

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

LCB File No. R039-13

Effective October 4, 2013

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

AUTHORITY: §§1-8 and 10-16, NRS 612.220 and section 16 of Senate Bill No. 515, chapter 450, Statutes of Nevada 2013, at page 2648; §9, NRS 612.220 and sections 14 and 16 of Senate Bill No. 515, chapter 450, Statutes of Nevada 2013, at pp. 2646 and 2648.

A REGULATION relating to unemployment compensation; establishing requirements and procedures relating to special bond contributions imposed upon certain employers to pay for certain revenue bonds and other securities concerning unemployment compensation; and providing other matters properly relating thereto.

Section 1. Chapter 612 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 16, inclusive, of this regulation.

Sec. 2. *As used in sections 2 to 16, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 8, inclusive, of this regulation have the meanings ascribed to them in those sections.*

Sec. 3. *“Baseline bond interest and expenses contribution rate” means the rate established pursuant to section 12 of this regulation.*

Sec. 4. *“Baseline bond principal contribution rate” means the rate established pursuant to section 11 of this regulation.*

Sec. 5. *“Interest coverage ratio” means the rate of excess collection of money specified by the State in the trust indenture or other instrument or agreement in connection with the*

bonds to provide for the security of the payment of the bond interest and other bond obligations other than the bond principal secured by the principal coverage ratio.

Sec. 6. "Principal coverage ratio" means the rate of excess collection of money specified by the State in the trust indenture or other instrument or agreement in connection with the bonds to provide for the security of the payment of the bond principal.

Sec. 7. "Reserve ratio" has the meaning ascribed to it in NRS 612.550.

Sec. 8. "Taxable wages" means wages as determined pursuant to NRS 612.545 which are paid by employers who are required to pay special bond contributions pursuant to subsection 1 of section 16 of Senate Bill No. 515, chapter 450, Statutes of Nevada 2013, at page 2648.

Sec. 9. 1. If the State Board of Finance issues bonds pursuant to section 12 of Senate Bill No. 515, chapter 450, Statutes of Nevada 2013, at page 2645, for each calendar year in which bond obligations and bond administrative expenses will be due, the State Treasurer must, on or before August 1 of the immediately preceding year, or as soon as practicable thereafter, notify the Administrator of the amount of bond obligations, the estimated amount of bond administrative expenses and the other amounts described in subsection 2 of section 15 of Senate Bill No. 515, chapter 450, Statutes of Nevada 2013, at page 2647, to permit the Administrator to determine the amount of special bond contributions required for the applicable calendar year. If no such bond obligations exist for a calendar year, the Administrator will not impose any special bond contributions.

2. After receiving the information described in subsection 1, the Administrator will calculate the rates for the special bond contributions pursuant to sections 11 to 15, inclusive, of this regulation. The Administrator will complete the calculations not later than September

15 of the year in which the information is due from the State Treasurer or 45 days after receiving the information from the State Treasurer, whichever is later.

Sec. 10. *1. An employer who is required to pay special bond contributions pursuant to subsection 1 of section 16 of Senate Bill No. 515, chapter 450, Statutes of Nevada 2013, at page 2648, shall pay special bond contributions based upon the rates established pursuant to sections 11 to 15, inclusive, of this regulation and, if applicable, the rate established pursuant to section 16 of this regulation.*

2. If such an employer pays less than the total amount due pursuant to chapter 612 of NRS and any regulations adopted pursuant thereto, including, without limitation, sections 2 to 16, inclusive, of this regulation, the Administrator will apply the money received from that employer first to any special bond contributions for the bond interest and other bond obligations as defined in section 12 of this regulation, then to any special bond contributions for the bond principal, and then to any other amounts owed pursuant to chapter 612 of NRS and any regulations adopted pursuant thereto, as determined by the Administrator. As used in this subsection, "total amount due" includes, without limitation, the amount due from the employer for contributions for unemployment compensation, principal payments for special bond contributions, and interest payments for special bond contributions.

