STATE OF NEVADA
DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
EMPLOYMENT SECURITY COUNCIL MEETING

Meeting to Review the Career Enhancement Program (CEP) and Solicit Comments on the proposed Amendment to CEP Veterans and Senior Citizens Small Business Loan Program

May 27, 2014 – 10:00 A.M.

Live Meeting:	**Video Conference to:**
Legislative Building	Grant Sawyer Building
401 S. Carson Street, Room 3137	555 E. Washington Ave., Room 4406
Carson City, Nevada 89701	Las Vegas, Nevada 89101

Note: This meeting was also broadcast on the Internet at www.leg.state.nv.us

Council Members Present
Paul Havas, Chair – Employers
Kathleen Johnson – Public/BOR
Paul Barton – Public
Danny Costella – Employees/Labor
Margaret Wittenberg – Employers/BOR
Michelle Carranza – Employers (in LV today)
Shawn Lindsey – Employees/Labor (in LV today)

Council Members Absent
Ross Whitacre – Public
Charles Billings – Employees/Labor/BOR

Department of Employment, Training and Rehabilitation (DETR) Staff
Present in Carson City
Renee L. Olson, Division Administrator, Employment Security Division (ESD)/DETR
Kelly D. Karch, Deputy Administrator, UI/ESD/DETR
J. Thomas Susich, Sr. Legal Counsel, ESD/DETR
Dave Schmidt, Economist, Research & Analysis Bureau R&A/DETR
Girish Pandit, Manager, Carson City JobConnect/DETR
Grant Nielson, Chief, WISS/ESD/DETR
Mary Everson, WISS/ESD/DETR
Mikki Reed, UISS/ESD/DETR
Joyce Golden, Administrative Office, ESD/DETR
Lynn King, Administrative Office, ESD/DETR
Present in Las Vegas
Ron Fletcher, Chief, Field Direction and Management, ESD/DETR
Hal Bingham, Deputy Administrative Office, ESD/DETR

Members of the Public, Media and Other Agencies
Carson City: Fred Suwe, Public
Las Vegas: None

Exhibits

Exhibit A - Agenda for the Meeting/Workshop

Exhibit B - Draft of Proposed Amendment to Regulation

Exhibit C - Review of CEP

Exhibit D - CEP Funding and Budget Overview

I. CALL TO ORDER AND WELCOME

Paul Havas, Chair of the Employment Security Council called the meeting to order at 10:00 a.m. on May 27, 2014, and welcomed everyone to the meeting.

II. INTRODUCTION OF COUNCIL MEMBERS

At this juncture, we would like to begin by introducing Shawn Lindsey in Las Vegas, member of the Council, and Michelle Carranza in Las Vegas, a member of the Employment Security Council. Now I would like to have each member of the Employment Security Council present him or herself.

Margaret Wittenberg, representing Employers and I am a member of the Board of Review.
Paul Barton, representing the Public.
Renee Olson, Division Administrator of the Employment Security Division and I am an ex-officio member of the Council and I serve as secretary.
Paul Havas, Chairman of the Employment Security Council, representing Employers.
Danny Costella, representing Employees/Labor.
Michelle Carranza, representing Employers.
Shawn Lindsey, representing Employees/Labor.

III. PUBLIC COMMENT

The Chairman thanked everyone and went on to ask if there was any comment or comments from the public. Not hearing any, he went on and asked Renee Olson to do an introduction to provide some kind of an overview of the Career Enhancement Program and what we are doing today.

IV. OVERVIEW OF CAREER ENHANCEMENT PROGRAM (CEP)

Girish Pandit, ESD Manager, Carson City JobConnect (Exhibit C)

Comments by Renee Olson:

This morning one of the purposes of our meeting today is, to talk about the Career Enhancement Program and to talk about how the Career Enhancement Program is currently being used in the State today. Items Number 4 and 5 are both dealing with the Career Enhancement Program, but what I wanted to do is just take a minute to kind of talk about some of the historic perspective of the program and how it has evolved a little bit over the years. And then we're going to introduce one of our JobConnect managers to come up and give us the perspective of how CEP is used in the JobConnect offices statewide.

I shouldn't really be considered the historian of the program. I've been the Administrator for a couple of years now, but I know that we have people amongst us today that have been involved in the Career Enhancement Program for many, many years.

The program initially started out in the late 1980s as a program -- it was called the Claimant Enhancement Program. And it was really restricted to targeting individuals who are on unemployment insurance benefits to help those folks return to employment and to possibly receive training, counseling, those types of services to return to work.
And therefore, it would help employers to find qualified applicants and it would help employers to save money in the Unemployment Insurance Trust Fund Program, because the sooner folks on benefits return to work, the less benefits they collect out of the system.

I believe what I've come to understand in trying to look back and understand the evolution of the program, it was later. I think probably in the early 2000, in that timeframe, it was changed to include folks who are unemployed, not necessarily receiving unemployment insurance benefits. And I think the reason for that was that we recognized that perhaps folks had exhausted their unemployment insurance benefits, but it was still worthwhile to help those folks return to work for the economy's sake, for the worker's sake and for the sake of the employers in finding good employees out there looking for work.

It has evolved since then. Not necessarily that those were some statutory points in the history of the CEP Program. Some people refer, just so you know, some people refer to it as the CEP Program, some people call it CEP. I tend to refer to it as CEP, which is the acronym for the program. Just so everyone understands the acronyms there.

So probably with the occurrence of the recession, the latest recession starting in 2008, I think that folks were looking for a way to provide some incentive to get people back to work. And what was created during that time was what we call the Silver State Works Program. We're going to talk about that program in detail and how that is used right now in the state.

One of the items that is on the agenda today to talk about, is a regulation that was adopted a few years back in response to some legislation that passed. I think, three sessions ago that was kind of the latest statutory tweak to the program. And what it did was added a program for small business loans, start-up business loans to seniors and veterans. And it required that regulations be established to outline the requirements of the program. It requires the Division to provide grants to non-profit entities to run the loan programs. And so, those are the regulations that are going to be considered today. We're looking for input into those regulations and how those are changed. We're looking to try to make the program more workable in real terms and see what we can do to make the program more effective.

Some of the other evolution that you would see in the program is not just statutory, but how we are -- how we are looking at initiatives out in the state in terms of training people for jobs and increasing our participation with economic development and education. So some of those things I'll go into when I get to my part in the presentation, but I think what we'd really like to highlight and the reason I'm having Girish come up and present to you how the JobConnects run the CEP program is that, it's a really valuable program. It's been operating in the state for a long time. It's been very, very successful in returning folks to work. And so we wanted to highlight that specifically. And I think what you'll see is that the staff that we fund with the CEP program and the JobConnects is really extremely valuable to the state.
We hope that employers understand how we're using their tax dollars. That's another reason for this meeting, to provide some information to employers. So with that, I'm going to conclude my comments and invite Girish up. And then I'll pipe in again with my own presentation. Thank you.

<u>Girish Pandit's Presentation</u>:

For the record, I'm Girish Pandit, ESD Manager, Carson City for the JobConnect Offices. I'm going to make a presentation on the CEP Program that has been, as Renee mentioned, very successful in the JobConnect Offices.

