**[Kristine Nelson]**

Good afternoon, everybody, and welcome to the September 30, 202 , Small Business Workshop for the record. My name is Christine Nelson. I serve as the administrator of the Employment Security Division here at the Nevada Department of Employment, Training, and Rehabilitation.

This public workshop is being conducted in compliance with Nevada. Revised Statute section 233.0608,for the purpose of soliciting public comments on proposed regulation amendments, as stated in agenda item number 5. Regarding unemployment insurance tax rate schedule for Nevada, employers for calendar year 2025, pursuant to the requirements prescribed in NRS 612.,550 and proposed revisions to NAC. Nevada Administrative Code 612.270.

Included in the regulation draft that is posted with the agenda for today's workshop there will be 2 public comment periods, one at the beginning of the agenda and one at the end at which the public will have the opportunity to make public comments on the items on today's agenda.

Each public speaker will be limited to 3 min, and no action may be taken upon a matter raised under public comment period, nor any other matter that may that is not included, included on today's agenda.

So with that, I'll go ahead and close agenda. Item number one and open agenda item number 2, which is the 1st period for public comment.

I'll start in Carson City. Are there any members of the public physically present here in Carson City who would like to provide public comment. If so, please come forward, state your name, and who you represent for the record.

There's no public comment.

Seeing no public comment in Carson City, I'll move to the phone lines and zoom, are there any callers or participants online wanting to provide public comment or in your pop public comments or online requests from Zoom.

Alright, seeing none online or on zoom.

I'll move to Las Vegas. Are there any members of the public in Las Vegas who would like to come forward to make public comment?

Looks like there are not

alright for the record. There are no members of the public in Las Vegas wishing to make public comment.

So with that, I'll go ahead and close agenda item number 2 and open agenda item number 3, which is confirmation of posting. Miss Potter was proper notice provided for this small business workshop given pursuant to Nevada's open meeting Law NRS 241.020.

**[Melissa Potter]**

Melissa Potter, for the record I hereby attest and affirm that proper notice was given for the September 30th, 2024, small business workshop public meeting pursuant to Nevada open meeting law NRS 241.020.

**[Kristine Nelson]**

Thank you, Miss Potter. Moving on. I'll going to close agenda item number 3 and open agenda item number 4, which is a review of any written comments received by the division.

Ms. Potter. Did the Department receive any written comments on the subject matter of today's public meeting? And if so, please read all written comments into the record.

**[Melissa Potter]**

Melissa Potter for the record. No written comments were received on the notice and agenda of today's small business workshop.

**[Kristine Nelson]**

Thank you, Miss Potter, moving on to it. I'll close agenda item number 4 and open agenda item number 5, which begins this, today's small business workshop. I'll provide a review of the proposed amendments to NAC 612.270, as illustrated and attached to today's notice as a draft regulation and then I will, in consultation with the with DETR's chief economist, David Schmidt.

I'll go ahead and perform and open today's workshop. Also attached to today's agenda was a small business impact statement which was prepared and executed in consultation with DETR's chief economist, David Schmidt and the division performed a small business impact analysis which is attached to this meeting notice. Said impact analysis demonstrated that these proposed regulatory amendments are not expected to impose any burden on any large or small business in Nevada, nor do they appear to directly restrict the formation, operation, or expansion of any business in the State.

The proposed regulation amendments in NAC 612.270 prescribed a schedule of rates, of contributions for employers, for UI taxes for the calendar year 2025, as outlined in DETR

ESD Small business impact statement. The analysis was conducted by DETR ESD. In consultation with DETR's chief economist, Dave Schmidt.

**[David Schmidt]**

62,639 or 62% of Nevada employers will be subject to UI Contributions and eligible for experience ratings as proposed in NAC 612.270 regulation amendments that was posted again posted with this workshop agenda.

This regulation proposed to NAC 612.270 represents an unchanged average UI Contribution rate at 1.6, 5% from 2024 to 2025, with no change to the 1.6 5% average UI contribution rate, the average burden on employers will remain steady and will not revert to the standard Ui contribution rate of 2.95%.

