Employment Security Council Meeting
October 7, 2022

Jeffrey Frischmann:
I call this meeting to order. Good morning, my name is Jeffrey Frischmann, and I am the chairman for the State of Nevada Employment Security Council. Thank you, members of the council, the public, and staff for your participation in today's Employment Security Council meeting. During today's meeting, under Agenda Item 7, we will hear a presentation on the economic projections and a review of the UI Trust Fund. As you know, the council is required by statute to make a recommendation to the Administrator regarding average tax rate for the upcoming calendar year. The rate recommendation task before the council today is an important one and I appreciate your service on behalf of the Nevada workforce and employer community. I would like to start by opening the meeting up to public comment. If you have public comment to make, please state your name, title and who you represent for the record. We will start in Las Vegas, are there any comments in Las Vegas? I see none, so we will move on to Carson City, are there any comments in Carson City? Seeing no one to make comment we'll move to the phone lines, are there any callers waiting to make public comment? Seeing none, uh, we'll move on to Agenda item number three. Stewart Terry, was proper notice provided for this meeting pursuant to Nevada's Open Meeting law NRS 241.020?

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 pursuant to Nevada's Open Meeting Law NRS 241.020 and confirmation of posting was received.

Jeffrey Frischmann:
Okay, thank you Mr. Terry. Moving to agenda item number 4. Roll call of council members. We'll start, Jeffrey Frischmann, I am present. Mark Costa, are you present? Mark? Okay Tom Susich?

Mark Costa:
I'm sorry, this is Mark, I finally got myself unmuted and I am present.

Jeffrey Frischmann:
Okay thank you Mark. Um, Thomas Susich? I can see you, but I can't hear you, Tom. Is there anything we can do to…

Tom Susich:
Yea, hi, I've been unmuted, I am present.

Jeffrey Frischmann:
Okay, thank you Tom. Charles Billings?

Charles Billings:
Uh, this is Charles Billings, I am present.

Jeffrey Frischmann:
Okay, thank you. Okay, Daniel Costella? I can see you Mr. Costella, but we cannot hear you. Again, is he unmuted?

Stewart Terry:
It appears to be on my end.

Joseph Choat:
I can unmute these people, but…

Stewart Terry:
Can you? Yeah, then unmute them.

Joseph Choat:
Daniel Costella? Uh, yes, he's not a name on this list.

Jeffrey Frischmann:
Mima and Poppy's….

Daniel Costella:
There it is, okay I'm unmuted, I'm unmuted now.

Jeffrey Frischmann:
Okay, Thank you Mr. Costella, uh Flor Bernal-Gonzalez? Okay, not present. And Peter Guzman?

Peter Guzman:
I am present.

Jeffrey Frischmann:
Okay thank you Mr. Guzman.

Peter Guzman: Thank you.

Jeffrey Frischmann:
Okay, moving to, so we do have a quorum. Moving to Agenda item number 5 review of written comments. Stewart Terry, were any public comments received?

Stewart Terry:
Stewart Terry for the record, no written comments were received prior to this meeting.

Jeffrey Frischmann:
Thank you Stewart. We will now move on to the next agenda item which is the approval of minutes, which is approval of the minutes from the October 4, 2021 Employment Security Council Meeting. Um, I will accept a motion for approval of the October 4, 2022 Employment Security Council meeting.

Peter Guzman:
So moved.

Jeffrey Frischmann:
Okay.

Danny Costella:
Second.

Jeffrey Frischmann:
Okay. For the record, the motion was moved by Mr. Guzman and seconded by Mr. Costella. Is there any discussion?

Joseph Choat:
Mark Costa has a raised hand.

Jeffrey Frischmann:
Mark Costa, you have a raised hand?

Mark Costa:
Um, yes, I do. I hadn't seen a copy of the minutes from the October 2021, meeting. I don't know if it's something I missed, or um, so I have to abstain in terms of approval because I haven't seen the minutes.

Jeffrey Frischmann:
Stewart Terry for the record, will you please…

Stewart Terry:
Yes, Stewart Terry for the record. These were emailed out a few weeks ago I believe, but Mr. Costa, we'll furnish you with those immediately after this meeting, I'll get that in a direct e-mail to you and you can go ahead and abstain, I think.

Mark Costa:
Okay, thank you.

Jeffrey Frischmann:
Okay, any further discussion? Seeing none, I will now call for a vote. We will now move, um, so all those in favor of accepting the agenda as, or the minutes as presented, please say aye. Aye.

Peter Guzman:
Aye.

Tom Susich:
Aye

Jeffrey Frischmann:
Those opposed? And those who abstained.

Mark Costa:
Aye, or me.