Sec. 11. *To determine the baseline bond principal contribution rate, the Administrator will:*

1. Multiply the amount of the bond principal that will be due during the 12-month period beginning on May 1 of the immediately succeeding calendar year and ending on April 30 of the following calendar year by the principal coverage ratio;

2. Subtract from the result reached pursuant to subsection 1 the greater of:

(a) Zero; or

(b) The remainder obtained by subtracting the amount of bond principal that is required to be paid between the date of calculation and April 30 of the immediately succeeding calendar year from the amount of money available to pay that bond principal, including money then held by the State which is available to pay that bond principal and including the Administrator's estimate of contributions available to pay that bond principal which are expected to be received between the date of calculation and April 30 of the immediately succeeding calendar year to the extent such an estimate is permitted to be taken into account by the trust indenture or other instrument or agreement executed by the State in connection with the bonds, but excluding money in the State's account in the Unemployment Trust Fund of the United States Treasury; and

3. Divide the result reached pursuant to subsection 2 by 95 percent of the total estimated taxable wages for the immediately succeeding calendar year.

Sec. 12. 1. *To determine the baseline bond interest and expenses contribution rate, the Administrator will:*

(a) Multiply the amount of the bond interest and other bond obligations that will be due during the 12-month period beginning on May 1 of the immediately succeeding calendar year and ending on April 30 of the following calendar year by the interest coverage ratio;

(b) Subtract from the result reached pursuant to paragraph (a) the greater of:

(1) Zero; or

(2) The remainder obtained by subtracting the amount of bond interest and other bond obligations that are required to be paid between the date of calculation and April 30 of the

immediately succeeding calendar year from the amount of money then held by the State which is available to pay that bond interest and those other bond obligations; and

(c) Divide the result reached pursuant to paragraph (b) by 95 percent of the total estimated taxable wages for the immediately succeeding calendar year.

2. As used in this section, “bond interest and other bond obligations” means the premium and interest payable on a bond, together with any amount owed under a related credit agreement or under any instrument or agreement in connection with the bonds, and bond administrative expenses. The term does not include the bond principal.

Sec. 13. 1. For the purposes of determining the special bond contributions due from each employer who is required to pay special bond contributions pursuant to subsection 1 of section 16 of Senate Bill No. 515, chapter 450, Statutes of Nevada 2013, at page 2648, the Administrator will assign each such employer to one of four tiers.

2. Tier 1 consists of such employers who do not qualify for a contribution rate based on experience pursuant to NRS 612.550.

3. Tier 2 consists of such employers who:

(a) Qualify for a contribution rate based on experience pursuant to NRS 612.550; and

(b) Have a reserve ratio of less than zero.

4. Tier 3 consists of such employers who:

(a) Qualify for a contribution rate based on experience pursuant to NRS 612.550;

(b) Have a reserve ratio of equal to or greater than zero; and

(c) Have a reserve ratio of less than the threshold reserve ratio determined pursuant to subsection 6.

5. Tier 4 consists of such employers who:

- (a) Qualify for a contribution rate based on experience pursuant to NRS 612.550;*
- (b) Have a reserve ratio of equal to or greater than zero; and*
- (c) Have a reserve ratio of equal to or greater than the threshold reserve ratio determined pursuant to subsection 6.*

6. The threshold reserve ratio for Tier 4 is the lowest possible reserve ratio, rounded to the nearest tenth of a percent, which, using the most recent 12 months of data available, results in the qualification for Tier 4 of the employers who pay not more than 10 percent of all taxable wages from employers with a reserve ratio greater than or equal to zero.

Sec. 14. 1. To determine the bond principal contribution rate for employers assigned to Tier 1, the Administrator will multiply the baseline bond principal contribution rate by a factor of 0.45, then round the result up to the nearest one-hundredth of a percent.

2. To determine the bond principal contribution rate for employers assigned to Tier 2, the Administrator will multiply the baseline bond principal contribution rate by a factor of 1.40, then round the result up to the nearest one-hundredth of a percent.

3. To determine the bond principal contribution rate for employers assigned to Tier 4, the Administrator will multiply the baseline bond principal contribution rate by a factor of 0.25, then round the result up to the nearest one-hundredth of a percent.