So, to start off with the CEP business model. The program started in 1988 under NRS 612.607 by the Nevada State Legislature. At that time, it was called the Claimant Enhancement Program. In 1994 to include all Nevadans seeking employment, it was changed to the Career Enhancement Program. This is an employer-funded program through tax collected quarterly in conjunction with the Unemployment Insurance Tax. It is .05 percent of that tax.

Individuals must meet the eligibility criteria for services in our JobConnect Offices. By that I mean, they have to be a Nevada resident, have proof of residency, be eligible to work and, finally, they should not have any UI, which is Unemployment Insurance or payments. This program provides job seekers with accelerated targeted growth for reemployment assistance because it is a short-term program. We have the flexibility to react and adjust to the real time needs of employers and job seekers given the changing market conditions in our economy today. And finally, the CEP program promotes co-enrollment with our other WIA, Workforce Investment Service Providers, for example Bureau of Vocational Rehab, which is BVR or join statewide.

There are four main components of the CEP program due to the fact that this is a short-term, goal-oriented program. The first one is vocational classroom training or VCT. In this component, we have forklift training, welding training, truck driving schools, things of that nature.

The second component is academic enhancement training. Over here we look at GED preparation as well as testing and computer skills, which in the Carson City JobConnect Offices is partnered with Join which is two offices away from ours.

The third component is reemployment-related expenses. Over here we are looking at, you know, tools for staff for job seekers seeking employment as well as uniforms, shoes, things of that nature.

And the last component is TRE, which is training-related expenses. Something that would fall in this category would be the National Career Readiness Certification which is NCRC or Work Keys or employment eligibility programs.

Utilizing these four programs, our goal is to help the jobseeker return back to the workforce as quickly as possible.

CEP also focuses on sector training. So the sectors that we work on, for example, are agriculture, manufacturing, health and medical services, mining and materials, information technology, logistics and operations, clean energy, aerospace and defense and, finally, tourism, gaming and entertainment, given that we live in Nevada and, you know, Las Vegas is our biggest hub for economic activity, it's no wonder that we have spent most of our funds, a majority of our funds on this last sector that I just mentioned.

Now, on this slide, I just want to highlight some of the successes that this program has had in recent times. In Maryland Parkway, Mr. C walked into the office in Las Vegas. He was unable to find employment. Mr. C worked as a seasonal and agricultural farm worker. He comes into our office wanting some training as a utility porter in the culinary academy. His training was completed on the 28th of February. Caesar's Palace in Vegas employed this individual on 3/10. That's certainly a very short period of time. And he's making, currently, $14 an hour.

In Northern Nevada, we have a very successful program, which is CNC program Right Skills Now. We are partnered in this program, the JobConnect Offices in Northern Nevada with TMCC Truckee Meadows Community College. And we recommended 11 individuals to be enrolled in this program. Ten individual completed the training and as of today, nine individuals are permanently employed making $12 to $15 an hour, which is a very good record for these individuals.

CEP participants going to JobConnect Offices were 12,400. The Silver State Works participants were also partnered in the CEP program, because both these programs work in conjunction with one another. Eighty-five percent of the 12,400 or 10,540 jobseekers gained employment after they participated in the CEP program, which is a very good success rate. And 15 percent are still seeking employment as of today -- as of this week when we ran this report.

The number of contracts and purchase authorizations that the CEP program has, as you can see, is reemployment-related expenses, which is a big component of this. Vocational classroom training is another big component of this program.

Some of the expenditures related to the CEP program, given the programs that we have and given the components that I have just mentioned; one of the biggest ones is VCT, which is because of the expenses we incur in Las Vegas that's $773,000 or 68 percent of this pie chart.

This next slide that we're seeing here is that we have 48 dedicated CEP staff members. By dedicated, means they do CEP and also they all take care of the walk-in traffic, which comes into all our ten JobConnect Offices. So we have 48 staff members taking care of 12,400 customers. This number shows the total staff-assisted customers in the ten JobConnect Offices statewide, which is 170,000 plus. And we have resource centers in all our offices. By resource centers, I mean we have computers that are self-serve. Jobseekers come into these JobConnect Offices and can fill out job applications, look up open jobs from employers, do their resumes, do their cover letters and things of that nature.

And on average, we have someone who is seeking a job and it's not a one-time deal. They have to come in and they have to work at it. Finding a job is a job in itself. So they come in and on average they have at least five visits till they get back to work. And the staff in our offices, they build very strong relationships with these jobseekers. They provide intensive services and their individual employment plans and sometimes customers are, very selective on which ES, which is Employment Security, staff member they wish to work with, because of their relationship with this customer and them knowing what they are looking for and things of that nature. So they have individual employment plans, as I mentioned before, and with their ultimate goal of getting these customers back to work. Thank you.

That concluded Mr. Pandit's presentation. Chairman Havas thanked him and asked if there were any questions for Mr. Pandit.

Council member Michelle Carranza in Las Vegas asked if Girish could give the Council an idea of what the tenure is of these folks that are reemployed. Ms. Carranza said that one sees the great statistic that they were like the one gentleman that was reemployed very quickly. Obviously, he may not be a great example, but what's the average tenure? A year or two years? How long are people staying in these new jobs? Mr. Pandit said that they are staying at these new jobs anywhere from say, six months to three years in the new jobs.

There were no other questions at this point and Chairman Havas gave the floor to Renee Olson for her presentation.

V. CAREER ENHANCEMENT PROGRAM (CEP) FUNDING AND BUDGET OVERVIEW

Renee Olson, Division Administrator, Employment Security Division (Exhibit D)

Thank you. Looks like my presentation is up. But I wanted to just take a quick minute to also mention that, you know, we have ten local offices in the State. And the Career Enhancement Program has really become part of the fabric of the services that we provide in these offices.

With the staff that we keep in these offices, I wanted to just point out, too, that it's not just the 12,500 individuals that we pointed out that were formally enrolled in the CEP program. You know, when these folks are available to help others, they help whoever is coming in the door; to help veterans, to help people who aren't necessarily signing up formally for CEP, for training or other services of that nature. Maybe they just want a job referral, but I just wanted people to understand they're really interwoven in the service provision in these offices. We have ten offices statewide with the 48 staff that are dedicated to this funding that Girish mentioned. I just don't want people to have the idea that they don't serve beyond that 12,500 people. And I wanted to point that out as well.

I also wanted the Council to realize, with a state of 2.7 million people -- I think that was the last number is about 2.7 million -- and a workforce of about 1.3 million people, the numbers that you see here that are creating traffic in our JobConnect Offices of a couple of hundred thousand people just staff-related assistance, that's a pretty big number for the number of people that are assisted in our offices. So I just had to make that point. You asked about job retention, I just wanted to point out to you that if any of the Council members have any other questions about those statistics or any others, please feel free to contact my office and we can provide you those performance statistics, and that's not a problem.

I also thought it interesting in the pie charts that he pointed out that the number of RRE clients receiving reemployment-related items assistance is very large, but the cost of it is one of the smaller costs that we see. So that program in and of itself, as I understand it, you know, folks come into our offices and they say, you know, "I've got this job if I can get a pair of work boots to get back to work." "I've got this job if I can get a set of tools to walk in the door with and start working."

And so for the cost that we're spending there -- maybe it's just something as simple as a Sheriff's card or a work card. We're getting people into a job with those CEP dollars. So I think it's important to point that out that for -- the bang for the buck is -- is really good on that funding right there.

