

STATE OF NEVADA

Brian Sandoval
Governor



Don Soderberg
Director

Renee Olson
Administrator

**Department of Employment, Training and Rehabilitation
EMPLOYMENT SECURITY DIVISION
500 E. Third Street
Carson City, Nevada 89713-0001**

NOTICE OF INTENT TO ACT UPON A REGULATION

**Notice of Hearing to adopt the amended regulation for the
2015 Unemployment Insurance (UI) Tax Rate Schedule for Nevada Employers**

The purpose of the hearing is to receive comments from all interested persons regarding the proposed amendment to the regulation pertaining to NAC 612, pursuant to Nevada Revised Statute (NRS) 612.550 which will establish the Unemployment Insurance Tax Rate schedule for Nevada Employers for calendar year 2015.

This notice complies with Attorney General's form of notice NAC 233B.010.

Name of Division: Nevada Employment Security Division – Department of Employment, Training and Rehabilitation (DETR)

Date and Time of Hearing: Wednesday, December 3, 2014; 2:00 P.M.

Place of Meeting:	<u>Live Meeting:</u>	<u>Video Conference To:</u>
	DETR – SAO Auditorium	DETR - Stan Jones Building, Conf. Rm. C
	500 East Third Street	2800 E. St. Louis Avenue
	Carson City, Nevada, 89713	Las Vegas, Nevada 89104

AGENDA

- I. Call to order and welcome – Renee Olson, Administrator, Employment Security Division
- II. Public comment – *Chair may limit public comment to 5 minutes per speaker*
- III. Confirmation of Posting – Renee Olson, Administrator, Employment Security Division
- IV. Review Written Comments – Renee Olson, Administrator, Employment Security Division
- V. *** For Possible Action:**
 - a. Review of amended regulation to the 2015 Tax Rate Schedule
 - b. Public comment on regulation
 - c. Administrator adoption of regulation to 2015 Tax Rate Schedule
- VI. Closing public comment - *Chair may limit public comment to 5 minutes per speaker*
- VII. Adjournment

Agenda items may be taken out of order. Two or more agenda items may be combined for consideration. An item may be removed or discussion on an item may be delayed at any time.

NOTICE AND EXPLANATION

The purpose of the hearing is to receive comments from all interested persons regarding the amendment of a regulation that pertains to Chapter 612 of the Nevada Administrative Code.

The following information is provided pursuant to the requirements of NRS 233B.0603:

1. Statement of need and purpose of the proposed regulation

The proposed amendment to the regulation pertaining to NAC 612, pursuant to Nevada Revised Statute (NRS) 612.550 will establish the Unemployment Insurance Tax Rate schedule for Nevada Employers for calendar year 2015.

2. Description of the regulations to be amended

This regulation affects all Nevada employers subject to Nevada's Unemployment Compensation Law that pay a tax rate subject to the experience rating system.

3. The estimated economic effect

All Nevada employers subject to unemployment insurance (UI) contributions and eligible for experience rating will be affected by the proposed regulation, constituting approximately 37,300 employers, or 62.3% of all employers registered with the Employment Security Division. This regulation represents a net increase in the average UI contribution rate from 1.95% in 2014 to 2.00% in 2015, as recommended by the Employment Security Council on October 8, 2014. This change would increase the estimated revenue collected by \$15 million compared to keeping the average contribution rate at 1.95% in 2015, and would increase the average cost per employee with wages greater than or equal to \$27,800 by \$14.

Adverse Effects

This regulation, compared with one which kept the average UI contribution rate at 1.95%, represents a small increase in the cost of employing workers. However, the increase was recommended in the context of a drop in the bond contribution rate from 2014 to 2015, from an average of 0.63% to an average of 0.56%. Because the overall cost to employers will fall from an average of 2.58% (1.95% regular UI + 0.63% bond assessment) to 2.56% (2.00% regular UI + 0.56% bond assessment), the average rate paid by employers will fall slightly. Because of an increase in the average wages in the state from 2012 to 2013, the wages subject to unemployment insurance contributions will rise from \$27,400 in 2014 to \$27,800 in 2015, as laid out in NRS 612.545. Due to that increase, the cost per employee will rise from \$706.92 in 2014 ($2.58\% \times \$27,400$) to \$711.68 in 2015 ($2.56\% \times \$27,800$), a 0.7% increase.

Beneficial Effects

This regulation will lead to an improved Unemployment Trust Fund balance at the end of 2015. That will mean an additional \$300,000 in interest earned from the federal government on a higher Trust Fund balance over the 12 months affected by the regulation. The additional \$15 million represents slightly more than 2 weeks of unemployment benefit payments, strengthening the state's ability to withstand a future economic downturn without needing to borrow funds to pay benefits.