Jeffrey Frischmann:
Okay, for the record, um, Mr. Costa abstained. We will now move to agenda item number 7. Items A and

B, which will provide us with an economic outlook and Unemployment Insurance trust fund update, presented by DETR staff.

David Schmidt:
Thank you Mr. Chairman, for the record this is David Schmidt, Chief Economist for the Research and Analysis Bureau within DETR. And I will be going through some slides to highlight what is going on in Nevada's economy today; take a look at what's been happening with the trust fund and provide some projected benefits and contribution amounts for calendar year 2023.

As we sit here in August, employment has fully recovered from the impacts of the COVID recession. In June of this year, Nevada passed it's February 2020 pre-recession peak. This marks a pretty rapid recovery compared to the last couple recessions that we've seen. The 2020 recession was caused by a, uh, a very deep drop in employment due to the COVID-19 pandemic and the shutdown of non-essential businesses. As that shutdown was lifted, you can that employment was recovering pretty quickly in the immediate aftermath as soon as June 2020. And we've been on a pretty rapid pace of improvement ever since. That pace has been slowing down slightly if you follow the blue line in the curve of this chart, you'll see we don't keep rocketing up forever, but as we move closer to full employment, that curve has become a little more gradual. Earlier this year, Nevada was seeing a ten percent over-the-year growth in employment, currently, we're seeing about five percent over-the-year growth and we've moved into the number two place among the states, being second to Texas, in terms of the pace of our recovery over the past year.

If we go to the next slide, you can see how this is broken out by the various industries in Nevada, these are ranked according to the amount of job loss that was seen from February of 2020 to May of 2020. In red, you have the jobs that were lost in that February to May period of 2020. In blue, you have the gains that we've seen from May of 2020 through our most recent data, August of 2022. Down the left side of the chart, you have the industry name and the total change that we've seen since February 2020, the numbers in green are those industries where we have surpassed our February 2020 employment level. The numbers in red are those areas where we're still down. And what really jumps out at me as I look down this chart is, one, that most industries have recovered, including our total employment, our total private sector employment, and both service providing and goods producing employment. The areas where we still have not significantly recovered all of the lost jobs are the Leisure and Hospitality sector, where we're broadly down 33,000 jobs still compared to February 2020. We've also yet to recover in Other Services, Administrative and Waste Services and Government. These are the areas where we're still significantly lacking. Government is particularly State and Local government which does include both local school districts as well as our universities and Nevada System of Higher Education. The areas where we've seen the most recovery are in the Transportation Warehousing sector, that's up about 28,000 jobs if you include all of Trade, Transportation, and Utilities, and it's up 22,000 jobs if you just look at the Transportation and Warehousing piece. We're also up in Manufacturing and Construction and Professional and Technical Services and a number of other industries in the state.

If we go to the next slide, this is the same data, but presented a little bit differently. Here the size of the box represents all employment in Nevada as of August of 2022. The colors in the box represent how much we've recovered with boxes that are in green being those areas where we have, we're at more than 100% of pre-recession employment. Numbers in red are those where we're still below that

February 2020 employment level. And what this chart also adds is the average weekly wages in calendar year 2021 that were paid by these various industries. And so one of the things that we can see as we come out of the pandemic is that we are still down, especially in the Accommodation industry. Leisure and Hospitality has a couple of large components, Accommodation and Food Services. Food Services is 10% above its February 2020 employment level, Accommodation is at 82.4% of it's February 2020 level. Accommodation critically includes the combination of casino and hotel industry as a major component of that industry. But as we've been recovering, a number of the industries where we're recovering are paying more than the $840 per week that you can see in the Accommodation industry. For example, Transportation, Warehousing and Utilities, which is 20% recovered, pays $1,051 per week, Manufacturing is at $1,348 per week, Financial Activities is at $1,668 per week. And so as these other sectors have been growing, one of the impacts of that is that this has actually helped to push up average wages in the state. It's one of the pieces that's contributing to the overall increase in wages that I will talk about a little bit later in this presentation, but you can also see, kind of at-a-glance, that overall, most of the industries here are in that recovery phase again. It's also worth noting that in the same period, the average weekly wage in the state was about $1,140 per week, and we have about 7 industries here that one, are more than 100% recovered and two, pay more than that $1,140 per week. About 45% of the state's employment are in those 7 industries where we are both fully recovered and paying above average wages in that industry.