So with that, I guess I'll move into my presentation. Girish mentioned the Silver States Works program, and I thought I'd kind of go through that a little bit for you. I mentioned during the heat of the recession, we developed this program to provide incentive to employers to hire folks that come into our offices and to provide some opportunity for those folks looking for work.

I just thought I'd point out to begin with that we started this program in 2011. Actually rolled it out into the offices in 2011. The expenditures on this program to date over the course of those years is about 4.1 million dollars and we've served over the course of that time, if I've got my numbers right, 3,764 participants. So that's a little over $1,000 per participant on average.

So as I mentioned before, in the next point, is that we do provide hiring incentives to employers, which provides the opportunities for our jobseekers to find jobs. The eligible participants are UI claimants, veterans, voc rehab -- Vocational Rehabilitation clients, shorten that to VR. We like our shortened acronym world. And then TANF clients as well.

There are three ways that employers can participate. Workers can participate who are collecting unemployment insurance benefits. They can continue to receive those benefits and also get on-the-job training during that time and we will pay up to $600 per individual on that contract.

Another way that they can participate is through the Employer Incentive Job Program. And that's a wage subsidy program to employers who agree to train and pay participating workers. I believe those contracts are negotiated individually with each employer. So I say up to 50 percent, because that depends on the needs of the employer at the time. And then the third way those funds are used, is an Incentive Based Employment. That's really a retention -- a wage retention supplement that's paid to employers to hire and retain eligible fulltime workers. Those are workers that are working 30 hours or more a week. And they would pay up to $2,000 over the course of $500 per month over the course of that retained employment. So those are some highlights of that program and I've added some additional -- you can go onto the website, silverstateworks.com for additional information.

So I'm mentioning it again here. Over the past few years the Department has worked closely with Economic Development. In that regard, I just mention it again here, because Silver State Works is also used as a way for them to offer an incentive to employers coming into the state, that they would like to attract to the state, to say that here's a way for your employees to also get some training they might need for your particular business coming into Nevada. So those are managed through our business service officers in the field. They are something that Economic Development, the Governor's Office of Economic Development does offer when they're talking to perspective employers or companies moving to Nevada.

Another initiative that we fund with the Governor's Office of Economic Development, is the Train Employees Now initiative. This is funding that we provide to GOED and for short-term skills based training. And the Office of Economic Development enters those contracts with those for training and we provide the funding for them.

A couple of other ways that we participate with Economic Development; during the last session, there was some legislation passed for GOED, that's the State's acronym for Governor's Office of Economic Development, just to make sure we're all on the same page. They have a program for certifying emerging small businesses, and the purpose of that program is to assist those businesses to obtain contracts with the state and local government agencies. We provide funding for their administrative costs in that program through an agreement, I believe it's an agreement between the directors to do so, and that's how they're budgeted, I think this started a couple of years back.

The first year of the next contract that you're going to see here is really a lease agreement that we have to pay some lease payments for the IBM Center for Excellence. There is additional information on the websites I've noted below that you can take a look at.

This one that they've established in Las Vegas is called the Nevada's Water Center of Excellence. And it really focuses on water resource management and analytical services. And the way it's been described to me is that I think of it as a think tank, or kind of an R&D generating technology for water resource management technologies or companies out there. The idea being that Nevada is actually very good at managing water resources; one of the leaders in the world for that sort of technology. And I think Las Vegas is well renowned for water technology, water management technology and management practices. So they've established this center in Las Vegas and we help fund. And I believe the total contract over the life of the contract is about $900,000.

You'll see that we also collaborate with higher education. When Director Woodbeck was with us, he started an initiative to establish what we refer to as Workforce Development Centers in the community colleges around the state. Right now we have staff in two of the community colleges. One is at College of Southern Nevada and one is at Great Basin College. And these folks are situated in these offices and work with the Workforce training staff in the colleges. I kind of think of them as a coordinator between the employers who may be looking for some customized training in the community colleges. They help with that process and then my hope is that they'll also be helping our claimants and people in our JobConnect offices connected with those training opportunities and return hopefully to employment.

We've also have some items where in working with the various community colleges and higher education, the Director has collaborated in terms of offering some grants to the colleges. One of those grants is the Future of Nursing Grant. As I understand this grant, it's $75,000 a year for this year and next year to pay for one full-time and one part-time staff member. And I think the initiative behind the grant is to, basically, promote the advancement of nursing education in Nevada. So I think, it's sort of a capacity building and planning grant where they are trying to share the importance of advancing education in Nevada in terms of nursing programs throughout the state.

You'll see that we also partner with K-12 Education in the CEP program. In recent years the Director has helped relief. The ground up started in Nevada what's called the Jobs for America's Graduates program. The Jobs for America's Graduates program is really a nationwide initiative. There is a nationwide board and I believe our Governor is a member of that board. And so since 2012, I believe, we started with a pilot program in the state of Nevada, I think the first counties and school districts that were involved there were Washoe, Douglas, Lyon and Clark Counties.

And so they started small. They started with a few schools. And what -- the purpose of this program is, they put what they call JAG specialists into the schools. They are not teachers. They usually work for the nonprofit. But they work in these schools with at-risk students that are having trouble with graduating. They start in their junior year. They work with these kids towards graduation, with the end result of that work, first of all, graduation and then, hopefully, that they can either go three ways. They can go into a post-secondary education, they can go into a vocational track of education, or they can go to work.

And so, since the beginning of that program, we started our contract with that program with the community services agency. Over the course of those couple of years, the contract there was about 1.3 million dollars. These dollars go to the school districts to pay for those JAG specialists that I mentioned. And then, most recently, what they have done is created a specific nonprofit in the state of Nevada called Jobs for Nevada's Graduates. And so, that contract for next year for the Jobs for America's Graduates will be with the Jobs for Nevada's Graduates nonprofit entity, and that's about $750,000 for the next school year.

They are expanding, what I understand is that they are expanding the number of schools that are being included in this program. They also receive funding, Jobs for Nevada's Graduates will also receive funding from the Department of Education General Funds. And they also receive Workforce Investment Act funding from our local boards, from their specific youth funding that they receive through that federal grant. They are also tasked with finding private donations for the nonprofit to fund this effort in our schools. And again, I've provided links to websites with some additional information so you can understand that program a little better.

One of the recent projects that we've become involved with is kind of a partnership with Washoe County School District and Truckee Meadows Community College and what they term as student success specialists. Again, these provide funding for two years to pay for personnel that are called student success specialists. They assist credit-deficient Washoe County high school students to graduate and move on to TMCC and then to assist with obtaining internships for those students.

Also what Girish mentioned earlier was, the employment sectors that we focus on. One thing that has been developed with the Workforce Investment Board in the past couple of years is what are called sector councils. These sector councils are tasked with gathering information about what employers in those sectors need in terms of trained employees. What are the job skills gaps that they may have? And if they can identify specific gaps in the skills that, when they're looking for employees and they're saying we can't find anybody with X skill or X education, they can bring those concerns to the Council and then the Council goes before the Workforce Investment Board and explains that, here's what we found out, here's the training that is needed in these sectors. And that's the result of what you see up here. These are recently approved projects.

