current 1.65 rate to about 1.75. So it's about a 0.4 difference because you're doing that 0.5 year after year, plus you're accruing additional interest on the money that you've saved up on prior years. And so you start to see some separation all of these rates get us back towards solvency. The, the, it's probably also worth noting our solvency requirement both under the NS six, 12 definition, as well as the average high cost, multiple or HCM both of those reflect prior experience. And so they now both incorporate the increased expectation of future benefits based on what we saw in 2020. That requirement, if we looked back a couple years, we were thinking we needed about 1.2 billion in the trust fund for a multiple of one. Now that's about 2.1 billion. And so just the target that we're trying to reach has grown significantly because of what happened in 2020 and the 2.7 billion that we paid out that year and incorporating that information into our formulaic expectations of what we might need in the future. Does that help?

Tom Susich:

Uh yes, this is Tom Susich. That's all my questions.

Jeff Frischmann:

Thank you. Anybody else with questions please? Or comments?

Latonya Coleman:

Yes. This is Latonya. What was the impact during the last point that it was above 2%? I'm not sure if I understand what was the impact on, on employers. And I know it's a different scenario but I'm, I'm kind of looking at the fact that we're not out of the situation yet. Um in a lot of there, there's still a lot of pressures on businesses and added expenses due to the pandemic that weren't there before extensive expenses from testing from proper equipment from safety expenses. And so what was the impact when

it was over 2% the last time? And then my second question is, have we in the past, I know your projections are three years out, but have we in the past considered I stepped ladder approach in raising that rate.

David Schmidt:

So David Schmidt again for the record and I, I will apologize because I tend to answer questions at, at some length. So if, if I'm going off onto a little rabbit trail please help help me stay on answering your question. But ha having like the chair been around this program for more than a decade looking back at the great recession when I was sitting at the, the same table back then that, that was a very big question coming out of the great recession is when do we increase the rate and how much do we do it? Because in 2007 when we were setting the rates for 2008 the great recession had not started yet. We were noticing some flat lining and employment, but the plan was keep it at 1.3 in 2009 when making rec or 2008, when recommend making recommendations for 2009, we said, well, we've, we've seen some dipping employment, but it's not too big. And you have to remember, this was about one week or two weeks after Lehman brothers failed, but we met. And so the full crisis was not really on us yet. It was like some things are kind of weird here, but say, we're saying the course because the UI program should be countercyclical. It should draw down in bad times paying out benefits while rebuilding in good times. And it was clear. We are kind of in a bad time right now, the fund is doing what it should say, the course, 1.3%. By the time we got to 2009, and we're talking about rates for 2010, this became a much more crisis sort of situation, 2009. Ultimately we paid out a billion dollars in benefits, which was absolutely unheard of at the time. Obviously 2020 makes liars of us all, but mid 2009, we are seeing significant benefit payments. The, the worst of the recession have no idea what is coming forward. And there, there was some, like on the one hand, we're going through the worst thing ever on the other hand, how can we like what, what, what's the best course for employers who are going through the housing crisis in full crisis mode? And I, I believe it's that time, ultimately the decision was made to not increase that rate, but with the knowledge that it was going to put the trust fund in a, a bad financial position. And ultimately we were looking later at the, the possibility of a $4 billion shortfall that we continued to decline the way that we going between the trust fund benefit, outlook flows and contributions coming in. We were in a much harder position then as a state in part, because the rate coming into the recession was so low. Uh the state has seen a multiple multiple hundred, hundred million dollar benefit from having the rate slowly brought down as we came through the recovery here, not trying to drop very low to 1% or 1.3%, but instead, slowly stepping back from where we've been in recent years. And so, because our rate was higher coming in, that's one of the things that had a big benefit in not borrowing as much money. We didn't go as deep, not only because we saved up $2 billion before the recession, but also because we were still bringing in contributions at a pretty steady clip to help offset current benefit payments. And, and now, instead of trying to jump up to 1.6, we're already starting from a 1.6. And so it it's the, the, a question is a little bit easier to consider. That's not to say it's not significant for employers, but that the, the total jump that's being contemplated, isn't nearly so high as it had to be in the past. Uh because that rate's a little bit higher in 2010. And this is, I think, ultimately to the members question there were a number of scenarios presented where we had a, an, an additional funded security council meeting in August of 2010 to say here's a million ways to consider how you might repay the fund. You might jump up to 3% or 3.2. You might do a increase where you plan to increase it by 0.2% each year. You might wait two years. And it, it, it, at that point, the financing question was so fraught that it was like, how in the world do you dig yourself out of this hole? And the answer ultimately was the, the council went up to 2% and then went up to 2.2, 5% in subsequent meetings. And then as the cost of interest and federal unemployment taxes was hitting employers. Uh ultimately the DETR working with a number of other partners was able to issue the bonds to repay the