4. To determine the bond principal contribution rate for employers assigned to Tier 3, the Administrator will:

(a) Determine the fraction of total taxable wages from employers who are not eligible for experience rating by dividing the taxable wages from such employers by the total taxable wages from all employers who are required to pay special bond contributions;

(b) Determine the fraction of total taxable wages from employers who are eligible for experience rating and who have a reserve ratio of less than zero by dividing the taxable wages from such employers by the total taxable wages from all employers who are required to pay special bond contributions;

(c) Determine the fraction of total taxable wages from employers who are eligible for experience rating and who have a reserve ratio that is equal to or greater than the threshold reserve ratio determined pursuant to subsection 6 of section 13 of this regulation by dividing the taxable wages from such employers by the total taxable wages from all employers who are required to pay special bond contributions;

(d) Determine the fraction of total taxable wages from employers who are eligible for experience rating, who have a reserve ratio of equal to or greater than zero and who have a reserve ratio that is less than the threshold reserve ratio determined pursuant to subsection 6 of section 13 of this regulation by subtracting the fractions calculated pursuant to paragraphs (a), (b) and (c) from 1;

(e) Multiply the bond principal contribution rate determined pursuant to subsection 1 by the fraction determined pursuant to paragraph (a);

(f) Multiply the bond principal contribution rate determined pursuant to subsection 2 by the fraction determined pursuant to paragraph (b);

(g) Multiply the bond principal contribution rate determined pursuant to subsection 3 by the fraction determined pursuant to paragraph (c);

(h) Subtract the results reached pursuant to paragraphs (e), (f) and (g) from the baseline bond principal contribution rate; and

(i) Divide the result reached pursuant to paragraph (h) by the fraction determined pursuant to paragraph (d), then round up to the next one-hundredth of a percent.

Sec. 15. 1. *To determine the bond interest and expenses contribution rate for employers assigned to Tier 1, the Administrator will multiply the baseline bond interest and expenses contribution rate by a factor of 0.45, then round the result up to the nearest one-hundredth of a percent.*

2. To determine the bond interest and expenses contribution rate for employers assigned to Tier 2, the Administrator will multiply the baseline bond interest and expenses contribution rate by a factor of 1.40, then round the result up to the nearest one-hundredth of a percent.

3. To determine the bond interest and expenses contribution rate for employers assigned to Tier 4, the Administrator will multiply the baseline bond interest and expenses contribution rate by a factor of 0.25, then round the result up to the nearest one-hundredth of a percent.

4. To determine the bond interest and expenses contribution rate for employers assigned to Tier 3, the Administrator will:

(a) Determine the fraction of total taxable wages from employers who are not eligible for experience rating by dividing the taxable wages from such employers by the total taxable wages from all employers who are required to pay special bond contributions;

(b) Determine the fraction of total taxable wages from employers who are eligible for experience rating and who have a reserve ratio of less than zero by dividing the taxable wages from such employers by the total taxable wages from all employers who are required to pay special bond contributions;

(c) Determine the fraction of total taxable wages from employers who are eligible for experience rating and who have a reserve ratio that is equal to or greater than the threshold

reserve ratio determined pursuant to subsection 6 of section 13 of this regulation by dividing the taxable wages from such employers by the total taxable wages from all employers who are required to pay special bond contributions;

(d) Determine the fraction of total taxable wages from employers who are eligible for experience rating, who have a reserve ratio of equal to or greater than zero and who have a reserve ratio that is less than the threshold reserve ratio determined pursuant to subsection 6 of section 13 of this regulation by subtracting the fractions calculated pursuant to paragraphs (a), (b) and (c) from 1;

(e) Multiply the bond interest and expenses contribution rate determined pursuant to subsection 1 by the fraction determined pursuant to paragraph (a);

(f) Multiply the bond interest and expenses contribution rate determined pursuant to subsection 2 by the fraction determined pursuant to paragraph (b);

(g) Multiply the bond interest and expenses contribution rate determined pursuant to subsection 3 by the fraction determined pursuant to paragraph (c);

(h) Subtract the results reached pursuant to paragraphs (e), (f) and (g) from the baseline bond interest and expenses contribution rate; and

(i) Divide the result reached pursuant to paragraph (h) by the fraction determined pursuant to paragraph (d), then round up to the next one-hundredth of a percent.

Sec. 16. 1. *If the State Board of Finance issues bonds pursuant to section 12 of Senate Bill No. 515, chapter 450, Statutes of Nevada 2013, at page 2645, at least 75 days before each payment for bond principal or interest is due, the Administrator will make the determination required by subsection 4 of section 16 of Senate Bill No. 515, chapter 450, Statutes of Nevada 2013, at page 2648, and, if necessary, assess supplemental special bond contributions*

sufficient to pay all applicable obligations through April 30 of the immediately succeeding calendar year.

