

**LEGISLATIVE REVIEW OF ADOPTED
PERMANENT REGULATIONS AS REQUIRED BY
NRS 233B.066**

LCB FILE R152-16

The following statement is submitted for adopted amendments to Nevada Administrative code (NAC) Chapter 612.

1. A clear and concise explanation of the need for the adopted 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 2017.

2. A description of how public comment was solicited, a summary of public response, and an explanation how other interested persons may obtain a copy of the summary.

In compliance with NRS 233B.0603, an Employment Security Council Meeting and Workshop was held on Monday, October 3, 2016, at 8:30 a.m., the Live meeting was held at the Legislative Building, 401 S. Carson Street, Room 3137, Carson City, Nevada 89701 and Video conferenced to the Grant Sawyer Building, 555 E. Washington Ave, Room 4406, Las Vegas, Nevada 89101. A Small Business Workshop was held on Thursday, October 27, 2016 at 10:00 a.m., the Live meeting was held at the DETR – SAO Auditorium, 500 East Third Street, Carson City, NV 89713 and Video conferenced to the DETR – Stan Jones Building, Conference Room C, 2800 E. St. Louis Avenue, Las Vegas, NV 89104. The purpose of the Employment Security Council Meeting and Workshop was to review, discuss, solicit comment, and recommend a Tax Rate schedule on a proposed amendment to the regulation pertaining to NAC 612, pursuant to Nevada Revised Statute (NRS) 612.550 to establish the Unemployment Insurance Tax Rate schedule for Nevada Employers for calendar year 2017.

Notice of the Employment Security Council meeting was sent on August 25, 2016, requesting comments by September 26, 2016, and the Small Business Workshop notice was sent on October 11, 2016, requesting comments by October 20, 2016, by U.S. mail, to all individuals and employers on the Employment Security Division mailing list. Notices were posted at the principal office of the Employment Security Division in Carson City, as well as numerous offices of the Employment Security Division throughout the state. In addition, the notices were submitted to the Legislative Counsel Bureau, the Nevada State Library, and all main county libraries in the state. The meetings were also noticed in three newspapers, the Reno Gazette Journal, the Nevada

Appeal and the Las Vegas Review Journal. These documents were also made available at the website of the Department of Employment, Training and Rehabilitation (DETR):

<http://www.nvdetr.org/publicmeetings.htm> (DETR Public Meetings page),
http://www.nvdetr.org/public_notices.htm (DETR Public Notices page),
<https://notice.nv.gov/> and at the Nevada Legislature website at
<http://www.leg.state.nv.us/App/Notice/A/>.

Posting locations:

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 89703

Las Vegas Field Audit Office, 2800 E. St. Louis Ave., Las Vegas, NV 89104

Appeals Office, 2800 E. St. Louis Ave., Las Vegas, NV 89104

Reno Day Labor Office, 420 Galletti Way, Sparks, NV 89431

Las Vegas Day 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, 4500 E. Sunset Road, Suite 40, Henderson, NV 89014

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, Reno, NV 89502

Nevada JobConnect-Sparks, 2281 Pyramid Way, Sparks, NV 89431

Nevada JobConnect-Winnemucca, 475 Haskell St., Suite 1, Winnemucca, NV 89445

During the Employment Security Council Meeting and Workshop, DETR staff members reviewed the proposed 2017 Tax Rate regulation. The final draft of the regulation was drafted by LCB on October 13, 2016; the Division posted the revised language to the DETR website and posted the revised language to the Nevada Legislature website. A copy of the revised regulation was available to the public at the Small Business

Workshop. During the Small Business Workshop, DETR staff members reviewed the Amended Regulation to the 2017 Tax Rate, provided an explanation of the Regulation. The Small Business Impact Statement per NRS 233B.0608 pursuant to Subsection 3 was also reviewed by staff at the Small Business Workshop.

On October 3, 2016, the Division held the Employment Security Council Meeting and no verbal or written comments were received. On October 27, 2016, during the Small Business Workshop verbal comments were received from Mr. Justin Harrison on behalf of the Las Vegas Metro Chamber of Commerce expressing support to maintain the Unemployment Insurance Tax Rate for 2017. The transcript from the Small Business Workshop, attached hereto, contains the discussion of the above public comment.

On November 4, 2016, the Division issued a Hearing Agenda and a Notice of Intent to Act upon the 2017 Tax Rate Regulation. The Notice and Agenda was sent by U.S. mail, to all individuals and employers on the Employment Security Division mailing list. The Notice and Agenda was posted at the principal office of the Employment Security Division in Carson City, as well as numerous offices of the Employment Security Division throughout the state. In addition, the notice was submitted to the Legislative Counsel Bureau, the Nevada State Library, and all main county libraries in the state, including all locations in the workshop notification list above. The meeting was also noticed in three newspapers, the Reno Gazette Journal, the Nevada Appeal and the Las Vegas Review Journal. These documents were also made available at the website of the Department of Employment,

Training and Rehabilitation (DETR):

<http://www.nvdetr.org/publicmeetings.htm> (DETR Public Meetings page),
http://www.nvdetr.org/public_notices.htm (DETR Public Notices page),
<https://notice.nv.gov/> and at the Nevada Legislature website at
<http://www.leg.state.nv.us/App/Notice/A/>.