loan and get us back into a more stable position. But that didn't happen until the bonds were issued in 2013 rates impacted employers beginning in 2014. And so we were four years out before we really hit that whole peak. But the, the rates on paper weren't the only cost employers were paying because there were the other interest considerations and federal unemployment tax considerations that we're landing on employers, which fortunately the council doesn't necessarily have to try to juggle all of those different rates because of the investment of those American rescue plan funds. Now, the question really is much simpler. It's simply what gets the trust fund back to solvency. And so the council has definitely considered stepped increases in the past but coming out of the, the great recession in 2011 and 2012, there were definitely very significant increases, roughly a 50% increase in the cost that employers were paying from that 1.3 to that 2.2% rate. And really you get to 2.6% after all the interest and other considerations are there. And so the rate roughly doubled over the course of about three to four years for employers.

Jeff Frischmann:

And Ms. Coleman might also add is that if I'm not mistaken, maybe someone from DETR can answer. This is when we, I talked earlier about the relief of charges while those relief of charges benefited employers during the past year, won't those, their experience ratings over the three year, the next two years, and those relief of charges are going to continue to benefit employers or helping employers over the course of the next two years. Is that yes.

Jo Anne Wiley:

Jo Anne Wiley for the record. Yes, because it's part of their, they have that total history, right? So you're gonna have a year and a half with zero charging added on, even though they did pay out benefits and not being penalized for that. Exactly. So that it'll have a lasting effect because whatever, we're not gonna come back and say five years from now. Oh, by, by the way, remember when we relieve the charges. No. Now you're gonna pay 'em no, it's, it's a zero and it'll always stay at zero.

Jeff Frischmann:

Okay. Thank you for that. So I think Ms. Coleman also to your question is that because of that relief of charges that year over the years, that should help employer, that's gonna continue to help employers. And, you know, it's certainly recognized me. They have those extra expenses, but I, you know, I think the, I believe that the program has bent over backwards. I really tried to help employers over the last year and there's comes a time where we have to keep the program solvent too. And those that help is gonna continue along with not having to pay bonds, not having to do a lot of the other things that the legislature and the governor has offered help to employers along the way that those are just my thoughts.

Latonya Coleman:

Thank you for that. I'd ask that we have that information for employers, and I'm sure you probably already do to, to highlight that the relief, the benefits and how they're not going to need to be concerned about the 2020 impact on their experience years. So I think, think that would benefit bene it would be beneficial for, for employers to understand re regardless of the rate that we select. And I'm, I'm sure you already do that, but your perspective on how employers have been helped will be helpful to be highlighted.

Jeff Frischmann:

No, I appreciate that. And, and to give you a little bit more background, I worked as a consultant for the department after my retirement until June of this year. And during that time, I was doing a lot of the legislative work on behalf of the division. And certainly we did try to communicate that. And maybe the suggestion of Ms. Coleman is maybe needs to continue or it might be, it's a good story to tell. And I, during, during that, you know, you're right. It's a very good story to tell. And I think during that period, there was more concern about why aren't benefits getting paid. And we were going through that period and maybe didn't get our story out as well as we could have at that time.

Latonya Coleman:

And people may not recall that the rate was 2.5, 2.6. And so to buffer that with understanding because it, it looks like a large percentage increase. And so we would just need to help them understand how it's offset by in, in benefits to them.

Peter Guzman:

Yeah. And I would say if I may, Peter Guzman a lot of those people won't remember because a lot of those people aren't in business anymore. Yes. That's the reality of life. And so my concern is I, I guess I have a question and I might have missed this, but do we have to go to a certain number immediately? Or is, is, is there a scale that could be available? Could we do this in, in, in a scale form

Jeff Frischmann:

The, we can go, our recommendation can be any number. However, as far as a scale, we will be reconvening approximately a year from now in order to make a new recommendation. I don't know that we can set, or it would be appropriate to set what we're going to do next year before we meet next year and understand what the situation is, what the economic outlook is, what the economic climate is next year. So I, and to do a scale, I don't know that it's even feasible for contribution to change the rate during the next year. I, I, I don't think lawfully, we could do by, by, by statute, by statute, we wouldn't be able to do

Peter Guzman:

It. I imagine that's what I was asking. Was it by statute that we can't do any,

Troy Jordan:

Troy Jordan senior legal counsel, the employment security division. It is by statute. Everything is the administrator actually sets the rate based on the recommendation of the council. And that regulation goes for one year. So you'll be able to reconvene next year and change anything done at this meeting, regardless of what you do, but the, the scaled approaches you were talking, you could recommend a scaled approach. She would pick a rate that would only last a year, and then you would likely reconvene again. One of the only reasons that there was no employment security council meeting last year was the administrator had decided she was not touching the rate no matter what, based on the uncertainty. So there was no reason under the statute for the council to convene. That's the first time in a long time that that's happened. It probably won't happen again in our lifetime. Well, as he said, 20, 20 minute liar outta, maybe I'll be made a liar from now.