2. Employers will not receive experience credit for the supplemental special bond contributions.

3. To determine the supplemental special bond contribution rate, the Administrator will divide the amount needed to meet the obligations described in subsection 1 by 95 percent of the total taxable wages for the most recent 12 months for which data are available.

4. To determine the supplemental special bond contribution charged to each employer who is required to pay special bond contributions pursuant to subsection 1 of section 16 of Senate Bill No. 515, chapter 450, Statutes of Nevada 2013, at page 2648, the Administrator will multiply the supplemental special bond contribution rate described in subsection 3 by the 12-month total taxable wages for the employer for the most recent 12 months for which data are available.

5. At least 30 days before the Administrator mails a bill to an employer for a supplemental special bond contribution, the Administrator will provide notice to the employer concerning the details of the supplemental special bond contribution.

6. The bill for a supplemental special bond contribution must include, without limitation, the date on which payment is due. The Administrator will provide a due date that is not less than 31 days after the date on which the bill is mailed and not more than 75 days after the date on which the bill is mailed.

**LEGISLATIVE REVIEW OF ADOPTED REGULATIONS AS REQUIRED BY
NRS 233B.066
LCB FILE R039-13**

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 adopted regulation is necessary to implement special contribution rates for employers in the event that bonds are issued under SB 515 of the 2013 Legislative session, and serve as the dedicated revenue stream for any bonds which may be issued. Regulations defining the revenue stream are necessary prior to the rating or issuance of any such bonds, as without the regulation there is no explicitly defined revenue stream beyond the general statement in SB 515 that “The Administrator shall establish an assessment payable by each employer to the Administrator for the special bond contributions at such rate or rates as the Administrator may prescribe.”

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, a small business workshop was held on Wednesday, July 31, 2013 at 10:00 a.m., the Live meeting was held at the DETR State Administrative Office, First Floor ESD Auditorium, 500 East Third Street, Carson City, Nevada, 89713 and Video conferenced to the DETR Stanley P. Jones Building, First Floor Conference Room C, 2800 East St. Louis Ave., Las Vegas, Nevada, 89104. The purpose of the workshop was to review, discuss, and solicit comment on a proposed regulation pertaining to Nevada Revised Statute, Chapter 612, to establish the methodology for setting annual special bond contribution rates to employers as authorized by Senate Bill 515.

Notice of the meeting and a request for comment was sent on July 16, 2013 by U.S. mail, to all individuals and employers on the Employment Security Division mailing list. Notice 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. 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://nv.detr.org/index.htm> and at the Nevada Legislature website at <http://leg.state.nv.us/App/Notice/A/default.aspx>.

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
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

A copy of the proposed regulation was posted to the DETR website and provided at the meeting. During the workshop, DETR staff members reviewed Bond Legislation (SB 515), made presentations of the Small Business Impact Statement and provided an explanation of the Regulation. There were no written comments received from the public.

Verbal comments were received from the public at the workshop in favor of the regulation and several questions were asked. Brian Reeder from the Nevada Association of General Contractors offered support with the request to carefully consider the significant impact that increased taxes may have on the construction companies. Tray Abney representing the Reno Sparks Chamber of Commerce expressed support and asked questions regarding the calculations and estimates presented. Carole Vilaro from the Nevada Taxpayers Association also indicated support of the regulation and asked some clarifying questions. Brian McAnallen with the Las Vegas Metro Chamber of Commerce supported the regulation and asked some additional questions. Virginia Valentine with the Nevada Resort Association offered support of the regulation and stated written comments would follow. The transcript of that meeting, attached hereto, contains the discussion of the above public comment.

In compliance with NRS 233B, a Hearing for the adoption of the regulation was held on Tuesday, August 27, 2013 at 10:00 a.m., the Live meeting was held at Legislative Building,

401 South Carson Street, Room 3137, Carson City, Nevada, 89701 and Video conferenced to the Grant Sawyer Building, 555 East Washington Ave., Room 4412E, Las Vegas, Nevada, 89101. The purpose of the hearing was to receive comments from all interest persons regarding the adoption of the regulation pertaining to Chapter 612 of the Nevada Administrative Code.