The division posted the regulation drafted by LCB to the DETR website and posted the revised language to the Nevada Legislature website. A copy of the revised regulation was also made available to the public at the Hearing and DETR staff reviewed the Amended Regulation to the 2017 Tax Rate, providing an explanation of the Regulation.

In compliance with NRS 233B, a Hearing for the adoption of the regulation was held on December 8, 2016 at 10:00 a.m., the Live meeting was held at DETR – SAO Auditorium, 500 East Third Street, Carson City, Nevada, 89713 and Video conferenced to the DETR – Stan Jones Building, Conference Room C, 2800 E. St. Louis Avenue, Las Vegas, Nevada 89104. The purpose of the hearing was to receive comments from all interested persons regarding the adoption of the regulation pertaining to Chapter 612, of the Nevada Administrative Code. During the Hearing verbal comments were received from Paul

Moradkhan representing the Las Vegas Metro Chamber of Commerce. Mr. Moradkhan expressed support of maintaining the 1.95% SUTA rate. No written comments were received.

The transcript of the Hearing is not yet available, but will be posted to DETR's Public Meeting Minutes page at http://nvdetr.org/PublicMinutes_ESD_ESC.htm within 30 days of the Hearing.

3. The number of persons who:

a. Attended at each meeting:

Employment Security Council

October 1, 2015: Carson City: 27; Las Vegas: 5

Small Business Workshop:

October 27, 2016: Carson City: 13; Las Vegas: 2

Hearing:

December 8, 2016: Carson City: 11; Las Vegas: 2

b. Testified at each meeting:

Employment Security Council

October 3, 2016

- No Public Testimony

Small Business Workshop:

October 27, 2016: Carson City: 0; Las Vegas: 1

- Justin Harrison – Las Vegas Metro Chamber of Commerce
575 Symphony Park Ave
Las Vegas, NV 89106
Telephone Number: (702) 554-8735
Email: jharrison@lvchamber.com

Hearing:

December 8, 2016

- Paul Moradkhan – Las Vegas Metro Chamber of Commerce
575 Symphony Park Ave
Las Vegas, NV 89106
Telephone Number: (702) 810-9124
Email: pmoradkhan@lvchamber.com

c. Submitted to the agency written comments:

Employment Security Council: No written comments were submitted

Small Business Workshop: No written comments were submitted

Hearing: No written comments were submitted

4. A description of how comments were solicited from affected businesses, a summary of their response, and an explanation how other interested persons may obtain a copy of the summary.

Comments were solicited from affected businesses in the same manner as they were solicited from the public. The summary may be obtained as instructed in response to question #2.

5. If, after consideration of public comment, the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.

No recommended changes submitted in written or public comment.

6. The estimated economic effect of the adopted regulation on the business which it is to regulate and on the public. These must be stated separately, and each case must include:

- a. Both adverse and beneficial effects; and**
- b. Both immediate and long-term effects.**

All Nevada employers subject to Unemployment Insurance (UI) Contributions and eligible for experience rating will be affected by the proposed regulation, constituting approximately 43,061 employers, or 96% of the 44,831 eligible experience rated employers with the Employment Security Division. This regulation represents maintaining the average UI contribution rate at 1.95% in 2017, as recommended by the Employment Security Council on October 3, 2016.

Beneficial Impacts

This regulation will lead to a continued increase in reserves in the UI Trust Fund, which is projected to grow by \$286 million from September 30, 2016 to September 20, 2017, bringing the state closer to the solvency target specified in NRS 612.550.

Adverse Impacts

Maintaining the average employer contribution rate at 1.95% was recommended in light of the average UI Bond cost remaining very stable from 2016 to 2017. With the 1.95% average contribution rate, the total costs paid

by Nevada employers will rise from 2.62% on average to 2.63% of wages subject to contributions on average. Due to an increase in the UI Bond Contribution rate from 0.62% in 2016 to 0.63% in 2017, as calculated according to another regulation, and an increase in the maximum wages subject to UI contributions from \$28,200 in 2016 to \$29,500 in 2017, the average cost per employee earning \$29,500 in 2017 will rise from \$738.84 to \$775.85. This increase is not due to any change in the UI contribution rate, which remained stable at 1.95%.

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 2017. The average Unemployment Contribution rate, together with the average Unemployment Bond Contribution and Career Enhancement Program Assessment (CEP), will rise from a total of 2.62% of wages subject to Unemployment Contributions in 2016, to 2.63% in 2017.

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.

7. The estimated cost to the agency for enforcement of the adopted 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 maintains the 2016 average UI contribution rate of 1.95%. By law, money collected from state Unemployment Insurance Contributions can only be used to pay Unemployment Insurance Benefits, so these funds will remain deposited in the Nevada Unemployment Insurance Trust Fund.

8. A description of any regulations of other state or government agencies which the proposed regulation overlaps or duplicates and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.

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.

9. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of such provisions.

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

10. If the regulation establishes a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.

This regulation does not impose any new or increased fees on employers, as maintains the average UI contribution rate of 1.95% in 2017. The overall average rate, which includes the CEP rate of 0.05% and the bond contribution rate calculated pursuant to NAC 612.607-625 which are not a part of this regulation, will increase from 2.62% to 2.63%.