Shifting from employment to unemployment, I think it's important to note that unemployment right now is generally pretty low. The unemployment rate in Nevada is currently 4.4%. This is comparable with sort-of, the boom phases of economy that we've seen, really going back to 1976. 4.4% is generally pretty low unemployment, however, if you look at the next slide, it is higher than what a lot of other states are experiencing right now. The US average rate is 3.7%, so we are seven tenths of a percent higher than the US average, and you can see there are a couple of states that experiencing below 2% unemployment. So we have this little bit of tension where Nevada has a relatively high unemployment rate, but compared to most state's histories, 4.4% is also pretty low. Personally, I think this is actually somewhat good news for Nevada, because, as the unemployment rate gets really, really, really low. The labor market is really tight. It makes it harder to find workers, and it can create a uh, a less favorable dynamic for, the labor market as a whole.

Turning to the next slide, another component of what's going on in Nevada right now is our labor force participation rate. Now this is the share of the civilian non-institutionalized population. So the ah, the civilian population not in prisons or military services available for work. Ah, it's the population sixteen plus, so this doesn't include kids, but it does include. Ah, some ah people ah! Later in their high school years that that could potentially be entering the labor market in any particular month. Now you can see now. Ah, the the gray bar here shows the twentieth to eightieth percentile for other states. So if you think you know, there, there's fifty states that gray range represents the middle sixty percent of those States with roughly ten states above the line, and ten States below the line, and thirty States in the middle. So that gray area kind of shows the typical experience of other states. The blue line shows what we've seen in Nevada. Ah, back in the 1970s and 1980s you can see Nevada had a very high participation rate in excess of 70%. Where the rates for most other states were in the 60 to 65% range at the beginning of that period and kind of 64 to 70% range at the end of that period.

In the 90s and 2000s Nevada's participation rate was still relatively high. But you can see that we've been trending lower over time as Nevada Uh grew significantly during this period, and really has economically matured a lot during that time. Uh to where in the mid two thousands, we're kind of in that middle range of all of the States, high or low, depending on where we are in the business cycle from 2010 to 2020, you can see that Nevada, like other states, has broadly been trending down. A big part of this is the demographic change we've been seeing in the country with the aging in particular, of the baby boom generation where we're starting to see people who are no longer participating in the workforce, starting to voluntarily, not participate. Obviously the COVID pandemic had a big impact on Nevada, and you can see the magnitude of the swings that have taken place there. Currently, we're sitting at about 60% in terms of our participation rate. This is about the twentieth percentile. So it's, you know, right around that, you know, tenth lowest rate in the, among the States. We are ticking up a little bit, but it's overall been pretty flat, and it's not seeing a lot of movement, and this is a common question among a lot of states is what's happened to participation coming out of the pandemic uh what factors might be keeping people out of the workforce? It's at this point I will say, still kind of an unanswered question. Uh, this would be a a much longer presentation on its own, but that relatively low participation rate also affects the availability of workers and the overall tightness of the labor market that received.

Ah, turning to the next slide. Ah! Another dynamic that's in play in our economy right now is what's happening with wages. I think we've all seen an experience that the relatively rapid pace of inflation. And what's been happening with wage expectations, and these next three slides look at the factors that contribute to weekly wages. This comes from a different source than our our QCW data that was presented earlier. This is a survey-based estimate, so it can be a little bit volatile. Uh, but overall, I think it helps. Give us a picture of what's happening in the economy. Uh, First off you can see that Nevada's average weekly wages in, as of August uh rank about 32nd in the country, a little bit below average overall. Uh, but we've been seeing relatively uh faster increase where we're up 6.7%, which ranks 6th out of the 51 states. And so we're seeing wages go up in Nevada a little bit more rapidly.

This can come from a couple of different sources. Uh the first is on the next slide, which is the number of hours worked per week. Uh, you can see uh the chart on the left shows there's not a really large numeric change in terms of this. Uh, a lot of states are fairly similar overall, this is all private sector employees. But you can see that in Nevada we're really right, in the middle of all of the States. Uh we're average hours being worked is down 1% uh over the last year, and this it ranks 25th out of the 51 states. So what's really driving our wage growth on the next slide is that hourly wages in Nevada are rising relatively quickly compared to other States.

Our average hourly uh wage is $28.80 for the private sector, and that is up 7.8% over the past year, which ranks uh 4th out of the 51 states uh, and really apart from New Mexico, which saw an increase in excess of ten% The difference between number 2, number 3, and Number 4 is pretty small. So Nevada is up there in that area where we are seeing uh faster increases in terms of the total uh hourly wages that are being paid to people in the State.

Ah! With inflation being a big ah factor that people are thinking about right now, one of the things that's that's happening in response is the Federal Reserve has been increasing interest rates recently. You can see here that the Federal Funds rate, has shot up very quickly very recently, at a pace that really, in the last several decades we haven't seen. As the Federal Reserve is in attempting to help control inflation and keep those inflation expectations from being set uh and uh, the mechanism that this uh flows through to the average consumer is by making any sort of debt more expensive, be it mortgages, auto loans, credit card debt, All sorts of different things get impacted by these rising interest rates.