These contributions are expected to exceed benefit payments and will continue to allow the State to build its UI trust fund reserves.  The only employers who will experience a higher contribution rate are those whose UI experience causes them to receive a higher rate than the standard rate of 2.95%, which per the rate schedule. All but 1,248 of these employers have a negative reserve ratio, and therefore have more UI benefit charges against them than the UI contributions paid.

With that I'll go ahead and turn over today's workshop over to Jennifer Carroll. DETR ESD's contributions chief for her presentation on the 2,025 estimated tax rate schedules.

**[Jennifer Carroll]**

Good afternoon. My name is Jennifer Carroll. I serve in Contributions as the Chief of Contributions for the Employment Security Division with the Department of Employment, Training and Rehabilitation

Go ahead and go to the 1st slide.

The purpose of this workshop is to discuss the recommended unemployment insurance or Ui tax rate for calendar year 2025.  A small business is defined as having 149 employees or less employer data for this workshop comes from the records of the division based on reports filed by employers.  This regulation represents the Employment Security Division's administrators. Recommendation of maintaining an average UI rate of 1.65%

Go ahead and go to the next slide.

Small businesses represent 62,639 or 98% of the 63,786 eligible experience rated employers, all employers subject to unemployment contributions and eligible for an experience rating will be affected by this regulation.

Next slide.

This regulation continues to provide tax rate stability for employers in the UI Trust Fund, which is projected to grow by 1.15 billion from September 2024 to September of 2025 small businesses will account for over 1 billion of the total revenues. This regulation will continue to allow experience rated employers to pay contributions at a rate lower than a new employer rate of 2.95%.

Next slide

Each year the tax rate schedule is adjusted through regulatory process to adopt the reserve ratios that apply to the rates a 1.65% average rate will continue. The stability of the overall tax employers pay into the trust fund.

The Ui system helps to maintain workers to the local workforce and facilitates a faster return to work.  A statutory increase in the wages subject to unemployment contributions which rose from 40,600 in 2024 to 41,800 in 2025 will cause the average cost per employee at the maximum taxable wage base from $2,192 and 40 cents to $2,257 and 20 cents in 2025.

Next slide

Small employers are projected to pay over 1 billion of the 1.1 5 billion total taxes collected. It's estimated that 1,563 employers, or 2.50% of employers will be at the highest rate of 5.4%.  5,337 employers, or 8.52% of employers will be at the lowest tax rate of .25%

Next slide.

The tax method used for Nevada's unemployment compensation program is based on an experience rating tax is based on an experience rating system approved by the US Department of Labor. The rating system is designed to ensure that employers are rated fairly based on their unique experience with unemployment, regardless of their size or industry type.

Next slide.

There is no cost for enforcing this regulation funding for the Ui program is provided to the Department by the Us. Department of Labor.

NAC 612.270 is adopted each year to set employer contribution rates and is required by NRS 612.550. This regulation adheres to the Federal compliance regulations governing UI contribution rates.

Next slide

To summarize the average 1.65% UI tax rate is expected to produce 1.15 billion for the trust fund in Calendar Year 2025.  Small businesses will account for over 1 billion of the total revenues. This concludes my presentation.

**[Kristine Nelson]**

Thanks Carol.

And now I'll turn the workshop over to Leaders Chief Economist David Schmidt, to provide this overview of UI Trust Fund.

**[Dave Schmidt]**

Thank you. This is David Schmidt, Chief economist for the Research and Analysis Bureau for the record, and I will start with an overview of Nevada's employment unemployment landscape and then turn it over to colleagues from my office to discuss the details of the trust fund overall Nevada's employment growth has been strong. We had an annual growth of 3% in the 12 months ending in August.  Over the course of 2024, that has been in the 3 to 3.7% range, which is generally stronger than most other States, and I will pause for a second while we wait for office to get the the presentation going, there we go.

So, if we can go on to a slide number 3, when we get that up on screen.

Okay? So, as we look at Nevada's growth following the 2020 recession. Really, the trend that stands out. And this is important for the trust fund, because of the potential impact to benefits. You see 3 recessions on this chart the 2,001 recession, which includes the impact of 911 to Nevada's economy, ended up being fairly mild. We were fully recovered within 2 years, and the overall loss in jobs was pretty insignificant overall. In the great recession Nevada had a much bigger impact, losing roughly 200,000 jobs over the course of about 3 years with a very prolonged period, until we got back to that peak level of employment.