On July 25, 2013, the Division issued an Agenda and a Notice of Intent to Act Upon the Regulation. The Notice and Agenda were sent by U.S. mail, to all individuals and employers on the Employment Security Division mailing list. The Notice and Agenda 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 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 DETR website at <http://nv.detr.org/index.htm> and at the Nevada Legislature website at <http://leg.state.nv.us/App/Notice/A/default.aspx>.

DETR staff worked with LCB Legal and made technical changes to the proposed regulation. The final draft of the regulation was drafted by LCB on August 26, 2013. On August 26, 2013, the Division posted the revised language to the DETR website and submitted a request to have the revised language posted to the Nevada Legislature website. A copy of the revised regulation was available to the public at the hearing. During the Hearing, DETR staff members reviewed Bond Legislation (SB 515), provided an explanation of the Regulation and spoke to the written comment received from Virginia Valentine representing the Nevada Resort Association. Director Frank Woodbeck also provided clarification on the Regulation and the Bond scenarios. The written comment was also posted to the DETR website on August 27, 2013.

Verbal comments were received from the public at the hearing in favor of the regulation and several questions were asked. Carole Vilardo from the Nevada Taxpayers Association requested discussion and clarification about the issuance of bonds for the retirement of the Federal debt and the solvency of the Trust Fund; she also offered support of the regulation. Virginia Valentine with the Nevada Resort Association offered concerns for bonding for the debt and solvency of the UI Trust Fund and appreciation for the current formula for factoring the employer's history in the regulation. Virginia Valentine later commented on her written comments provided to the Division on August 26, 2013 and requested the opportunity review testimony and comments provided at the hearing and to discuss them in more detail.

Ray Bacon from the Nevada Manufactures Association asked some clarification questions regarding the added advantages (interest forgiveness) of bonding by a specific date. Ray Bacon also asked clarification questions about the impact of bond assessments on companies who had closed during the recession and are in the process of re-opening. Brian Reeder from the Nevada Association of General Contractors provided specific concern with the bond assessment being based on experience rating and the impact on the construction industry. Tray Abney representing the Reno Sparks Chamber of Commerce expressed support of the

regulation as written. Brian McAnallen with the Las Vegas Metro Chamber of Commerce offered support for the regulation as written and echoed concern for the level of bonding the debt and solvency of the Trust Fund. Rene Olson, Administrator of the Employment Security Division, offered appreciation on the input provided concerning the level of bonding. She also clarified the purpose of the Hearing was in regard to the regulation which is separate from the concern of whether the Division will bond for the debt and the solvency of the Trust Fund.

The Division is in the process of having the audio recording of the Hearing meeting transcribed and the transcript will be posted to the DETR website as soon as it is available.

3. The number of persons who:

a. Attended at each meeting:

Small Business Workshop:

July 31, 2013: Carson City: 16; Las Vegas: 11

Hearing:

August 27, 2013: Carson City: 16; Las Vegas: 6

b. Testified at each meeting:

Small Business Workshop:

July 30, 2013: Carson City: 2; Las Vegas: 3

- Brian McAnallen: Las Vegas Metro Chamber
- Virginia Valentine: Nevada Resort Association
- Carloe Vilardo: Nevada Taxpayers Association
- Tray Abney: Chamber of Reno, Sparks, Northern Nevada
- Brian Reeder: Nevada Associate General Contractors

Hearing:

August 27, 2013: Carson City: 3; Las Vegas: 3

- Brian McAnallen: Las Vegas Metro Chamber
- Virginia Valentine: Nevada Resort Association
- Carloe Vilardo: Nevada Taxpayers Association
- Tray Abney: Chamber of Reno, Sparks, Northern Nevada
- Brian Reeder: Nevada Associate General Contractors
- Ray Bacon: Nevada Manufactures Association

c. Submitted to the agency written comments:

Small Business Workshop: No written comments were submitted.

Hearing: Written Comment was received from Virginia Valentine, Nevada Resort Association. Comment was received on 8/26/2013 past the submission deadline of 8/20/2013, however the Division did accept the written comment and it was placed on the record by the Administrator at the Hearing.

4. A description of how comment was 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 #1.

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.