Mark Costa:
Hi Dave, this is um Mark Costa. I'm sorry I um didn't know if you want questions during or after the presentation.

Dave Schmidt:
I'd say go ahead and ask your question.

Mark Costa: Yeah, I wanted to as you before we got too far down here. I want to make sure I understood. On the wages are rising significantly chart, it says Nevada is at $996 and on a previous chart, you said the average was $1,174. Was that for just for because that's a significant difference is that for select businesses or altogether?

Dave Schmidt:
Thank you, Mr. Costa, for the question. David Schmidt again for the record. Uh. Ultimately this comes down to a couple of different pieces, one the most importantly, they are different data sources, looking at different classes of workers. Uh the $998 um figure comes from the current employment uh statistics survey. So it is survey based, not account. It is an estimate for all private workers. So it does exclude the government. Uh, if you look back at the other chart you'll see, the government does tend to pay a uh average, a higher average weekly wage uh closer to $1500 per week, so that would pull up the average the uh $1143 per week number from the previous slide was the average for 2022 that comes from our quarterly sentence of employment and wages uh which is focused on uh employers that are covered by the unemployment insurance program. Uh, but it does include all uh employers in that group, including the government, so I think that's the biggest difference between those two numbers.

Mark Costa:
Okay, thank you very much.

David Schmidt:
Moving on from interest rates. One of the impacts of ah interest rates is that this definitely pushes up expectations for the interest rate on short-term debt and one measure that people often look at to see if a recession is potentially in the cards is to look at when the interest rate on long-term debt is lower than the interest rate on short-term debt. In this case this chart looks at the difference between the ten year constant maturity yield, and the two-year treasury constant maturity yield, and we can see that this curve is currently inverted. Typically, the yield curve does invert prior to recessions. Whether this is a chicken or an egg thing, I think it is a matter of some debate, but it does indicate that there is at least rising concern and rising potential for a recession. And this is, I think, important because one of the things that we consider in the Employment Security Council process is whether the Unemployment Trust Fund is prepared for a future recession. And so, as the risk of a recession rises, that question starts to become more and more salient. And so, looking at the next chart, you can see these are just a couple of headlines that I pulled off of the Internet and preparation for the meeting last week. We can see that that concern and that discussion of a potential recession is definitely out there. Would I say that the odds of avoiding a recession are less than 50/50, or that there's a 98% chance of a recession, I think those are individual estimates. And so this isn't necessarily an endorsement, but rather just emphasizing the fact that this concern is out there. And this uh perception of risk is out there.

On the other hand, our unemployment claims remain really really low. Uh, this chart can be a little bit confusing, but it shows the uh comparison of initial claims. So uh people flowing into the unemployment insurance system compared to total employment in the State. So it's uh initial claims per thousand jobs, and it's really important to look at the numbers on the left or the Y axis there, because this is an exponential scale where each of those horizontal lines actually shows a doubling in the level of claims from line to line. And so we go from 2 to 4 to 8 to 16 to 32, with the very top line there that's not labeled being 64 initial claims per one thousand jobs. And that it shoots up so much in two thousand and twenty really highlights just how large the number of claims flowing into the system during the pandemic was compared to the relatively low spikes that you see in 2007 and 2002 in this chart.

Currently, this number for Nevada is at 1.27, and so we are seeing a very, very low level of initial claims currently, relative to the size of employment in the state. So, on the one hand you have this ear of recession rising, but we also have pretty rapid employment gains still in place, pretty high level of job openings relative to the number of people being hired and a relatively high level of workers who are quitting their jobs instead of holding on to their jobs for fear of being let go, and a relatively low level of people actually flowing into the unemployment insurance system.

On the next page you can see a table looking at a number of different measures of what's been happening in terms of unemployment insurance activity. The third column shows the percentage change over the last year. And so, if we compare the end of the period of pandemic unemployment benefits to right now, we've seen very significant drops in terms of activity. So I don't know that that's necessarily the best measure. If you look at the 5th column over, you see the percentage change over the last month, or we've actually seen some pretty large increases. And I think this is also not necessarily a great measure, because in recent months, as we've sort of flown through the ebb or the shadow of the end of those pandemic programs where we had a very low number of claims. We have seen it come up a little bit in recent months, but from we're now at very low levels instead of exceptionally low levels of claims. What I think is perhaps most helpful, is to look at the left column, which is August 2022 and compare it to the 12 month average that we've seen over the last year, and you'll see in a lot of cases the numbers are pretty similar. Initial claims in August of 2022 is 9,200. The 12 month average is about 9,000. So we're pretty close, pretty flat in that measure. If you look at the number of weeks that have been paid, It's 59,000 and 60,000. If you look at the total dollars paid per month, it's 22.5 million to 21 million. So a lot of these numbers are pretty close. And I think this really says over the past year the level of claims has been pretty flat. Another number that I think is very indicative of our current situation is the exhaustion rate, the very last row in this chart. For August of 2022, this rate is at 21%. I don't know if I've ever seen a number consistently this low. This is the share of people coming into the unemployment system that use up all of the benefits available to them prior to exiting the system. Typically, this number is about 30 %. During the recession, it got up as high as 60 or 70 percent. A year ago, it was still 40%, and so it's come down to a very low level. And this says that of those people who start receiving benefits, most of them are not using them up. They're exiting the system in some fashion, hopefully, by finding work prior to using up those benefits. And so typically, if we're getting into a spot where it's harder and harder to find work, you would see the number of weeks of benefits that people receive start to increase, and you would see the share of people using up all of their benefits without finding work rising. But that's not where we are right now, and so I think we still are experiencing a very high demand for workers, which would not be in and of itself a recessionary indicator.