Direct Impacts

The direct impact of this regulation on any particular Nevada business depends on that business' prior experience with respect to unemployment. Because the rates that employers pay are fixed in statute, the average rate is adjusted each year in the regulatory process by adapting a range of reserve ratios which will apply to those rates. Each employer's reserve ratio

changes each year as well, rising or falling, depending on the net balance of UI contributions and benefit charges from and to that account.

Indirect Impacts

This regulation complies with the federal compliance regulations governing unemployment insurance contribution rates. Therefore, employers maintain eligibility for a full 5.4% credit toward their federal unemployment insurance taxes. In addition, the additional solvency in the UI system will help to pay for unemployment benefits in the future. On average, evidence suggests that for each dollar in UI benefits, \$2 or more in economic activity results. In addition, employers benefit as funds are returned to the economy through UI benefit payments, helping to mitigate the drop in consumption that takes place in a recession. Finally, the UI system helps to maintain the attachment of workers to the local workforce and facilitate a faster return to work, both through job search and training services and through mandatory work search requirements.

Immediate Effect

This regulation will adopt the experience rating schedule that will be in effect for calendar year 2015. The average unemployment contribution rate, together with the average unemployment bond contribution, will fall from a total of 2.58% of wages subject to unemployment contributions in 2014, to 2.56% in 2015.

Long-Term Effect

This regulation will continue to build reserves in the Nevada Unemployment Insurance Trust Fund, earning interest to the credit of that fund and helping to improve the State's ability to pay unemployment benefits in advance of a future recession.

4. Consideration of Impact on Small Businesses

By using an experience-rated structure, employers' tax rates depend primarily on their own experience with unemployment, without regard for employer size or industry type. The distribution of small employers through the UI contribution schedule closely mirrors that of the State as a whole, varying by no more than 0.5%. For all new employers – those who have less than 3 full years of experience in the Nevada UI system – the contribution rate remains fixed by statute at 2.95%, and is unaffected by this regulation.

5. The estimated cost to the Agency for enforcement of the proposed regulation

This regulation will be enforced as a regular part of ongoing UI operations, and does not represent any additional burden on staff time, as the regulation is used to modify contribution rates each year. Funding for the administration of the UI program is provided to the Department by the U.S. Department of Labor.

Anticipated Revenue Increase and Use

This regulation is expected to increase UI contributions by \$15 million, compared to a scenario in which rates remained at an average of 1.95%. Because these funds are unemployment insurance contributions, they are deposited in the Nevada Unemployment Insurance Trust Fund and may only be used to pay for unemployment insurance benefits.

6. Overlap or duplication of regulations

This regulation is only an annual modification to the unemployment insurance contribution schedule. Therefore, this regulation does not duplicate or provide a more stringent standard than any other regulation of federal, state, or local governments.

7. Required pursuant to federal law

The proposed regulation is not required by federal law.

8. More stringent than federal regulations

The proposed regulation is not required pursuant to federal law, nor is there a federal regulation that regulates the same activity.

9. New or increased fee

This regulation represents a net increase in the average UI contribution rate from 1.95% in 2014 to 2.00% in 2015, while the overall average rate, including the bond contribution rate calculated pursuant to NAC 612.607-625, will fall from 2.58% to 2.56%.

PUBLIC COMMENT

Persons wishing to comment upon the proposed action of the Department of Employment, Training and Rehabilitation (DETR), Employment Security Division, may appear at the scheduled public hearing or address their comments, data, views or arguments in written form to the Employment Security Division, 500 E. Third Street, Carson City, Nevada 89713 – Attention Joyce Golden. The Employment Security Division must receive all written submissions on or before November 26, 2014. If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the Employment Security Division may proceed immediately to action upon any written submissions.

A copy of this notice and the regulation to be amended will be on file at the Nevada State Library and Archives, 100 N. Stewart Street, Carson City, Nevada 89701, for inspection by members of the public during business hours. Additional copies of the notice and the regulation to be amended will be available at the Department of Employment, Training and Rehabilitation, Employment Security Division, 500 E. Third Street, Carson City, Nevada 89713, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulation are also available in the State of Nevada Register of Administrative Regulations, which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653, and on the Internet at <http://www.leg.state.nv.us>. Copies of this notice and the proposed regulation will also be mailed to members of the public upon request. To obtain a copy of the proposed regulation and Small Business Impact Statement, write to the Department of Employment, Training and Rehabilitation, Employment Security Division, 500 E. Third Street, Carson City, Nevada 89713, or telephone Joyce Golden at (775) 684-3909. Copies of pertinent documents will also be made available on the DETR web site at: <http://nvdetr.org>. A reasonable fee may be charged for copies if it is deemed necessary. This does not apply to a public body subject to the Open Meeting Law.