Mark Costa:

This is Mark Costa. I think it'd be a good idea to present this history that we just talked about at the workshop that's in a couple weeks and make that part of the workshop and give them some reason why, you know, the various things that we took and consideration before setting this rate.

David Schmidt:

This is David Schmid for the record. We, we can incorporate some of that information into the presentations easily.

Jeff Frischmann:

Sounds like a good suggestion. Thank you, Mr. Costa. Would that any more discussion? I think right now what's on the table is the motion was made to raise the rate to 2.0, is there a second for that

Mark Costa:

Mark Costa, I second it

Jeff Frischmann:

Okay. With a second we'll move to a vote, all those in favor of raising it to 2.0, please say I, I, any nays.

Peter Guzman:

I will be a nay.

Jeff Frischmann:

Okay. Thank you. So the motion carries five to one to recommend to the employment security division administrator, a 2.0 rate tax rate, average tax rate for the year 2022 for the unemployment insurance. Okay. With that, that moves us. Let's see. We'll we will now move on to closing public comment. This will be the final opportunity for public comment. Public comment will be limited to three minutes per speaker, and this round of public comment will last no longer than 30 minutes. Is there anyone in the south who would like to make a comment?

Lynda Parven:

There's no one here.

Jeff Frischmann:

Okay. Thank you, Ms. Har, is there anyone in the north who would make public comment? Yes. UI'd like to recognize,uwe have one individual Ray bacon.

Ray Bacon:

My name is Ray bacon, IM representative of manufac association for 30 years. My first introduction to was or unemployment system. And so dates me to significant the unemployment trust fund has a significant factor. It is one of the few things that takes a look at the future and does the best job possibly can at protecting the employers, protecting the employees and things like that from the, that take place in our economy. We know because we see it every time we go through Nevada is on the top of every scale, as far as fluctuations that are employable. I think that quote strongly for the actions that you're taking today, because we are putting the cushion of the unemployment trust fund back in place in a relatively rapid pace. And I think that's important for employers. I think it's important for employees. I

think it's important to the state. Excuse me. The other comment that I'll make is, and I may be wrong on this thing, but, but David will correct me if I am wrong and things like that to the best, to my knowledge, the American rescue plan being used to pay off a federal debt. I think that's the first time ever that feds have allowed federal money to be used to pay back the federal debt. I don't think it's ever happened before. I don't think we can ever count it happening again. If it does, it will be another. And this is certainly been a fluke. The, the, the second point that I'll make. And I think this is really important. There's been so much water over the bridge that I think that the letter that goes out with notifying the employers of the change that are taking place in, in the plan and the rates and everything else needs to be fairly comprehensive, needs to go back and say, this is where we were. This is what's happened. This is what we're doing. And moving forward to get that trust fund back up in place to protect you as the employers, as much as we possibly can. And I think that will make sense. You've covered a lot of territory. The public hearings are wonderful and things like that. Nobody shows up over the years. I've been one of the few people that shows up for this thing more, more than almost anybody else, and Jeff, or is probably watching, and he's the only person to press and pays any attention. So it's important to get that notification out. So the players have got something and most of the time that letter goes to the finance guy, cause he's the guy that's paying the checks. And if he understands it, the CEO will understand, or the CEO will say, I guess so. And let the last point I wanna make, this is really important, I believe. And this is my gut reaction. Only that we're probably gonna go into a period of 30 seconds remain. We're probably gonna go into a period of inflation. This trust fund is probably our best push on inflation and, and we need to make sure to get that trust fund built up because that's our only question. And there's so many factors that are gonna impact inflation. We've got inflation. We got wage inflation.

Jeff Frischmann:

Thank good for you. And thank you so much for your comments, Mr. Bacon, and thank you for all the years. I've seen you at these meetings and your comments. We really appreciate the wisdom that you've shared with us over the years and today as well. So thank you, sir. Thank you. We'll continue with public comment. Is there anyone on the phone line who would like to make public comment?

Speaker 1:

The public line is open and working. There are no callers at this time.

Jeff Frischmann:

Your point Mr. Bacon, thank you all for your participation in this year's employment security council meeting. And with that, I now adjourn the meeting. Thank you. Thank you everyone. Thank you. Thank you. Thank you. Could you and.