We call them pilot projects for customized training that these sectors have identified. And the items you see before you were recently approved. So we're still working out the implementation of these items and the contracts behind these items. I don't have a lot of information other than just what the initial approval was on these.

A couple that we're working on that we've received the most recent information on, are our under the information technology, the $45,000 at the bottom of the screen there, the last bullet point, that talk about licensing and testing for getting the certificates in and then actually paying for the testing certificates for high school students, and it provides some teacher training as well for the Microsoft IT Academy. And these would operate $5,000 per school within various school districts. I think there are four school districts identified right now.

The other one that we're working on currently and formulating contracts for was within the mining industry. This is a project whereby one of the mining companies has agreed to pay for equipment to the tune of about $292,000 and the Department has agreed to provide $308,000 over the course of three years, approximately $100,000 in each year to pay for the professor at Great Basin College that would provide the electrical and instrumentation skills course work. And then those individuals obtaining that training would attend Great Basin College. So that gives you an idea of the recent pilot projects that have come out of those sector councils.

One of the other things that we paid for in recent years is a statewide contract with the ACT (American College Testing) group. They also provide -- it's not the ACT that you're thinking of to get into college, it's the skills assessment training or skills assessment tools and training tools that they offer. Work Keys is the skills assessment tool. And then Key Train is the online system that they can use to brush up their skills and to attain various levels within the Work Keys assessment system.

So we've provided a statewide license for folks to take these assessments and then, hopefully, also at whatever level they achieve, there are various levels. I don't think I can go into it because I don't think I can explain it to give them enough credit, but basically, there are different levels that people can achieve in these areas of assessment; math, information location, reading, soft skills assessment. So, different levels can be achieved and depending on what level in that assessment they achieve, they can go back then into Key Trade, brush up their skills and maybe reach a higher level.

Those have been offered really successfully through our Right Skills Now or our customized training model where it was used as a screening tool for those participants to make sure that they have those basic skills once they got into that training and into that employment that they would have a good foundation for the skills that they would need to succeed. We use it for regular candidate screening, when we are trying to screen for employers for perspective employees. And I know that there is some interest in using this college -- this ACT Work Keys assessment for incumbent workers. The Manufacturing Association really has a lot of faith in the National Career Readiness Certificates. These are the certificates that are issued based on the level that you achieve, the grade -- let's just call it the grade you achieve those levels that they are measuring.

The National Career Readiness Certificate is something that is recognized, can be recognized and it's portable. So whenever employers actually are looking for somebody with the certificate, that person who has achieved that certificate can take it to different employers to show that they have those basic skills. And that's something that we have also supported.

We've also had a relationship with the Department of Corrections over the past few years. In our JobConnect Offices, we have staff that assists with prisoner reentry anyway. We help those folks find employment and get back into the workforce.

However, we've also partnered with the Department of Corrections. They have a job readiness training and job placement service program for parolees and ex-offenders. And the hope is that folks can return to work and that we reduce the recidivism rate of folks returning to the corrections system. I don't know how much longer were going to participate in that program, but I know that last year we had a contract with the Department of Corrections for $510,000. I'm not sure if it's $550,000 this year, but it's around that number.

The following is the last item in my presentation, and it's one that I particularly wanted to highlight. Over the past years, and I think since I've been the Administrator, one of the things I've heard people say is that, you know, there's the huge focus right now from the federal government on improper payments, and rightfully so. We want to pay the right people the right amounts when they are eligible for their benefits. So there's a huge focus there from the federal government and we share that focus.

But one of the things that has been said to me in the past is that part of the reason we see more fraud and maybe more improper payments is, that we've really kind of disconnected because we take all of our claims by phone or by Internet, we've kind of disconnected somebody sitting down in front of us and having to explain that they've done their work search every week or explained that, you know, it's harder to lie or commit fraud when somebody is sitting in front of you than over the phone possibly. So I think that disconnection has in many ways hurt our ability to prevent overpayments due to fraud or, I guess it's mostly due to fraud.

But anyway, that aside, I think one of the great things that we're seeing in the system right now is the desire to make those connections again. Reconnect more folks who are applying for benefits with our JobConnect offices where they talk to real people, and they receive direct services.

I saved this for last, because I really wanted to highlight it. We do receive funding from the federal government. It's unemployment insurance funding and it's called the Reemployment Assessment Program. So we have folks working in unemployment insurance to support this program and we have folks working out in our JobConnect and in our Workforce Investment support services units to support this program. We've combined that federal funding, the Reemployment Eligibility Assessment piece, with what we call the Reemployment Services Program and we are now funding that with CEP.

Just to give a quick background. We did used to get some federal money for the Reemployment Services Program, but for whatever reasons, we don't get those funds anymore. And we felt it was such a successful program that we wanted to maintain the partnership there with reemployment eligibility assessment and reemployment services, so we funded that with CEP, at least for this past year.

The program that Nevada has created is nationally recognized. It's been studied by universities and those studies have shown that it is a very effective program. We've presented how we operate the program at a national organization of state workforce agencies and I think that we have other states that have enquired about our program. So it's just something that I'm proud of and I think that we're going to see more and more states adopting our model and how we run it.

So I mentioned the federal Reemployment Eligibility Assessment program. What we've done is we randomly select folks from those who are UI claimants after one week of having received their benefits. Right now the pool of candidates is 12,500, I believe.

We select those candidates and then we require a mandatory in person interview with those folks. We review their eligibility for unemployment insurance. And then I think one of the keys is that then we combine that with our reemployment services. We provide them an individual employment plan, we help them with job search and referrals, and we help them with resume assistance, whatever they may need to overcome those barriers to employment, we can do that with the CEP program, including short-term skills development training.

The return on investment is actually really good. For every dollar that we have spent in implementing the program, we see four dollars saved in the Unemployment Insurance Trust Fund. So we deem that extremely successful from that perspective just saving employers' money in their contributions to the system.

The independent studies found that the folks who are participating in this program versus the people who don't come in for the mandatory interview, are 20 percent more likely than non-participants to be reemployed and reemployed sooner. So the number of weeks that we can return them to work before they exhaust their unemployment insurance benefits is kind of how we measure that savings to the trust fund. They also found that they earn more wages in the quarter after returning to work. So whether that means that through our referral and training services they receive a better job than they may have on their own, I think that might speak to that, but I think it's also just that we get them to work faster. I wanted to end on that note with my presentation and I'm open to questions.

Chairman Havas asked if there were any comments from Las Vegas, None at the moment. Mr. Havas asked for comments in the north.

Council member Danny Costella spoke: "Mr. Havas or Renee through the Chair; on the prison program, you said you might not be participating in that anymore. Is there a reason for that? "
Renee Olson responded that she believes it's just a matter of that we're getting prepared for the next legislative session and looking at our budget. It's a matter of resources really and how we direct those resources. Mr. Costella asked if there is a successful rate of return on that or can Ms. Olson comment on that.

Renee Olson responded that she can provide that information to Danny, but she did not have it with her today, on the success rate of recidivism or anything. Mr. Costella accepted that. He was just wondering if there was a correlation between the success rate and whether you're going forward with the program or not. Ms. Olson answered that we look at our successes, who returns to work, who gets a job. So, when we're partnering with other agencies, they have a perspective on what their goals are, too. I think we share a goal that says that if we can return folks to work, they are less likely to return to the prison system. Mr. Costella agreed. Renee continued, if we take those two goals in mind and how we look at it, I think there are several measures there and I can provide you that information. Whether it's strictly a recidivism rate or whether it's a job -- obtaining a job and job retention rate, I would have to take a look at and see what our contract allows for. Mr. Costella thanked Ms. Olson.

