

Kristine Nelson: Yes. Thank you for your patience. Good afternoon, and welcome, everyone, to this October 6, 2025 Small Business Workshop. For the record, my name is Kristine Nelson. I serve as the Administrator of the Employment Security Division here at the Nevada Department of Employment, Trade, and Education.

Kristine Nelson: This public workshop is being conducted in compliance with Nevada Revised Statute, Section 233B.0608 for the purpose of soliciting public comments on proposed regulation amendments as stated in the agenda Items 5A and 5B.

Kristine Nelson: As I go through today's agenda, I will call upon your staff to provide presentations of relevant information as it pertains to the regulatory matters for discussion under Nevada Administrative Code NAC612.270 and 612.258.

Kristine Nelson: There will be two public comment periods, one at the beginning of the agenda and one at the end, at which members of the public will have opportunities to make public comments on the items on today's agenda.

Kristine Nelson: Each public speaker will be limited to 3 minutes. No action may be taken upon any matter raised under public comment period, nor any other matter that may be raised but is not included on today's agenda.

Kristine Nelson: With that, I'll go ahead and close agenda item number 1 and open agenda item number 2, which is the first public comment period.

Kristine Nelson: I'll start in Carson City. Are there any members physically here? Any members of the public physically here that would like to come forward and make public comment? If so, come forward, state your name, and who you represent for the record.

Casey Frasca: Casey Frasca, for the record, there are no members of the public present in Carson City wishing to make public comment.

Kristine Nelson: Thank you, Casey. Moving to the phone lines and Zoom, are there any callers or participants online wanting to come forward to make public comment?

Casey Frasca: Casey Frasca, for the record, there are no members of the public on the phone or online who wish to provide public comment.

Kristine Nelson: Moving to Las Vegas, are there any members of the public in Las Vegas that would like to come forward to play public?

Casey Frasca: Casey Frasca, for the record, there are no members of the public present in Las Vegas wishing to make public comment.

Kristine Nelson: Moving on, I'll go ahead and close agenda item number 2 and open agenda item number 3, which is confirmation of the posting.

Kristine Nelson: Mr. Frasca, was proper notice provided for this small business workshop pursuant to Nevada's Open Media Law 241.020?

Casey Frasca: Casey Frasca, for the record, I hereby attest and affirm that proper notice was provided for this October 6th, 2025 Small Business Workshop, pursuant to Nevada's Open Meeting Law, NRS241.020.

Kristine Nelson: Thank you, Mr. Frasca. Moving on, I'll close agenda item number 3 and open agenda item number 4, which is a review of any written comments received by the department on today's topic.

Kristine Nelson: for this small business workshop. Mr. Frasca, did the department receive any written comments? And if so, please read those comments into the record.

Casey Frasca: Casey Frasca, for the record, no written comments were received on the notice and agenda of today's Small Business Workshop.

Kristine Nelson: Moving on, I'll go ahead and close agenda item number 4 and open agenda item number 5, which is today's Small Business Workshop. This is the first public step in Nevada's rulemaking process.

Kristine Nelson: The purpose of this workshop is to discuss regulation amendment proposals and incorporate input received from interested stakeholders.

Kristine Nelson: Pursuant to Nevada Revised Statute 612.0310, Subsection 2, earlier today, the Employment Security Council convened in a public meeting to consume information from Dieter's Research and Analysis Bureau's Chief Economist, Dave Schmidt, and his team.

Kristine Nelson: who provided economic overview of the state and health of Nevada's Unemployment Insurance Trust Fund.

Kristine Nelson: The Council also heard from DETR's Chief of Contributions, Jennifer Carroll, who presented three UI tax rate schedule scenarios for the purpose of gathering all the information available, along with public inputs, to enable the Council to then recommend an average UI tax rate for the calendar year 2026.

Kristine Nelson: Acknowledging the importance of providing a stable environment for employers, the Council recommended a rate of 1.65%.

Kristine Nelson: After careful review and consideration of all public comments received and the Council's recommendation.