Thinking about the impact of inflation on the Trust fund, I think it's important to note that there are two main ways that rising wages will affect the trust fund, and they will affect the trust fund on both the benefit side and the contribution side. The immediate impact, if tomorrow, wages were to rise by 100%, you would see some response. As people's wages go up the benefit amount the claimants are available or eligible for will rise. This will be lagged by about a year because it depends what earnings they have in their base period or their high quarter, all of which are going to be several months prior to the day in which they are filing a claim for benefits. But within that year there is some room for benefits that people receive to rise in response to inflation up to the maximum weekly benefit amount which is determined by statute each year.
Also, as wages are rising, the taxes that employers pay, the contributions employers pay into the system will rise based on the wages that are being paid up to the maximum annual wages per employee that are subject to contributions. And so for someone who is earning $15,000 a year, if their wages rise to $30,000 a year, all of that increased amount of earnings will end up flowing into the trust fund in the form of contributions. But all this is also capped by the maximum taxable wage base. In the long term as things persist for several years, that maximum weekly benefit for claimants and the maximum wage base that subject contributions both rise, based on the increase in the average annual wage in the State. And so, even if a higher inflation persists for a longer period of time, there is a statutory mechanism in place which ensures that both benefits and contributions rise in response. Without specific action being necessary on the part of the Employment Security Council to address that.

All of that being said, where we sit today, money flowing into the trust fund is pretty high, and it's increasing our solvency at a pretty rapid rate. We currently have just under 800 million dollars uh, as of the end of September, and that is a really dramatic increase over the past year. It was in September of 2021, that money that was appropriated by the Legislature and governor. About 330 million dollars, was used to repay loans that the State took during the pandemic to pay for regular unemployment benefits. You can see that we came from having a balance of about 2 billion dollars to borrowing about 330 million dollars at the height of the pandemic. And then, as that wave of benefits flowed into federally paid programs and contributions for the next year started to come in, and those 330 million dollars was received through the ARP funds, those loans were repaid. We managed to avoid having any interest charges on the basis of those loans and the trust fund has started to build back up toward where it was. Obviously 800 million dollars is not 2 billion dollars. But it is interesting that it was close to the dollar that was in the trust fund prior to the great Recession, which was also about eight hundred million dollars.

In recent quarters we've seen some of the impact of those rising wages where both total wages, as well as the wages subject to taxation, which is the total wages, is in blue, the amount subject to UI contributions is in yellow, and you can see that as we've gone into 2022, there's been a noticeable increase in the total volume of wages in the State, and so that's helping to drive total contributions higher as we have both more people working, and the people who are working earning more.

The next slide looks at uh projected contributions. I know that the title says, at 1.65%, but really, this shows three different rates the rate in yellow is 1.65%, that would be the rate that we're currently at. And then I show just what happens if you go two tenths of percent higher, two tenths of percent lower. Because of the rise we've seen in wages, all of these different rates do continue to yield pretty high levels of contributions. My projections are that we will not continue to see the level of inflation that we have, and that as that wage growth subsides, the pace of increase we see here will slow in future years.

The next slide also shows the projections for benefit payments. As wages are rising, I expect benefit payments to rise as well. This doesn't forecast a potential recession. This is more of a trend-based analysis based on if our employment were to grow at the pace that we have been expecting, as well as incorporating some of those impacts of rising wages. And so the the projections here range from about 260 million in 2023, up to about 390 million by 2026.