Council member Michelle Carranza out of Las Vegas had a question. When someone goes through the CEP program, is there a length of time they are required to remain employed? Are they able to, you know, if they lose that job or if something happens to that job, do they go back through the CEP program? How does that sort of work?

Mr. Girish Pandit identified himself and responded to Michelle. Normally, if there is no fault of theirs and the employer has just decided it's not a good match, then we don't hold them accountable for it, but if someone walks off the job for whatever reason they may have, then we may have to have a discussion with that individual to know their exact reason why that happened. Given that, in a state where it is at-will, they work at the pleasure of the employer. We don't necessarily mandate how long they should be in that employment. Does that answer your question? Michelle said that a person can go through the program -- well, so they can go through the program multiple times. Mr. Pandit responded with a yes.

In probably a five-year time span, they should at least have a job for a year, year and a half or two years. And then they can come back if, you know they are let go because of the economy or some other reason.

Council member Margaret Wittenberg mentioned that in view of the apparent success of the reemployment service and the consideration that you may be reducing the prison reentry, do you ever reallocate funds? For instance, moving any from the prison reentry into the other program?

biennium, we're looking at what resources do we have available, what do we think we're going to have available and the next biennium will be State Fiscal Year '16 and '17. And we look at what resources are available and what's sustainable. I would personally look at what's the most successful program and want to continue that. And one of the priorities that I have is to expand that program if possible.

So, we'll be taking a look at the resources that we have and if possible we run that, though, in conjunction with the federal programs. A lot depends on how much funding we get from the federal program to balance out how we fund that staff and how we manage those interviews. I would love to expand that program. I think it would be a great expansion. But again, like I said, we're taking a look now at what resources we think we're going to have available for those years.

VI. <u>REVIEW OF PROPOSED REGULATION AMENDMENT FOR CAREER ENHANCEMENT PROGRAM (CEP) VETERANS AND SENIOR CITIZENS SMALL BUSINESS LOAN PROGRAM</u>

A. <u>Explanation of Regulation.</u>

Ms. Olson continued with an explanation of the Regulation. One of the programs that was created some three sessions back was called the Veterans and Seniors Small Business Loan Program. The purpose of that program was to provide entrepreneurial opportunities for folks to open their own businesses.

Over the course of the years, there was a regulation established and after the establishment of those regulations, if I'm correct in my understanding, is that we offered the program at two different times, which was a request for a proposal process. We offered out there for interested nonprofit entities to come and to make a bid on the program in general.

This is another program also. I'll just mention really quickly that we will have to consider in our prioritizing, our resources as we go forward. So some of this depends on how much we are able to afford to dedicate to the program, but that aside, what we found was that we received no responses to our RFP's. We looked at what was the cause of that non-response? Are there just not enough nonprofit entities that provide financial services like loan program out there to respond?

Was it the regulations possibly that were making the program not effective? So we took a look at the regulations. And what we're really looking to do is look at the regulations as they stand, see what may be impeding the program from working in terms of what our regulations say. I've made a few suggestions, and that's the draft that you have in front of you now. I can go over some of the changes that I've identified that may make the program work. And I guess that's the nuts and bolts of it. If we can't get anybody to bid on the program, it's not working. So we're trying to make the program work. Or see if there is anything we can do better to make it work.

I'll just go through the regulations in general terms. It starts out by stating what the qualifications would be of the nonprofit to receive the grants. We would be issuing a grant of money to a nonprofit and the regulation outlines what they need to have. They need to have a certain amount of experience in providing a loan program or a financial program. It outlines what is required in the application for the grants, conditions and approval of the loans. So that spells out the amount of the loans that could be approved for the applicants for the loans. Once the grant is given to the nonprofit, the people come into the nonprofit to apply for the loans. How that works, it provides a section to appeal the loan decision. And then it goes into how loans are repaid, the interest that would be collected on the loans and reimbursement to the nonprofits for administrative costs in offering the loan program.

So a couple of the changes that I suggested -- and I've got some questions for you to consider, as well, and it kind of goes along a little bit with the changes that I've suggested, too. My initial thought was that $5,000 to start a company or a business is really not something that's going to provide much in the way of somebody being able to open a business. So I thought the amounts were too low. I proposed increasing the amount of the loan maximum to $15,000 or, with the approval of the administrator, the limit could be increased to $20,000.

The first question is how much should the maximum loan amount be? Even at those levels, at $15,000 or $20,000, if a business needs equipment or any kind of payroll start up costs or anything like that, I would think that in terms of looking for small business loans, we're talking more in the lines of $50,000, but considering the resources in the program, how much we could put into the program, I don't know that we can offer $50,000 loans to people.

Council member Danny Costella asked whether the program would not be used as a surplus buildup or is that just reallocated, or how does that work? Ms. Olson asked if he meant in the resources, how we have identified the resources available. Mr. Costella said yes, like now, because it has not been used, could you increase it up higher now because of lack of use of the funds? Are they increasing or are they just gone somewhere else? Ms. Olson thinks that we have applied the funds to other initiatives that we have had. We are really looking at what we can afford going forward in terms of our overall resources. So that is one question to consider, the maximum loan amount.

Mr. Havas asked how we would plan to get the word out on this process. Ms. Olson said that public open meetings like this one would be great to get the word out to possible nonprofit entities. You know, we can do some research on our own I guess, and look online and see if we can identify anybody. Maybe we can identify some nonprofits that might be interested and we can just get the word out there that this would become available once we get the regulations figured out and set, we would have a means to put it out on our website to identify what companies we can and just let folks know that the opportunity is out there and we're really looking for nonprofit entities out there that would be interested. So again, please consider the amount that I am suggesting in the regulation. Those are maximums that are listed in the regulation, just for clarification.

There is some kind of housekeeping cleanup language that I suggested in the regulation. Under 612.679 Item Number 2, the language in the regulation really went into talking about the third degree of consanguinity or affinity, and those are really terms that are captured in the ethics laws in the State of Nevada. So I thought for ease just to reference those laws directly, because those sections are very well outlined within 281(a).065. So, that's really just a cleanup piece there to refer to that law instead of trying to reiterate the law in our own regulation.

And the next item that I just clarified some language in 612.683 that states -- it used to state, a loan which is not repaid in full by the end of the first year is subject to an interest rate of five percent. I added just what I thought was a clarifying language at the beginning of the second year of the loan, a loan which is not repaid just to be perfectly clear at what point that interest started accruing. And then some language at the end of that to say on the outstanding balance of the loan until paid in full. I have just enough -- a little bit of banking experience in my background to think those words were necessary.

Another question that was posed to me that I didn't consider when I was looking at amending the regulations was, whether there is an appeals process necessary with the loan program? We do have a piece in here in the regulation about appealing the denial of an application for a loan. If you have any input in that regard, that would be something that would interest me. But I think these regulations were developed with some folks that had some experience in a loan program.