Kristine Nelson: Pursuant to the authority vested in me and NRS Chapter 612.220, I will be moving forward in the rulemaking process with a proposed average UI tax contribution rate of 1.45%.

Kristine Nelson: By pursuing this regulation amendment, Nevada employers' wages will not be subject to the automatic default rate of 2.95%, which would be the rate in effect in the absence of this regulation amendment.

Kristine Nelson: In addition, NRS 612.606, Nevada employers are required to contribute an additional 0.05%, which is paid as an assessment into the Unemployment Compensation Administration Fund that administers the career enhancement Program in this state.

Kristine Nelson: The 1.45% proposed average contribution rate is a 0.20% decrease from the current 1.65% rate in effect for calendar year 2025, which is beneficial to Nevada's employers.

Kristine Nelson: When ratified through this rulemaking process by the Legislative Commission in December of 2025, the UI tax Contribution schedule prescribed for calendar year 2026 will look like what is currently displayed on this screen, and available at this workshop.

Kristine Nelson With that, moving on to agenda item number 5A sub I, I will now call upon David Schmidt, DETR's Chief Economist, to reiterate his presentation on Nevada's economic status, the health of the Nevada UN Trust Fund, and an overview of the small business impact said regulation would have.

David Schmidt: Okay.

David Schmidt: Thank you, and, in the interest of time, because this information was presented at the Employment Security Council meeting, I will be going a little bit more quickly through the slides.

David Schmidt: Just to a quick note, in previous years, we've had a state solvency measure, but AB 21 of the 2025 legislative session has, eliminated this formula, because, following COVID, it, there were significant weaknesses in that formula, that would have caused it to provide, frankly, bad guidance to policymaking. And so...

David Schmidt: We are still moving forward with presenting analysis based on the average high-cost multiple, as we testified to in the legislative session.

David Schmidt: Over the course of this presentation, we have economic conditions, we have unemployment insurance trends, and then finally projections for, state solvency.

David Schmidt: The next three slides summarize the employment picture in Nevada, but you can see the most... the biggest details on this slide, which is that following the COVID recession, we had a period of relatively rapid employment growth in 2021 and 22. In 23 and 24, that growth exceeded pre-COVID levels and has slowed down as we get into 2025.

David Schmidt: So I will skip ahead to...

David Schmidt: This slide says wage growth is holding up.

David Schmidt: One of the interesting things about the data is that even though we're seeing this slowdown in employment, we still have very rapid growth in wages. So this suggests a strong ongoing demand for labor.

David Schmidt: It is also an important part of our projections, because our projections are essentially a mix of how many new jobs do we expect, and what do we expect those jobs to pay, and so as wage growth has been strong, forecasted future wage growth.

David Schmidt: has a, significant impact on the projected wages, that we use and provide to, due to contributions to PARC.

David Schmidt: Skipping ahead to, unemployment, we can see that Nevada's unemployment is one of the highest in the country. We are second only to the state of California, and behind California and the District of Columbia in terms of the overall unemployment rate in this state.

David Schmidt: Our labor force participation is a big reason for this. On the next slide, we can see Nevada has a slightly above average labor force participation, which means we have more people in the labor market looking for work.

David Schmidt: than the average state. If we look at the next slide, this is important, because in a recession, what really drives the huge increase in unemployment benefits, is people losing their jobs. Where we sit today, even with that relatively high unemployment rate compared to other states, is still driven by people entering the labor market looking for work, not people losing their jobs.

David Schmidt: Which is one of the key criteria for people claiming benefits.

David Schmidt: The table on the next slide shows the overall level of activity in the unemployment insurance program, which has been fairly stable over the course of the past year.

David Schmidt: We skip ahead to...

David Schmidt: The taxable wage base slide, you can see here the components of our projections in terms of total wages in the state. Our employment growth projection is relatively modest, but as I said, it's our projection for average wages that drives the projected increase in total wages in the state to just short of \$55 billion in taxable wages, because not all wages are subject to unemployment tax

David Schmidt: Each employee... or each employer pays, per employee up to a fixed amount that's recalculated each year.