This table is a pretty familiar one. It shows the Nevada solvency measure, which is defined in NRS 612.550, which is a factor that tries to estimate the potential reserves that you might need in a future recession. I've said in the past, I don't think this is a particularly good measure to follow strictly because it tends to be highly variable. In 2007, the recommended balance by this measure was about 500million dollars. The average high-cost multiple, which is a Federal measure, was recommending about 800 million dollars, and so that that 500 million dollars was really too low for the great Recession, and was also too low for what we experienced in the COVID pandemic. It was recommending about 1.2 million in that case. What it does is, it looks at the highest rate of uh employed people filing for unemployment benefits in the last ten years, and the largest number of weeks that people have received in the last ten years, multiplied by your current employment level and your current average weekly benefit to see what you might take. And as you can see, because the COVID pandemic was so large, so fast, and so concentrated, those numbers are very high compared to higher values. In 2017, the risk ratio, which is the ratio of first payments to employment was 18, 19%. Following the pandemic it's up to 43.5%. So there's been a massive increase there because of the concentrated way that people were impacted in the COVID pandemic. Similarly, the and the maximum weeks of benefits rose from 19 to 25 weeks, and as a consequence, the recommended solvency level here is five billion dollars which would be three billion dollars more than we had heading into the pandemic, and is actually roughly double the actual benefits that we paid out in 2022, and so it's a very very large number, but we present it here because it is in statute. Uh I'll note that if you look at the trust fund or the beginning Balance the top row in gray for 2022, the three hundred and 30 million dollars that we received in the ARP money isn't reflected here, where it should be that happened prior to the start of 2022 and so the contribution number is a bit high because of that, or the Other Items is a bit high because of that. You can see it's 346 million. That should have been in the prior year that's a mistake that I have in the presentation. The balance that we had at the beginning of the year was about 346 million dollars. Once that ARP money is taken into account, because we had repaid all of the loans by September 30th. We've had 750 million dollars in contributions against about 230 million dollars in benefit payments. And so we are bringing in considerably more money than we've been paying out in benefits. Between the impact of the 330 million dollars in ARP money, and that increase in contributions, the trust fund was up significantly, rising to again just under 800 million dollars, So about the 600 ah, 155, 540 million dollars change in net actually in 2022.

Ah, the solvency level compared to that 5 billion dollar mark, We're only uh 16% of the way toward hitting that being at 800 million dollars. If, instead, you use the average high-cost multiple, which looks at the highest three rates of benefit payment over the last 20 years or three recessions, that smooths the number out a little bit the target for the average high cost multiple, which is again a Federal solvency measure is in the white section at the second row from the bottom. You can see that's about 2 billion dollars, and this actually feels pretty reasonable, because that's about what we had to pay out in the last recession. It's a little bit lower, because it's looking at the average of 2020, 2009, and 2010 .So it's looking at three very bad years of benefit payments. But it's averaging the experience that we've seen relatively recent history. And so it doesn't move around as much, and because it looks at twenty years or three recessions instead of just ten years, it's not as volatile. I think, in the state solvency measure, 2019 is a really important year to look at, because 2018 the solvency target for the State measure is 1.5 billion dollars. In 2019, it fell 1.2 billion dollars. Then 2020, it shot up to 2.6 billion dollars. Because it's only looking at one year, and it's only looking at a ten-year history, it's more volatile, and it's not as stable a measure to measure your so solvency, against, which is, I think, an important objective of the Council, is maintaining some of that constancy, not shooting up or shooting down any one year, depending on how a measure changes, but taking a longer, broader perspective on the program.

Going through the rest of the table here you can see the average tax rate that has been targeted in each of these years. The impact of the career enhancement program or CEP - 0.05% assessment. And then the total cost to employers. You can see the average cost per employee at the maximum taxable wage base. So this incorporates any changes tax rate as well as the maximum taxable wages uh, and it can provide kind of a measure of what the cost to employers per employee could be if they were making that maximum taxable wage base in any given year.

Finally, I have some projected cash flows looking at and 2023. Here we have the same beginning balance in all three columns. The difference between these columns is that the far left is that 1.45%. The center column is our current rate of 1.65%, and the far-right column is an increase to 1.85%. In all three cases we start with the same beginning Trust fund balance, and we have the same benefit payments. Again, a projected roughly 260 million dollars. You can see the impact is in the various levels of contributions where it each increase it of 0.2% raises contributions by about 95 million dollars. You can see the ending fund balance that we would expect to see, this time next year, ranging from 1.25 billion to 1.4 billion, with the average high-cost multiple ranging from 0.51 to 0.59, depending on the rate that is put into place. The average costs per employee will rise, even if the rate were to stay the same, because the maximum taxable wage base, in response to rising wages, will be rising to $40,100 for 2023. That is all my slides and I'd be happy to answer any other questions that the Council may have.

Jeffrey Frischmann:
Any questions? Dave, I have one question for you. On the 752 million dollars that was collected in contributions. Was that all collected in contributions or was some of that from overpayments, that was money that was erroneously paid and paid back to the program? Do you know what the difference is there?