Another question is, is five percent simple interest, is that appropriate or should it be something else? Should it be a variable rate, should it be prime plus a certain interest rate? Those are some things that maybe the Council would like to consider. And again, that's an area of lending that I think, from a perspective of offering public money for something of this nature, we were trying to keep the interest rate at a level that would make the borrower interested in participating and give them a way to participate at maybe a level that they wouldn't necessarily have to go to a bank; to participate at that level. The banks usually offer kind of a prime plus an interest rate type situation. So I think that was the idea behind a simple interest rate of five percent. It kept the cost low for the borrowers as well.

The other change that I suggested in the regulation was on Page 3, I think you have before you, continuing with that section, 683 -- 612.683 to add an item under Number 2, that the interest collected in excess of the costs necessary for administration of loans must be used to issue additional loans. The idea of a loan program is, that as you bring money back in with the loan repayments that you continue to make new loans along the way. So there's that suggestion.

And then down at 612.685, I think this clarifies how interest can be used and accrued and used by the nonprofit. I would like the Council to consider whether these changes make it too restrictive. We have to have a nonprofit that wants to participate. We have to make it worth their participation, and at the same time, we have to make it available to the public to come in and ask for a loan. So, this section really restricts their amount of administrative funding that they can have to 10 percent of the total grant amount. And I would like to know if the Council thinks that's too restrictive.

So with that, those are the changes I've suggested, and like I said, this is a draft. I am looking for comments, I'm looking for input on that regulation. Other changes that you may see that I haven't addressed that might be helpful, I would really appreciate that input as well.

Should the Administrator be involved in loan forgiveness or should that be a policy of the nonprofit entity that the Administrator approves; but the Administrator doesn't get involved in each forgiveness of each loan. Is it just is a policy of the company? That's another piece of the regulation that maybe should be considered. And I can provide these questions in writing to all the Council members as well, and then I would request input from everyone. So those are some of the things I thought about as I was putting this together. Does anybody have any questions at this point?

Council member Katie Johnson, DETR Board of Review asked: what size nonprofits are you talking about? Are you talking, like, the SPCA or are you talking a mom and pop organization that rescues various entities and there's, like, 20 volunteers and there is no real overhead because we don't have -- or they don't have the money?

Administrator Renee Olson responded: I don't know, but I would say that they have to -- as far as the regulations go, they have to have three years of experience at least in operating a loan program or providing financial services to the public. You know, like I said at the beginning, we've had a hard time identifying anybody to invite to look at the RFP, I guess I would have to look at the regulation, look at the qualifications that are set forth in the regulation. You know that they do need to have some experience, especially dealing with the public when you're talking about a loan program. They really need to have some experience in how they deal with delinquencies on those loans, what is the delinquency rate on a startup business loan program? I really don't know, but I would look for each of those applicants to understand and be able to answer all those questions and have a way to manage all those different aspects of the loan program.

Council member Paul Barton said, just a comment that comes to mind. I don't think you're looking for an entity that would deal with small businesses that would have the ability to loan to a small business to get going. That's not, in my mind, that's a pretty specific type of entity. The $15,000 limit, I think we all can agree, is not going to start a business in today's times. It may be a good supplement to get them by a first few months of payroll or something like that.

Let me make just a couple of comments to what you said. The interest rate thing is something that's always bothered me with state entities setting a pat interest rate of five percent. That can become obsolete very, very quickly. Could become obsolete next month if the feds break out with, you know, float the interest.

So I think the interest rate needs to be tied to something so it can fluctuate with the market. And five percent interest right now may not be the best interest out there. It may be too high. But you don't want it too low either because then people will not pay the money back because it's cheaper to pay the interest on it. So just a thought along those lines of -- as far as the mechanics of what I think you're trying to do.

Administrator Renee Olson thanked Paul Barton and said that those are good thoughts. I think you're right about the flexibility there, to be able to react to the economy and to whatever terms are being offered out there elsewise. I think that's a really good point. I don't know if we should think about this as it's not just their sole source of funding for a start up business, but maybe a supplement to other funding they may receive. So whereas, maybe 15 or 20 or 30, whatever amount that we figure out works and that will allow us to put more loans out on the street as well because, as we increase the amount of the loan, we're going to have to figure out how much overall we can offer in this program in terms of what resources we have available.

So if the loan is $100,000, that means, depending on how much I can get out there for the program, but it could mean five loans if I can afford $500,000. If I can only afford $200,000, that's two loans, those were thoughts going through my mind as well. How many -- do we provide smaller loans to as a supplement to maybe some other funding that they may be receiving to start up their businesses? But maybe not -- it can't be the whole amount for them out there. I don't know. It's a really complicated issue.

Chairman Havas spoke and said that this is directed to Renee Olson, Administrator. The identification and focus of those interested nonprofits or interested groups. The methodology in arriving at that and then the operational definition to implement this, I'd be interested in hearing from you, Renee.

Ms. Olson responded: In other words, once we kind of figure out our plan of attack there, we let you know what we're doing? Sure. No problem.

B. Public Comment.

At this point, Chairman Havas said that they should open it up for public comment. Anything from the South? Hearing none, how about the North?

C. Council Discussion.

Discussion went on throughout this part of the meeting, as noted above.

VII. MISCELLANEOUS ITEMS

Are there any other miscellaneous items Renee that you want to bring up at this time?

Ms. Olson said that she had nothing specific at this time. She would just encourage the Council to provide her with any comments or suggestions they might have. There will be a comment period. I can kind of tell you a little bit about the schedule coming up. We will be having a Small Business workshop, July 15.

And then, we will have the Hearing to Adopt the Regulation on August 12. There will be more opportunity for input into this process for sure. I appreciate any comments or suggestions that you might have and we can go from there. I think that there will be a comment period that we will publish by when we need to receive those comments. And I know we will be developing a Small Business impact statement in regard to how these regulations are being changed. So I guess with that, that's all I've got for today and I appreciate your time. Thank you very much.

VIII. CLOSING PUBLIC COMMENT

At this point I like to invite public comment from Las Vegas as well as the North.
No comments are received.

IX. ADJOURNMENT

Chairman Havas thanked Renee Olson for her presentations today.

Mr. Havas asked for a motion to adjourn. Council member Danny Costella made the motion, which was seconded by Council member Katie Johnson. All members responded with “Aye” and Mr. Havas announced that the meeting is now adjourned.

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STATE OF NEVADA
DEPARTMENT OF EMPLOYMENT, TRAINING AND R4EHABILITATION
EMPLOYMENT SECURITY COUNCIL MEETING

October 8, 2014

Live Meeting
Legislative Building
401 S. Carson Street, Room 2134
Carson City, Nevada 89701

Video Conference to:
Grant Sawyer Building
555 E. Washington Ave., Room 4412E
Las Vegas, Nevada 89101

Note: This meeting was also broadcast on the Internet at www.leg.state.nv.us.