And then the Covid recession. You have a huge impact. We had roughly 30% unemployment. We had over 300,000 jobs dislocated within just 2 months, but we recovered to our pre-recession employment level within about 2 years, and have continued to grow at a rate of over 4% since we got back to that pre-recession employment level.

Next slide

Shows Nevada's employment growth compared to other States. Really, the highlight here is that Nevada has maintained very strong growth. We've been among the fastest growing States, not only in the immediate recovery from the pandemic, but as we have continued to expand beyond our previous employment levels.

The next slide will show you the distribution of these job gains by industry sector. This is noteworthy because Nevada seen a lot of growth outside of leisure and hospitality which is basically flat compared to where it was before the pandemic. We've seen lots of growth in construction, in professional and business services and manufacturing, in transportation and warehousing and logistics overall. And so we are seeing new businesses coming in in new sectors compared to the leisure sector taking a look at what's happening with earnings in the state. The next slide will show a total weekly earnings in the State compared to other States and the growth rate that we've seen there. Nevada, as normal has a position around Number 35 in the country in terms of total earnings.

But total earnings are composed of 2 factors. The hourly wage people make, and the number of hours they're working. So the next slide looks at the average hourly wage in the State. This is an area where Nevada has been expanding more rapidly. We were much lower at the start of the year, but the pace of our wage gains has been increasing as we move through the year to where we're about number 25 in the country, with a wage growth of 3.6% in terms of hourly wages on the next slide, you'll see. That is offset a little bit by the fact that we've seen one of the biggest drops in the country in the terms of the total number of hours being worked. We were higher near the early stages of the recovery that has been falling a little bit as the number of hours worked is declining, offsetting some of that average hourly wages.

The next slide shifts from employment to unemployment. Where Nevada has one of the highest unemployment rates in the country.

This is not a high unemployment rate. We are at 5.5%, which is not what we would expect to see in a recession. It's just that there are a number of states with very low unemployment rates. The national average is a little bit above 4%.

And so Nevada is a little bit more than a percentage point higher than the country as a whole. This is also accounts for some of the slower wage growth that we saw earlier in the year, because typically higher unemployment is correlated with less wage pressure, pushing up wages at a slower rate, certainly slower than we had seen about 2 years ago.

If you look at the next slide, it's also clear that most of Nevada's unemployment is not due to job loss. This is a complicated slide. But essentially, if you are above the black line, black line represents a balance between unemployment due to job loss and unemployment due to other reasons. If you're above the line, you have more unemployment for reasons other than job loss, like people entering the labor market people below our States below the line have more unemployment due to job loss than they do. For these other reasons, Nevada, through its recovery, has been high because we have higher unemployment, more because people are entering the labor market looking for work rather than people who lose their jobs.

This is important for UI because unemployment insurance is available to people who lose their jobs through no fault of their own. And so the distinction between job loss and other forms of unemployment does have a direct impact on what we might expect. Potential benefit costs to be.

Moving to the next slide. Another way that we can look at unemployment is by duration of unemployment. Again, the black line represents a balance between States who have more unemployment from individuals who have been unemployed for 15 or more weeks versus people who have been unemployed for 14 or fewer weeks. Nevada, like every State other than New Jersey, has most of its unemployment in that 14 weeks or fewer category.

This is an average across the system. And so for unemployment benefits, you typically see an average of close to 13 weeks, but averaging between people who are claiming the maximum number of weeks at 26, and people who are entering the system with 0 weeks of unemployment benefits. And so our experience for unemployment is pretty closely related to the experience that we see here in terms of unemployment overall for the State as a whole.

The next slide takes a look at one of the drivers of labor force participation. This is the share of people in our population who are working or looking for work.