David Schmidt: Skipping ahead, to the trust fund balance slide, we can see that, for all of the rates that,

David Schmidt: were really under consideration, 1.45 and 1.65 today. All of these would continue to add to the trust fund balance in the state. It's only if we were to have dramatic increases or decreases in the tax rate, below about 1%, that we would start to lose ground with the solvency of the trust fund. Rates above that level are still continuing to add solvency.

David Schmidt: Which is to say we're approaching, that solvency target more over time.

David Schmidt: The next slide shows the history of our trust fund finances, where we've been at a 1.65% rate, since 2019. We have continued to build solvency by hundreds of millions of dollars every year. We've gone from a point where we were borrowing in the immediate aftermath of COVID to having the highest trust fund balance that we've ever had.

David Schmidt: And the overall level of solvency that we see continues to improve. The average high-cost multiple takes into account the worst 3 years that the state has experienced in terms of total benefit payouts in either the last 3 years or a period including 20 years. So as we move into the post-COVID period, that includes the benefits that we paid out in 2020, which were a little bit over \$2 billion, because

David Schmidt: the shutdown of non-essential businesses, when the state also had an unemployment rate of nearly 30%, which was more than double the highest unemployment rate

it had ever seen in its entire history before, which was about 14% in the Great Recession. So COVID was a very unusual experience.

David Schmidt: So if we, apply some nuance to this data and think, maybe COVID isn't the best gauge of future solvency. This is what the blue box, highlights on this page, which is to say, if we use the ratio of benefits that we expected to have to pay prior to COVID,

David Schmidt: adjust that for current wages, just like the normal solvency measure, we would actually be nearly 20% above the recommended balance that we need in the trust fund. It's only because COVID was such a extreme case, with such a high level of benefit payouts in such a short period of time, that we're actually still below that 1.0 average high-cost multiple.

David Schmidt: The next slide, shows a range of rates that were presented to the Employment Security Council, ranging from 1.45 to 1.85. 1.85, just sort of thrown in for what would it take to get to an average high-cost multiple of one in a single year.

David Schmidt: Under each of these scenarios, we still continue to bill that solvency level, with the average high-cost multiple rising, to 0.92% under the 1.45% rate, and the non-COVID average high-cost multiple rising to 1.32%, or roughly, 16 months worth of benefits at a Great Recession level of benefit payouts.

David Schmidt: Moving on to the Small Business Impact Statement,

David Schmidt: It's important to note when the regulation setting process that in the absence of a regulation, the standard unemployment contribution rate for all employers that's set out in law would be 2.95%.

David Schmidt: Because the 1.45% average rate is less than 2.95%, this is a net positive, for employers in the absence of this regulation. All employers would pay at 2.95%, costing,

David Schmidt: roughly \$900 million to \$1 billion in higher contributions than the 1.45% rate that the administrator is considering here today. In addition.

David Schmidt: While some employers would see rate cuts, those at 5.4% would go down to 2.95, those at 0.25% would go up to 2.95 because of the structure of the tax rating system. The employers who have

David Schmidt: Then a net cost to the system, where they have been charged more in benefits to their former employees than they have paid in taxes over the life of their account, are those that would see a tax reduction.

David Schmidt: While those who have paid for the system and may have had charged in benefits would be the ones bearing the brunt of that tax rate. And so under all of the proposed rates that we were looking at today, each of these would still be a system which

David Schmidt: is to the net benefit of the employers in the state, and so our impact statement shows that the beneficial impacts are significant cost savings to employers by adopting a rate. The adverse impacts are focused on those employers who represent a net cost to the system, and therefore provides a more equitable distribution of benefits.

David Schmidt: And that overall maintaining an unemployment trust fund, it does help to support workers in the state through involuntary job loss, which then is reinvested in the economy and continues to support... to support economic activity in the state.

David Schmidt: That will conclude my presentation and answer any questions you might have.

Kristine Nelson: Mr. Schmidt?