Council Members Present
Paul R. Havas, Chair – Employers
Paul R. Barton – Public
Shawn O. Kinsey – Employees/Labor
Kathleen Y. Johnson – Public/BOR
Michelle S. Carranza – Employers (LV)
Margaret Wittenberg – Employers/BOR
Charles L. Billings– Employees/Labor/BOR
Daniel J. Costella – Employees/Labor
Fred R. Suwe - Public

Department of Employment, Training and Rehabilitation (DETR) Staff
Present in Carson City
Renee L. Olson, Division Administrator, Employment Security Division (ESD)/DETR
Kelly D. Karch, Deputy Administrator, ESD/DETR
Bill Anderson, Chief Economist, Research & Analysis Bureau, DETR
David Schmidt, Economist, Research & Analysis Bureau, DETR
Edgar Roberts, Chief of Contributions, ESD/DETR
Paul Brugger, Management Analyst, UIC/ESD/DETR
Christina Guzman, Management Analyst, Administration/ESD/DETR
Mikki Reed, Administration/ESD/DETR
Andy Chao, Administration/ESD/DETR
Lynn King, Administrative Office, ESD/DETR
Joyce Golden, Administrative Office, ESD/DETR

Present in Las Vegas
Art Martinez, ESD/DETR
Robert Whitney, AG's Office/LV

Members of the Public, Media and Other Agencies
Carol Vilardo, NTA, LV/NV
Geoff Dornan, NV Appeal, Carson City/NV
Jim Nelson, NAE, Reno/NV

Exhibits

Exhibit A - Attendance Record

Exhibit B - Agenda for the Meeting/Workshop

Exhibit C - UI Bond Status Update
Calculation of 2015 Bond Rates

Exhibit D - Economic Projections & Overview
NV Labor Market Briefing

Exhibit E - Review of Trust Fund
UI Overview and Forecasts

Exhibit F - Tax Schedule Explanation - and Booklet

I. CALL TO ORDER AND WELCOME

Paul Havas, Chair of the Employment Security Council, called the meeting to order at 10:00 a.m. on October 8, 2014 and welcomed everyone to the meeting. He asked the Council to introduce themselves and indicate their representation. He also asked if Ms. Olson could provide the Council with some information on the new members and the new Director of DETR.

Ms. Olson quickly mentioned that since our last meeting, we (the Council) have a new member on the Council, Mr. Fred Suwe. He will tell you a little bit about himself in just a minute, as we go around and introduce ourselves. He has come to us just recently and he previously served with ESD as a Deputy Administrator for the Employment Security Division, so we would like to welcome him today.

Ms. Olson mentioned briefly that the Department will have a new Director starting on the 13th and his name is Don Soderberg. He comes to us from the Division of Industrial Relations, we have worked with him previously on issues regarding Workers' Comp.

Mr. Havas next asked for the introductions of the Council.

II. INTRODUCTION OF COUNCIL MEMBERS

Paul Havas, Chairman of the Employment Security Council.
Danny Costella, representing Employees/Labor.
Charles Billings, representing Employees/Labor and member of the Board of Review.
Shawn O. Kinsey, Employees/Labor (New member).
Fred Suwe, representing, the Public (New member).
Katie Johnson, representing, the Public, and Chair of the Board of Review.
Paul Barton, representing the Public.
Margaret Wittenberg, representing employers and member of the Board of Review.
Michelle Carranza, representing, the Employers.
Kelly Karch, Deputy Administrator, Unemployment Insurance System.
Renee Olson, Division Administrator of the Employment Security Division.
Robert Whitney, in Las Vegas, sitting in for Counsel Tom Susich who could not attend.

III. PUBLIC COMMENT

Chairman Havas asked for any comments, but hearing none he moved on to ask for a motion for approval of the minutes from the October 2013 meeting. And also any public comment at this same time.

IV. APPROVAL OF MINUTES
A. Public Comments

There were no public comments and at this point Mr. Havas asked for a motion to approve the minutes of the meeting from October 2013.

B. Approval of Minutes

Council member Danny Costella made a motion to approve the minutes of the last meeting. This was seconded by Council member Katie Johnson. Chairman Havas asked for any discussion on the motion and hearing none asked for all in favor of the motion to signify by saying Aye. The Council as a whole responded with Aye. There was no opposition, so it was carried and the minutes of Oct. 2013 were approved.

V. AGENCY AND LEGISLATIVE UPDATES

Renee L. Olson, Division Administrator, Employment Security Division

Mr. Havas asked Ms. Olson to give the Council a Legislative update.

Ms. Olson started to clarify that she is an ex officio member of the council, she is a nonvoting member. Mr. Karch is not a member of the Council, but he is here today to support our work in this meeting. She introduced Mr. Karch, saying he is ESD's Deputy Administrator in charge of the unemployment insurance program. He really directly manages the program from day to day and he will be here, in case I need to ask him a technical question,

Mr. Robert Whitney is here for us, in attendance in the south. He's here to help us stay on the straight and narrow in terms of open meeting law and points of order if votes are taken in that manner. He's from the Attorney General's Office. Mr. Tom Susich, who is the attorney for the Division, couldn't make it here today. And you will also hear from Mr. Edgar Roberts. He's our Chief of Contributions. He will be talking to you in a little while about our tax structure and how we calculate experience ratios for the employers. And we have various other members of our staff here, north and south. Raise your hands for me. I'd like to thank them especially. They do the hard work of organizing this process. And if you need assistance at any point today during the meeting, please feel free to ask one of these folks for assistance.

Today we will also hear from our Research and Analysis Bureau. Mr. Bill Anderson, our Chief Economist, will provide an overview of the state's economic condition, and what he thinks lies in our future as far as the economy. Mr. David Schmidt, an Economist with R&A, will help us with understanding our Trust Fund projections and rate scenarios that we will present in a few minutes, and he'll give us an update on our bonding efforts and where we stand with that. As you've already seen, there are a few opportunities for public comment, so please feel free to come to the table for public comment. We'd like to limit those comments to five minutes, if possible, to give everyone a fair chance to make comments.

This year session starts on February 2nd, so we're preparing to go into session at this point. Some statutory issues that we're considering for session include our participation in the statewide longitudinal data system. If you're not familiar with that, that's a state system that the purpose of which is to help reporting on outcomes for higher education programs, and the data within the system can also be used for research and planning for what training and skills may be needed going forward into the future. So the data that will be provided in the system will be used in an aggregate capacity. We'll be protecting the confidentiality of this data, so we are fairly confident that the system handles that properly. And we'll be going forward with that initiative and this will align our Statute, 612, with previous statutory changes in 396 and 232.

We are also looking at aligning the statute of limitations for collecting overpayments to 10 years, which is consistent with the Federal Treasury time frame for collecting payments from the TOPS program. The TOPS program is the Treasury Offset Payment System, and I'll describe that a little bit more in just a bit.

We are looking at aligning our statute with some published case law that is from the Supreme Court that states that, an elected base period may be established only if the person files a claim for benefits within three years after any period of disability. The current statute refers to the initial period of disability. So there is case law that covers that, right now we're looking at alignment with our statutes. And the last thing that we've got that we're working on right now is our statute to make statutory changes, to make it a fraud for failure to disclose the receipt of Workers' Comp benefits while receiving UI benefits. So that's what we are looking at, including the agency's budget, which will be addressed at session as well.

Some of the things that the agency is working on, of course, one of our top priority is the UInv system. We've rolled out the benefits portion of that system approximately a year ago. We've recently rolled out the Appeals functionality in the system, and we're working hard to work out any initial bugs that typically come along when you roll out a new system, and we're streamlining some of the processes within the Appeals process. So timeliness at the moment is a major focus of the unit, and we're working hard to gain some improvements in that area.