This proposed regulation has been publicly noticed in accordance with Nevada's open meeting law, public comment has been solicited, and the regulation has been submitted to the Legislative Counsel Bureau for review, as outlined in NRS 233B.064 cited below.

NRS 233B.064 Permanent regulation not to be adopted until text approved or revised by Legislative Counsel; agency's reasons for adoption.

"1. An agency shall not adopt, amend or repeal a permanent regulation until it has received from the Legislative Counsel the approved or revised text of the regulation in the form to be adopted. The agency shall immediately notify the Legislative Counsel in writing of the date of adoption of each regulation adopted.

2. Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, will issue a concise statement of the principal reasons for and against its adoption, and incorporate therein its reason for overruling the consideration urged against its adoption."

Note: Persons with disabilities who require reasonable accommodations or assistance at the meeting should notify the Employment Security Division in writing at 500 East Third Street, Carson City, Nevada 89713, or call Joyce Golden at (775) 684-3909 (*for individuals who are deaf or have hearing disabilities, dial TTY (800) 326-6868 or 711 for Relay Nevada*), or send a fax to (775) 684-3910, within 72 hours of meeting date and time. Supporting materials as provided for in NRS 241.020(5) may be obtained by contacting Joyce Golden at the above-noted contact information.

Notice of this meeting was posted at the following locations on or before the *thirtieth* (30th) working day prior to the meeting:

Nevada State Library & Archives, 100 North Stewart Street, Carson City, NV 89701
Legislative Building, 401 South Carson Street, Carson City, NV 89701
Grant Sawyer State Building, 555 E. Washington Ave., Las Vegas, NV 89101
Legislative Counsel Bureau Web Site
Department of Employment, Training and Rehabilitation Web Site
All County Libraries in Nevada
Employment Security Division, State Administrative Office, 500 East Third Street, Carson City, NV 89713
Employment Security Division Southern Administrative Office, 2800 E. St. Louis Ave, Las Vegas, NV 89104
Unemployment Insurance Contributions, 1320 South Curry Street, Carson City, NV 89710
Reno Field Audit Office, 1325 Corporate Blvd, Suite B, Reno, NV 89502
Las Vegas Field Audit Office, 2800 E. St. Louis Ave, Las Vegas, NV 89104
Reno Appeals Office, 1325 Corporate Blvd, Suite C, Reno, NV 89502
Las Vegas Appeals Office, 2800 E. St. Louis Ave, Las Vegas, NV 89104
Reno Casual Labor Office, 420 Galletti Way, Sparks, NV 89431
Las Vegas Casual Labor Office, 1001 North A Street, Las Vegas, NV 89106
Nevada JobConnect-Carson City, 1929 North Carson Street, Carson City, NV 89701
Nevada JobConnect-Elko, 172 Sixth Street, Elko, NV 89801
Nevada JobConnect-Ely, 1500 Avenue F, Suite 1, Ely, NV 89301
Nevada JobConnect-Fallon, 121 Industrial Way, Fallon, NV 89406
Nevada JobConnect-Henderson, 119 Water Street, Henderson, NV 89015
Nevada JobConnect-Las Vegas, 3405 South Maryland Parkway, Las Vegas, NV 89169
Nevada JobConnect-North Las Vegas, 2827 Las Vegas Boulevard North, Las Vegas, NV 89030
Nevada JobConnect-Reno Town Mall, 4001 South Virginia Street, Suite H-1, Reno, NV 89502
Nevada JobConnect-Sparks, 1675 E. Prater Way, Suite 103 Sparks, NV 89434
Nevada JobConnect-Winnemucca, 475 Haskell St., Suite 1, Winnemucca, NV 89445

Notice of this meeting was posted on the Internet on the following websites: DETR's Public Notices website at: http://nvdetr.org/public_notices.htm, the State of Nevada's Public Notices website at: <https://notice.nv.gov/>, and the Administrative Regulation Notices website at: <http://www.leg.state.nv.us/App/Notice/A/>.

**PROPOSED REGULATION OF THE ADMINISTRATOR OF THE
EMPLOYMENT SECURITY DIVISION OF THE DEPARTMENT
OF EMPLOYMENT, TRAINING AND REHABILITATION**

LCB File No. R139-14

October 20, 2014

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §§1 and 2, NRS 612.220 and 612.550.