Dave Schmidt:
So uh, thank you for the question. Uh, David Schmidt, again for the record, that 752 million dollars should all be contributions. Other things that have happened in the trust fund like, reimbursements of overpayments, interest that's been earned by the Trust Fund, the net impact of CWC, and other out of state benefit payments, are all wrapped up in the other items line, which is right below the benefit payments line.

Jeffrey Frischmann:
Okay.

David Schmidt:
Most of that is the 330 million dollars from the ARP loan repayment that was received.

Micole Baker:
Mark Costa has a question.

Mark Costa:
Um! I was wondering, Dave, looking at the Other Items row on the historic of cash flows and for this coming year, too. Before it was consistently around 30 or 40 million dollars. But I see in 2021 and took away 100 million, and then add back in 346 million. Is that paying back the Federal loan? Did that have an impact that or because there It seems to be increasing fluctuation in that category for Other Items, and we don't have it defined here.

David Schmidt:
Ah, thank you for the question, David Schmidt again for the record. This is my attempt to consolidate some of the particularly confusing lines that we're taking up a lot of space and had started to get old. Some of the item…this, this item is usually mostly interest that's been paid on Trust Fund balances, and so in that 24, 33, 43, 40 million dollars, that's what you're seeing the largest impact from is the impact of interest that's been received the -100 million dollars in 2021 is, I think, some of the the cash flows related to overpayments or other recoveries. It's not the loan repayment itself that shows up in 2022 which is why we go a lot higher. Ah, but it's I think, the largest share that was showing up here was, I think, the ah payments that are made to and from other States uh for uh benefit payments. That was an unusually large line item in 2022, because of the relatively high level of benefit payments overall. But those payments can also lag a little bit, which is why I think you see them showing up a little bit more in 2021. But the years of the pandemic are definitely affected by a lot of other bits and pieces. The biggest players are typically interest and that loan repayment amount in some years before 2017. This also included a refunds of excess bond proceeds that went to the trust fund. It's not really contributions. But it was money that was from the bonds that we had coming out of the great Recession flowing back into the trust fund once those were closed out.
One reason it's so low. If you look at the projections for 2023 is that interest rates have come down significantly. Uh, even as recently as 2018 or 2019, they were still closer to 3%. Currently, they're about 1.6% in terms of what we receive on the trust fund. And so we have a lower balance, earning a lower percentage rate, which is why we're looking at 14 to 16 million instead of 30 to 40 million. I hope that that answered your question.

Mark Costa:
Yes, thank you.

Jeffrey Frischmann:
Okay, any further questions for Mr. Schmidt? Okay, thank you for your presentation, it was very informative, as it always is Dave. So thank you very much. We will now have a council discussion on the rate recommendation. Members, please remember to state your name for the record. I will accept a motion, well, first we'll have discussion. Um, any thoughts for many members on where to set the rate this year, for the upcoming year. Okay Mark, I see your hand raised. If you would.

Mark Costa:
I notice. Well, last year we recommended to raise the rate, and we were overruled, and that’s fine, and we show up a positive effect this year that our starting balance is you know, high, or the ending balance is over almost 800 million dollars. Um I think we have to keep in mind that, almost half of that, or maybe a little less than half 40 or 45% came from these Other Items, which is why I made my question like I did

before. Um, we're not, chances, are we're not going to have that this year, as predicted in our projected cash flows for that, so I think whatever rate we go ahead and discuss or recommend we keep that in mind.

Jeffrey Frischmann:
Okay, thank you for your comment. In St. Louis, down at St. Louis is looks like there's a hand raised. Okay, nobody is attending there, okay. Any further discussion?

Stewart Terry:
We have hands raised by Tom Susich and Peter Guzman.

Jeffrey Frischmann:
Mr. Susich, I see your hand raised, please take the floor.

Tom Susich:
Yes, you know I was pleased to see we have 800 million. I'm actually surprised. Um, but I am concerned about a potential uh, downturn in the economy, and I kind of think we should consider bumping it up a bit just in case we are looking at a recession in the next year. So that would just be my comment. Thank you.

Jeffrey Frischmann:
Okay, thank you Mr. Susich. Mr. Guzman, I see your hand up. Please take the floor.

Peter Guzman:
Peter Guzman, President LCC. Actually, I don't know why my hand is up because I did not put a hand up, so I am good.

Jeffrey Frischmann:
Okay, thank you very much. Further discussion, I would like to make the point, too, that it seems as though we are possibly going into a recession, if we are not already in one. Certainly that's going to affect the employer community. And with that being said, I think that we should be very look at trying to be stable in what the employers can expect, and um, as far as a tax rate. So with that being said, I would like to accept a motion for an average rate recommendation for 2023.

