

**Small Business Impact Statement
Department of Employment, Training, and Rehabilitation
2017 Unemployment Insurance Contribution Schedule
Pursuant to NRS 233B.0608**

- 1. Description of the manner in which comment was solicited from affected small businesses, a summary of their responses, and an explanation of the manner in which other interested persons may obtain a copy of the summary.**

On October 03, 2016, the Employment Security Division Administrator and the Employment Security Council held a meeting to review, discuss, and solicit comment on the proposed amendment of a regulation pertaining to Chapter 612 of Nevada Administrative Code. On August 24, 2016, the Division publicly noticed the Employment Security Council Meeting in accordance with Nevada Revised Statute NRS 241.020. In the meeting notice, written comment was requested on or before September 26, 2016. As of October 3, 2016, no written comments were received. On October 3, 2016, the Employment Security Council met to discuss the 2017 Unemployment Insurance Contribution Tax Rate Schedule and no public comment was provided. Minutes from this meeting will be made available on the Division's web page on or before November 2, 2016.

- 2. Manner and Method of Analysis**

This analysis was conducted by the state employee with the most understanding of the subject of unemployment insurance data. Analysis of expected benefit costs comes from a model of estimated employment growth and estimated average wage growth on a quarter-by-quarter basis throughout the time period to which the regulation would apply. Data about the number, size, and distribution of employers comes from the records of the Division from the required reports filed by those employers.

- 3. Estimated Economic Impact**

All Nevada employers subject to unemployment insurance (UI) contributions and eligible for experience rating will be affected by the proposed regulation, constituting approximately 44,800 employers, or 65.6% of all employers registered 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.

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%.

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.

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.

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. In addition, federal laws only allow the State to assign rates of less than 5.4% to employers in a state based on their experience with respect to unemployment, so no preferential rates may be assigned to small businesses.

5. Estimated Cost of Enforcement

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 US Department of Labor.

6. Anticipated Revenue Increase and Use

This regulation maintains the 2016 average UI contribution rate at 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.

7. Duplication or More Stringent Standards than Federal, State, or Local Governments

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.

8. The Reason for the Conclusions of the Agency Regarding the Impact of the Regulation on Small Businesses

Because the distribution of small business employers closely matches the overall distribution of all employers in the state and because US unemployment insurance law does not allow states to assign rates of less than 5.4% except on the basis of an employer's prior experience with respect to unemployment; the agency believes that there is no disparate impact to small businesses due to this regulation

Certification of Concerted Effort to Determine Impact on Small Business and Accuracy of Statement

I certify that to the best of my knowledge or belief, a concerted effort was made by the Department of Employment, Training, and Rehabilitation to determine the impact of this regulation on small business, and that the information contained in this statement has been prepared properly and is accurate.


Renee L. Olson, Administrator
Employment Security Division