A REGULATION relating to unemployment compensation; prescribing the contribution rate schedule for calendar year 2015; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

The Unemployment Compensation Law requires employers to make contributions to the Unemployment Compensation Fund for the purpose of providing temporary benefits to persons who become involuntarily unemployed. (Chapter 612 of NRS) The amount of each employer's contribution is a percentage of the employer's average annual payroll. Existing law establishes a standard contribution rate of 2.95 percent. (NRS 612.540) However, after an employer has accumulated a specified number of consecutive calendar quarters of contribution and benefit experience, depending on the quarter in which the employer became subject to the Unemployment Compensation Law, the Administrator of the Employment Security Division of the Department of Employment, Training and Rehabilitation assigns the employer to a class of employers whose contribution rate is based on their previous experience with unemployment, as determined by a reserve ratio formula. An employer's reserve ratio is calculated by subtracting the benefits charged to the employer's account for all previous years from the contributions paid by the employer during all previous years, and dividing the difference by the employer's average

payroll for the previous 3 years. Each year the Administrator prescribes the contribution rate schedule for each such class of employers. (NRS 612.550)

This regulation prescribes the contribution rate schedule for calendar year 2015.

Section 1. NAC 612.270 is hereby amended to read as follows:

612.270 The Administrator establishes the following schedule of contribution rates for eligible employers for calendar year ~~2014~~ **2015**:

1. Class 1: A rate of 0.25 percent is assigned to each employer whose reserve ratio is ~~10.8~~ **11.9** percent or more;
2. Class 2: A rate of 0.55 percent is assigned to each employer whose reserve ratio is at least ~~9.2~~ **10.3** percent but less than ~~10.8~~ **11.9** percent;
3. Class 3: A rate of 0.85 percent is assigned to each employer whose reserve ratio is at least ~~7.6~~ **8.7** percent but less than ~~9.2~~ **10.3** percent;
4. Class 4: A rate of 1.15 percent is assigned to each employer whose reserve ratio is at least ~~6.0~~ **7.1** percent but less than ~~7.6~~ **8.7** percent;
5. Class 5: A rate of 1.45 percent is assigned to each employer whose reserve ratio is at least ~~4.4~~ **5.5** percent but less than ~~6.0~~ **7.1** percent;
6. Class 6: A rate of 1.75 percent is assigned to each employer whose reserve ratio is at least ~~2.8~~ **3.9** percent but less than ~~4.4~~ **5.5** percent;
7. Class 7: A rate of 2.05 percent is assigned to each employer whose reserve ratio is at least ~~1.2~~ **2.3** percent but less than ~~2.8~~ **3.9** percent;
8. Class 8: A rate of 2.35 percent is assigned to each employer whose reserve ratio is at least ~~0.4~~ **0.7** percent but less than ~~1.2~~ **2.3** percent;

9. Class 9: A rate of 2.65 percent is assigned to each employer whose reserve ratio is at least ~~+2.0~~ -0.9 percent but less than ~~+0.4~~ 0.7 percent;
10. Class 10: A rate of 2.95 percent is assigned to each employer whose reserve ratio is at least ~~+3.6~~ -2.5 percent but less than ~~+2.0~~ -0.9 percent;
11. Class 11: A rate of 3.25 percent is assigned to each employer whose reserve ratio is at least ~~+5.2~~ -4.1 percent but less than ~~+3.6~~ -2.5 percent;
12. Class 12: A rate of 3.55 percent is assigned to each employer whose reserve ratio is at least ~~+6.8~~ -5.7 percent but less than ~~+5.2~~ -4.1 percent;
13. Class 13: A rate of 3.85 percent is assigned to each employer whose reserve ratio is at least ~~+8.4~~ -7.3 percent but less than ~~+6.8~~ -5.7 percent;
14. Class 14: A rate of 4.15 percent is assigned to each employer whose reserve ratio is at least ~~+10.0~~ -8.9 percent but less than ~~+8.4~~ -7.3 percent;
15. Class 15: A rate of 4.45 percent is assigned to each employer whose reserve ratio is at least ~~+11.6~~ -10.5 percent but less than ~~+10.0~~ -8.9 percent;
16. Class 16: A rate of 4.75 percent is assigned to each employer whose reserve ratio is at least ~~+13.2~~ -12.1 percent but less than ~~+11.6~~ -10.5 percent;
17. Class 17: A rate of 5.05 percent is assigned to each employer whose reserve ratio is at least ~~+14.8~~ -13.7 percent but less than ~~+13.2~~ -12.1 percent; and
18. Class 18: A rate of 5.4 percent is assigned to each employer whose reserve ratio is less than ~~+14.8~~ -13.7 percent.

Sec. 2. This regulation becomes effective on January 1, 2015.