One of the big economic factors has in the nation has been the increasing share of people who are retiring. As the baby boom generation gets older. You can see this is true for Nevada as well, but it also looks as though this trend is leveling off, and so that probably supports a stronger outlook for the economy. As we look ahead in the next 5 to 10 years. If you look at the next slide, you can see that the participation rate, if we exclude people who are retiring in Nevada, as well as in the country as a whole represented by the gray ribbon, has been increasing as we move beyond the pandemic, and so as the share of the population that's not retired is engaging in the labor market, then we see higher levels of employment and potentially higher levels of unemployment as well as those people, come in and begin to look for work

And then finally, for my portion of the presentation, taking a look at overall activity within the unemployment insurance program through August. This shows a number of different metrics at a high level. But what I would really focus on is the last 2 rows of this table, final payments and average duration, and the final 2 boxes on the right. At the top.

We have seen some increases in terms of the number of people who are receiving final payments, that is, people who have used up every bit of their unemployment insurance eligibility. Currently, about 38% of people who begin receiving unemployment benefits use up all of the benefits available to them within a benefit year.

That would typically be about 33 to 35%. This is a little bit higher. It's not particularly high, but it is a trend that we've been watching, and I think you'll see reflected in some of our projections for potential benefit costs. Similarly, the average duration of benefits has been increasing. Usually I would expect this to be about 15 weeks or less. It's currently sitting at 16.2 weeks. This is a little bit high, but not again not very high, and it's not increasing very dramatically. I think we're still seeing some of the resettling of the unemployment program as we move beyond the impact of the pandemic and settle back into a more normal level of operation.

And so with that, I will turn this over to Tim Wilcox.

**[Tim Wilcox]**

This is just gonna look into some more of the details of it.

This is just the initial claims per 1,000 jobs. It just shows you the great recession and covid how much of an outlier they both were next slide.

This is the same data, except it's a 6 month average, and we use a log for the scale and graph. So yes, you'll see at the very tail end on the right. Our initial claims are going up.

But it is still far lower than the Great Recession and Covid.

Next slide.

So this is the 12 month rolling sum of Ui benefits. So yes, it is going up, but seems pretty tame comparison to the big picture next slide.

Right? This is contributions on a 12 month rolling sum. Just like to call attention to the last box on the right.

So yes, rates have been cut on 3 separate occasions this period, but our contributions have continued to rise. So that says that the trust fund is probably in a pretty decent spot

Next slide.

So our trust fund balance has went up. This is for the State fiscal year, ending June 30th, 2024. Our average annual wage has increased by 3%. The taxable wage base, the portion of the employees, wages that are tied to the tax has gone up. And also our maximum weekly benefits went up by 3%.

So, the chart on the right just says that.

Yes, for all pipe in the total contributions we've of the total. We're paid out for 65 million in benefits, but we are still accruing savings and adding to the trust fund.

That's fine. This just says that there is no need to take inflation to an into account when it when it comes to setting the rate, because it's baked in on both. When we set the tax rate or not, maximum weekly benefit amount, and so on. We build inflation into it.

Next slide.

This is just a projection for one year. So yes, benefits being paid out has increased and we project that. Benefits are gonna go up, but not by too much.

Next slide.

Okay.  So just gonna call into account a little spike in the middle.  That is not due to any economic conditions, that is, timing of payments, timing of revenue because this is a 12 month rolling sum. If the if the payments come in a different month, it'll cause that spike.

So back to the topics.

Yes, contributions are increasing. We expect it to rise in the short term, and then fall in one to 12 to 18 months from now.

Next slide.

Now with this, I'll hand it off to Andrew.

**[Andrew Stencel]**

So in terms of Ui trust fund levels, these are our historic cash flows. I'm gonna focus primarily on 2024. As that's the new data.

Taking a look at the blue box. That's our Nevada solvency calculation. So that is the solvency target that's required by law for us to calculate for 2024, we're looking at a level of around 7 billion dollars for our solvency target.

We tend to try not to use this measure, as it's only indexed the last 10 years, and takes into account only the worst year on record within those 10. So it tends to fluctuate a lot. For example, that's much level of 7 million is much more than we paid out during the covid pandemic.

The measure we tend to use like to use more is the average high cost multiple which takes into account over the last 20 years of data that the average of your 3 worst benefit years.

Just taking a look at some of our trust fund levels over the past year. We've grown about 330 million dollars into the trust fund that comes with a little bit of higher benefit payments as that got adjusted higher as it does every year. Contribution should be adjusted next year to kind of catch up with the inflation

Next slide, please.