Kristine Nelson: I don't have any questions, so I'll go ahead and move on to agenda item number 5A, subsection III, and call upon Erin Fitzgerald, Deputy Chief of Contributions, to present the proposed UI tax schedule.

Erin Fitzgerald: For calendar year 2026, the proposed average contribution rate of 1.45%.

Erin Fitzgerald: Thank you, Casey. That's actually the other, scheduled PowerPoint that was in email.

Erin Fitzgerald: Yes, sir.

Erin Fitzgerald: Yes.

Erin Fitzgerald: Wonderful. Thank you, Casey. Good afternoon, my name's Erin Fitzgerald. I serve as the Deputy Tax Chief for Contributions for the Employment Security Division.

Erin Fitzgerald: Next slide, Casey, please.

Erin Fitzgerald: The purpose of this workshop is to discuss the recommended UI tax rate for the calendar year 2026.

Erin Fitzgerald: A small business is defined as having 149 employees or less.

Erin Fitzgerald: Employer data from this workshop comes from the records of the division through reports filed by the employers.

Erin Fitzgerald: The administrator's proposal of the average UI tax rate of 1.5% today. Next slide.

Erin Fitzgerald: Small businesses represent 75,559 employers, or 98% of the eligible experience-rated employers.

Erin Fitzgerald: All employers are subject to the UI contributions, and eligible for experience rating with it will be affected by this regulation. Next slide.

Erin Fitzgerald: This regulation continues to provide tax rate stability for employers in the UI Trust Fund, which is projected to grow just over \$1 billion from 2025 September to September 2026.

Erin Fitzgerald: Small businesses will account for \$595 million of that total revenue.

Erin Fitzgerald: This regulation will continue to allow experienced rated employers to pay contributions at a lower rate than the new employer rate of 2.95%.

Erin Fitzgerald: Next slide.

Erin Fitzgerald: The cause of any change in an employer's state unemployment tax rate is due to their changes in their reserve ratio and the experience with unemployment.

Erin Fitzgerald: Rates that employers pay are fixed to the statute, and the rate is adjusted each year in the regulatory process by adopting the range of reserve ratios that apply to those rates.

Erin Fitzgerald: Oh, excuse me, stay there.

Erin Fitzgerald: A 1.5%, 1.45% average rate will continue the stability of the overall tax employers pay into the trust fund.

Erin Fitzgerald: The UI system helps to maintain workers to the local workforce and facilitates a faster return to work.

Erin Fitzgerald: A statutory increase in the wages subject to unemployment contributions, which rose from \$41,800 in 2025 to \$43,700 in 2026 will cause that average cost per employee at the maximum taxable wage base from \$2,257.20 to 2,359.

Erin Fitzgerald: \$1.80 in 2026. Next slide.

Erin Fitzgerald: When reviewing the 1.45% UI tax rate, please take a look at the yellow section.

Erin Fitzgerald: Small employers are projected to pay \$595 million of that \$1 billion total taxes collected.

Erin Fitzgerald: It's estimated that 2,548 employers, or 3.37% of the employers, will be at the highest tax rate of 5.4%.

Erin Fitzgerald: 10,455 employers, or 13.83% of the employers, will be at that lowest rate of 0.25%.

Erin Fitzgerald: Next slide, please.

Erin Fitzgerald: The tax method used for the Nevada's Unemployment Compensation Program is based on an experience rating system that is approved by the U.S. Department of Labor. The rating system is designed to ensure that the employers are rated fairly, based on their unique experience with unemployment, and regardless of their size or their industry tie.

Erin Fitzgerald: Next slide.

Erin Fitzgerald: There is no cost for enforcing this regulation. Funding for the UI program is provided to the department by the U.S. Department of Labor.

Erin Fitzgerald: NAC 612.270 is adopted each year to set employer contribution rates and is required by NRS 612.550.

Erin Fitzgerald: This regulation adheres to the federal compliance regulations governing the UI tax contribution rates. Next slide, please.

Erin Fitzgerald: To summarize, the average 1.45% UI tax rate is expected to produce just over \$1 billion for the Trust Fund in the calendar year 2026.