The permanent regulation was adopted on August 28, 2013. The Administrator took into consideration public comment on the regulation prior to adoption, and adopted the regulation without changes. Most of the comments were in support of the regulation with no request for modification or change. The administrator believes that some of the changes that were requested through written or verbal comment were not pertinent to the functioning of the methodology of the regulation. This distinction was made during the hearing and the Administrator believes this testimony clarified the position for the regulation as written. One request was made that would have entirely changed the methodology for charging assessments from an experienced based to a flat rate. Although this would benefit some companies that would fall under the highest rates charged, it does not fairly consider the affect to all employers and the system as a whole. This was an important consideration when the regulation was developed, and making the change requested would have been contrary to the goal of overall fairness and controlling the impact the assessment would impose.

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.**

The public at large should be unaffected by the regulation. Any effects there might be are very indirect, if they exist at all.

All Nevada employers subject to unemployment contributions will be affected by the proposed regulation, constituting approximately 57,000 employers, or 99.4% of all employers registered with the Employment Security Division. The net impact is expected to lower the total burden of all employer costs for unemployment insurance statewide, but the actual savings will depend on the final structure of any potential bond deal.

- Beneficial Impacts to businesses and employers:
If issued, bonds paid for through this regulation will refinance all federal unemployment debt, eliminating the FUTA credit reduction, lowering the federal unemployment tax paid by employers. In addition, bonds paid for through this regulation would build a reserve in the state's unemployment Trust Fund, rebuilding solvency in the unemployment compensation system. This regulation will further enhance the weight of prior experience for charges in the state unemployment system by lowering the non-experience-distributed federal unemployment tax and replacing the non-experience-distributed temporary interest assessment.

- Adverse Impacts to businesses and employers:
If bonds are issued, employers with the most negative reserve ratios who remain at a 5.4% tax rate after SUTA is lowered will face a higher overall burden, as the increased cost of the bond contributions will be larger than the reduction due to lower FUTA charges and the end of AB 482 assessments. If bonds are issued, employers with the most positive reserve ratios who are already at a 0.25% tax rate will not receive any benefit from lower average SUTA taxes. However, the regulation is structured so that the additional bond contributions will be largely offset by lower FUTA charges and the end of AB 482 assessments.

7. The estimated cost to the agency for enforcement of the adopted regulation.

This regulation will be enforced through the same channels used to enforce regular SUTA contributions; therefore no additional cost for enforcement is expected. Funds for the administration of the overall Unemployment Compensation Program are provided by the U.S. Department of Labor

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.

There are no other state or government agency regulations that the proposed amendments duplicate.

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

Not applicable.

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.

If bonds are issued, this regulation will provide for the revenue stream necessary to secure those special obligation bonds. Total collections by the Employment Security Division will increase, because currently FUTA Credit Reductions are collected by the IRS and applied directly to the state's federal loan balance. Under this regulation, the state will collect all the funds needed to pay the bond obligations directly. The total cost to employers is expected to be lower over the life of the bonds than would be the case if bonds are not issued.

11. Is the proposed regulation is likely to impose a direct and significant economic burden upon a small business or directly restrict the formation, operation or expansion of a small business? What methods did the agency use in determining the impact of the regulation on a small business?

The burden of the proposed regulation will impact small businesses differently depending on their own previous experience with respect to unemployment. The regulation is structured to avoid imposing a new, heavier burden on new employers. This analysis was conducted by the state employee with the most understanding of the subject of these special bond contributions. The analysis was performed by comparing the distribution of employers in the two most recent years for which data was available: 2013 for the baseline comparison, and 2010 for the 1.33% SUTA rate comparison. Information on the distribution of small employers in 2013 comes from the records of the Employment Security Division. Information on the distribution of small employers in 2010 was not available; however in other years for which data are available, the distribution of small employers is within 0.2% for almost every rate category. Information about total employer FUTA costs uses estimated FUTA receipts for calendar year 2013 as a percentage of taxable wages in 2013. Information on potential bond rates comes from analysis received by the Employment Security Division as it is analyzing potential bond structures, however no such data is final and should be considered informational only. Analysis considers only a single year; however the stabilization of overall bond rates is possible through maintaining a lower rate in the near term, but a higher-than-baseline rate in the later years of bond repayment. Final bond contribution rates will depend on the structure of any bond deal, interest rates at the time of closing, changes in US Treasury rates, changes in total wages in the state, and other economic factors.