Here's taking a look at our projections for next year. 1.6 5%.

We'll see once again the soft sea target continues to increase as our covered employment increases, but with an average rate of 1.6 5%, we're projecting around 900 million dollars in contributions around 600 million in benefit payments. And that will leave us around that 2 billion or yeah, 2 billion mark in ending fund for balance for the UI Trust Fund.

Next slide.

Seeing as this is the small business workshop, we took a little bit of a look at our small business employment stats. So these are the share of small business employment within each county.

So, for example, for Esmeralda County, 100% of the people employed in Esmeralda County work for small business. It's kind of a good distribution to look at statewide where our small businesses are located

Next slide.

Now, this is kind of a similar thing. But looking at industry. So, for example, 92% of people employed in agriculture work for a small business, and you'll see a mining at the bottom 29% of people. That's kind of similar when you sell with Eureka accounting. So it's a huge mining employment there

Next slide.

Now I'm gonna hand this back off to Tim to go over his slides. Alright.

**[Tim Wilcox]**

This is just the number of small businesses statewide as to explain the increase that comes back to Covid.  A lot of very small employers, remote employers, one or 2 employees at Max.

So that explains why, it hovered at a pretty steady state and then starts increasing

Slides.

And this is small business employment. So small business is gonna grow at a fairly decent rate.  Awesome.

Just like you can expect. Covid had a pretty profound impact on it. It seems to have recovered nicely.

Next slide. Okay.

Now, the effective tax rate. Effective tax rate is the contributions paid by it given company, divided by the taxable wages. and then from there you sum it up per quarter, and then average it.

So it's a small businesses usually pay a higher effective tax rate. And that comes back to being so many new employers. It's the experience rating.

Well, you start at 2.95%. And then, after 3 years, you get experience rating and you go down. But this shows the effect of the impact of so many new small employers

Next slide.

And then this is the breakdown by each effective tax rate group. So says at most 37.4% of your small businesses are in the higher tax rate.

This comes back to the new and small employers. And yes, and as you progress on further it evens out. So I would say, it says that small businesses don't aren't going to be unduly impacted. By this tax rate.

And that concludes my presentation.

**[Kristine Nelson]**

Thank you, Mister Schmidt, Mr. Wilcox, and can we state your last name for the record?

**[Andrew Stencel]**

My last name is Stencel, Andrew Stencel.

**[Kristine Nelson]**

Thanks Mr. Stencel.

So with that, I'll open it up to the public. Does the are there any members of the public who have any questions for myself and or for the presenters here today. members of the public on Zoom, when we're on the phone only in Las Vegas.

**[Melissa Potter]**

Melissa Potter for the record. There's no questions in the zoom chats.

**[Kristine Nelson]**

So, seeing no questions of the public, I'll go ahead and close the public workshop agenda item number 5 and open agenda item number 6, which is the final public comment period.

I'll start in Carson City. Are there any members of the public in Carson City who would like to come forward and provide public comment.

**[Melissa Potter]**

Melissa Potter, for the record. There are. No, there's nobody in attendance for the public, seeing none. I'll go ahead and move to the zoom and phone lines.

**[Kristine Nelson]**

Are there any members of the public on the phone or on Zoom would like to provide public comment?

**[Melissa Potter]**

Melissa Potter for the record. There's no public comment on Zoom.

**[Kristine Nelson]**

Any members in Las Vegas of the public would like to provide public comment.

**[Melissa Potter]**

Melissa Potter, for the record. There's no public comment from Las Vegas.

**[Kristine Nelson]**

Thank you. So, closing agenda item number 6, I'll go ahead and move to agenda item number 7.

The next step in this rule making process is will be the regulation hearing on the notice of intent to act upon regulations which will be a public meeting to be held on Monday, December second, 2,024 at one PM.

Up to date materials and scheduling. We encourage you to monitor our website at detr.nv.gov or Nevada's regulation notices website notice.nv.gov.

DETR's employment security division welcomes all written comments and questions on these matters which can be sent via email to mass@detr.nv.gov.

Or mailed to our administrative offices at 500 East 3rd Street, Carson City, Nevada 89713.

Thank you. And with that I hereby adjourn the small business impact workshop.