Erin Fitzgerald: The small businesses will account for \$595 million of those total revenues. That concludes my presentation. Thank you.

Kristine Nelson: Moving on to agenda item number 5B is the second regulatory amendment, proposed in this small business workshop.

Kristine Nelson: And coming up on the screen.

Kristine Nelson: That proposed regulation amendment to NAC612.258, which is a non-substantiative revision that would provide an approval, reporting, and tracking mechanism for employers choosing to opt in to the payrolling process.

Kristine Nelson: As stated in the Small Business Impact Statement that Mr. Schmidt will go over in a minute, said regulation amendment imposes no significant cost on employers.

Kristine Nelson: With that, I'll turn the presentation back over to Mr. Schmidt to provide the Small Business Impact Overview.

David Schmidt: Thank you, David Schmidt. Again, for the record. The Small Business Impact Statement, for this, regulation is based on

David Schmidt: a change that has a reporting requirement for employers who wish to engage in the activities allowed under this broader regulation to receive approval from the ESD administrator beforehand. Because of the non-current use of this program, the regulation isn't expected to impose any additional burdens.

David Schmidt: In addition, because there are reporting requirements, in the regulation that already exist related to requirements for people who wish to engage in this activity to pay a certain rate, and ensure that they are, would be classified in a particular range of rate schedules, they would need to contact the administrator already. And so there is no burden.

David Schmidt: Or economic impact of this regulation, for any small businesses.

Kristine Nelson: Thank you, Mr. Schmidt.

Kristine Nelson: This includes the presentations of the proposed regulation amendments to MAC Chapter 612, and the related small business impacts, that's the regulation amendments proposed.

Kristine Nelson: I'll now open up this workshop to its members of... to members of the public to come forward with any questions or for requests of additional information regarding these proposed regulatory amendments.

Kristine Nelson: Are there any members online or on the internet that would have any questions?

Casey Frasca: Casey Frasca, for the record, there are no members of the public online wishing to make public comment.

Kristine Nelson: any members of Las Vegas that would like to... Asking questions during the workshop.

Casey Frasca: Casey Frasca, for the record, there are no members of the public present in Las Vegas wishing to make public comment.

Kristine Nelson: Thank you, Casey. With that, I'll go ahead and close this public workshop, agenda item number 5, and open in number 6, and open agenda item number 7, which is final public comment period.

Kristine Nelson: But that's the purpose of the workshop, is to get all the public inputs too,

Kristine Nelson: If possible out there. So, again, is there anyone physically present in Carson City who'd like to come forward to provide the official public comment?

Casey Frasca: Casey Frasca, For the record, there are no members of the public present in Carson City wishing to make public comment.

Kristine Nelson: Moving to the phone lines and Zoom, are there any callers or participants on the phone line or online that would like to come forward during this final public comment period?

Casey Frasca: Casey Frasca, for the record, there are no members of the public on the phones or online wishing to make public comment.

Kristine Nelson: Anyone present in Las Vegas?

Casey Frasca: Casey Frasca, for the record, there are no members of the public present in Las Vegas wishing to make public comment. Thank you, Mr. Frasca.

Kristine Nelson: Moving on to Agenda number 8, adjournment, I'll go ahead and close this agenda item. The next step in this process will be the regulation hearing on the notice of intent to act upon regulations, which will be a public meeting currently scheduled to be held on Monday, December 8th, 2025 at 1 o'clock p.m.

Kristine Nelson: Up-to-date materials and scheduling, we encourage you to monitor our website at peer.nv.gov and or Nevada's Regulation Notices website at notice.nv.gov.

Kristine Nelson: DETR's Employment Security Division welcomes all written comments and public inputs on these matters, which can be sent via email to Mass, M as in Mary, A, S as in Sam, S as in Sam, at DETR.nv.gov.

Kristine Nelson: or mailed to our administrative offices at 500 East 3rd Street, Carson City, Nevada, 89713.

Kristine Nelson: Thank you, and with that, I'll go ahead and hereby adjourn this small business workshop.

Kristine Nelson: Thank you.