Peter Guzman:
Just so that I'm clear on that, you're looking for a motion, that in essence, would uh, raise it right?

Jeffrey Frischmann:
Um, no, I'm looking for what the feeling of the Council is to understand if we would like to raise it, keep it the same, or lower it. I mean, we're open to any suggestion. So, considering what Mr. Susich had suggested a slight increase. I think that Mr. Costa's remarks were to be cautious that there was other monies coming in. My particular thoughts were that possibly we leave it the same, because it's, you know, to keep that stability. So, I think we've looked at a couple different ways to look at it. And with that being said what the members would like to do, so I'd be looking for a motion.

Peter Guzman:
I make a motion to keep it the same.

Jeffrey Frischmann:
Okay, Mr. Guzman makes a motion to keep it the same.

Mark Costa:
This is Mark Costa, I have another comment that it is good to point out that we are beginning with almost 800 million dollars this year and I agree with Mr. Susich that the recession can be right around the corner or seeing signs for that with higher interest rates. But, on the other hand, it's not, and the inflation rate is so much higher than it was. There's definitely danger signals, and I understand Mr. Frischmann's comment, too, about wanting to keep it stable, you know, for the sake of the employers, and not putting any more burden on them for what's going on. So I'm, I'd like to see a higher balance, because at 800 million, it was eaten through pretty quickly um beforehand, when we had a recession. But I think, under the circumstances. I'm leaning towards keeping it stable right now with the understanding that, considering how volatile things are nowadays with, you know, with a war, pandemic, you know inflation possibly coming, or maybe it might be okay for the next year or so. But um, who can say so? I think we may have to come back, I guess, and revisit this. If the situation terms dramatically, maybe have a special meeting. But in the mean time keep things as stable right now. So um bottom line is, I'll go ahead and second the motion to keep them stable.

Jeffrey Frischmann:
Okay, Thank you, Mr. Costa. So for the record, and I see your hand up. Mr. Susich.

Joseph Choat:
They don't have their hands up.

Jeffrey Frischmann:
Okay, they don't have their hands up, okay. So with for the record. The motion to recommend for a UI tax rate of 1.65% was moved by Mr. Guzman and Mr. Costa.

Peter Guzman:
And just for a point of clarification. This is to keep it where it is, where it's been.

Jeffrey Frischmann:
That would be correct. That would be from if I'm not mistaken, Dave. 1.65%,

David Schmidt:
Yes.

Jeffrey Frischmann:
Okay. So yes, that would be where it's at, Mr. Guzman. Thank you for the question. Thank you. Okay. With that we have got a motion, and it was seconded. Um! Is there any further discussion? Um, regarding the tax rate? At 1.65%, keeping it where it's at any further discussion. Okay, seeing none. I will now call for a vote. All those in favor of the motion to keep the tax rate the same as it is now at one point six, five. Um, please say aye.

Mark Costa:
Aye

Jeffrey Frischmann:
Aye

Peter Guzman:
Aye

Daniel Costella:
Aye

Jeffrey Frischmann:
Those opposed?

Tom Susich:
Uh I’m going to vote no, Tom Susich.

Jeffrey Frischmann:
Okay, anybody abstaining? Okay, with that the motion passes four to one. With Mr. Susich as voting against it. Okay, I will offer one final opportunity for public comment. Remember to state your name, title, and who you represent for the record. We will start in Las Vegas. Are there any comments in Las Vegas. Seeing none. I'll move to Carson City. Are there any public comments in Carson City? Seeing none. Is there anyone on the phone line waiting to make a comment? Mr. Terry, does there?

Stewart Terry:
No one seems to be raising their hands. Micole, do we have any one on the phone line signaling they would like to comment?

Micole Baker:
I do not see anyone raising their hands.

Stewart Terry:
Thank you so much.

Jeffrey Frischmann:
Okay, I will accept a motion for adjournment.

Peter Guzman:
Motion for adjournment, Peter Guzman.

Mark Costa:
Seconded, Mark Costa.

Jeffrey Frischmann:
For the record, the motion was moved by Mr. Guzman and seconded by Mr. Costa. Is there any discussion? Seeing none? I will now call for a vote all those in favor of adjourning the meeting, please say Aye.

Daniel Costella:
Aye

Mark Costa:
Aye

Peter Guzman:
Aye

Jeffrey Frischmann:
Aye. Those opposed? Seeing no one. Anyone abstaining? Seeing no one. So it’s unanimous to adjourn the meeting. This meeting is therefore hereby adjourned and thank you very much for your time and um effort in this endeavor.

Mark Costa:
Than you, thank you.

Peter Guzman:
Thank you, everyone.