The next area that we will be implementing, and the final area, is the contributions and employer account functionality within the system. The staff is highly engaged in making sure that testing and user acceptance of the system is going forward. We are looking towards the end of the calendar year for rollout, but it's extremely important to us that employers have a positive experience with the system and with the rollout and going forward. We think we have provided some added value with the system in terms of the self-service access that the employers will have to their accounts in the system. So we are looking forward to that. We're doing everything we can to make sure that that works well for employers and that we have a successful implementation there.

As far as UI integrity, UI integrity is always an issue with the system. Integrity meaning what we do in the system to prevent improper payments. That's a very big focus right now, not only federally, but within the Division. So some of the things that we're doing, I can highlight some of those things for you. In terms of collections; collections is another process that we focus on when improper payments are made; overpayments, whether that may be a fraud issue or just an issue where we didn't find out that somebody had returned to work fast enough and a benefit was paid. So these are some of the things we do in terms of collections, we've collected year-to-date $6.2 million that's been returned to the Trust Fund in those efforts.

I mentioned the TOPS program earlier, the Treasury Offset Payment System. Part of that $6 million is use of this Treasury Offset Payment System. We've collected $1.8 million through this process. The Treasury helps us to recover payments from people's federal tax returns. When they owe us money, we can notify the federal government that they owe us money in this program and they will offset that payment with their federal tax return. So that's been a very successful initiative. Last year at session we initiated some changes to the wage garnishment process. We actually really established a wage garnishment process for the Division. So far this year, we've collected $500,000 for the Trust Fund through that process.

A couple of other things that we do; we're working right now at improving our new hire directory process. This is a process with the Department of Welfare that really just helps us identify when somebody's returned to work. So it helps us know that faster so that we can stop paying benefits based on the fact that they've returned to work. We have the social security crossmatch with the federal government. This helps us verify social security numbers and validate identity of the claimants. We're also working with the Department of Corrections. We have a crossmatch system with the Department of Corrections that recently we just went live with a real-time update of notifying us when someone's been incarcerated, and we can use that information to determine whether they are eligible for benefits or not.

We also, in kind of the same vein as the Department of Corrections work that we do together, we have the PUP system, another acronym for you. I don't know what it means, but it's the federal penitentiary system to notify us when people are incarcerated in the federal system and we can bump that data up against our system and know when somebody is incarcerated there. We're also working with the Division of Industrial Relations, as I mentioned before. Anybody who is receiving Workers' Comp benefits is not generally eligible for unemployment insurance, so we're working on a way to know when folks are collecting Workers' Comp.

We have -- and I just wanted to mention ongoing, improper payments include issues of fraud as well. And so we wanted to let you know that we actively investigate fraud when it occurs, either at the claimant level or on the employer level. So we continue our efforts there. So those are some of the things that we're doing to preserve the integrity of the system, and that's an ongoing initiative. The irony in the system is that all that effort takes money. We're moving into a time where the economy is improving, and when the economy improves and we're not processing the level of benefits that we have in the past, our federal funding constricts.

We are heading into a period now where our federal funding is constricting. At the same time, we and the federal government are placing really high emphasis on integrity and preventing improper payments. We have to be able to pay staff and have systems that support those integrity measures. The benefit of that is protecting the Trust Fund, the balance in the Trust Fund and returning money to the Trust Fund that we collect, but it takes money in order to do that. So there will be some challenges for us there. So we collect the money that goes in the Trust Fund; we can't use that for integrity purposes and our administrative funding is shrinking. But that's something we'll be talking about in the upcoming session as well.

On the Workforce side of the house, our Workforce Services programs, I'll highlight some items there that we're working on. We have the Reemployment Eligibility Assessment (RES) and Reemployment Services Program (RSP) that we are having fun receiving lots of accolades for right now. We've had two studies done by IMPAQ International. These are independent studies that measure the effectiveness and the measurability of the process. This is a program where we ask unemployment insurance claimants to come in. We talk about their eligibility for unemployment insurance and what they need to do in terms of work search and those type of things. And then we also interview them and counsel them about services that are available at our JobConnect offices to help them return to work.

This program has proven to return folks to work earlier than the folks who don't participate in the program. It's shown to save $4 in benefit payments for every dollar spent on the program. So that's a pretty good return on investment.

It shows that the participants in the program not only go back to work earlier, but they earn more wages upon returning to work. So it's a really successful program. Now other states are asking Nevada, how we run our program and asking for input there. The great thing about that is that we've also been named a Top Tier Evidence Initiative by the Coalition for Evidence-Based Policy. This is a nonprofit, nonpartisan organization in Washington, D.C. The reason it's great that other states are asking how we run our program is that if we can duplicate the process in other states, we would be able to get a Top Tier Evidence-Based Initiative award. So it's just a way to share best practices through the other states. We're also interested in other states sharing their best practices with us, and that's something that we actively do.

Along those lines recently, just this last month or so, we received an award from the American Institute for Full Employment recognizing the Division's commitment and innovation in assisting UI claimants to return to work and avoid long-term unemployment. That's one of the programs we can use to prevent long-term unemployment. On the other end of the spectrum, we have those folks who have been unemployed more than 26 weeks. They're finding it very difficult to return to work. You may have heard the president really focus lately on helping those long-term unemployed. He's tried to get businesses to commit to not holding their long-term unemployment against them with hiring decisions.

We have recently been awarded $1.8 million from Department of Labor to help in our efforts to return long-term unemployed get back to work. This grant will be used -- it's a statewide program that will be used. We'll be working in conjunction with Platform to Employment. It's a nonprofit entity that has designed a program that combines about five weeks of formal classroom training and counseling efforts, and then the folks who are participating in the program spend eight weeks in on-the-job training with an employer. It's subsidized on-the-job training. And so the employer gets to test drive the employee and the employee gets to get some experience with working in that company and building their skills, with the hope that at the end of that eight-week time that leads to permanent employment for that individual. So we're excited about that.

We're going to be launching that effort in Las Vegas on October 20th, and I believe at the PBS facility down there. And then, again, it's a statewide program. We'll be launching a program in Carson City at the beginning of the calendar year, so we look forward to success in that program.

In terms of the Workforce Investment Act, for many years -- I think since I started with the Department 12 years ago, they were talking about reauthorizing the Workforce Investment Act. Well, it finally came along in the form of the Workforce Innovation and Opportunity Act. So that's what they're calling it now and we like to refer to it as WIOA instead of WIA. So you'll hear us talk about WIOA. So that was recently passed into law. We're still trying to digest all the changes that this new law means for us and for the workforce in the state -- or the workforce system in the state and across the country. All the states are kind of in the same boat trying to figure out what we're doing.

It changes the size, composition, and role of Boards. It mandates new partners into the process. I'm sure there are many implications out there that we haven't thought of yet. We're working through that now. They have a deadline of issuing draft regulations from DOL by January 18th. We are actively making sure they have all of our good suggestions in hand when they write those regulations, so that we can have some say in how our workforce system is going to work. The local Boards are also actively working on understanding and making suggestions as well.

One of the things that stood out to me is that, amongst many things, but it will also impact the unemployment insurance system, because it requires that UI services be provided in the American Job Centers. The American Job Centers are what we call our JobConnect offices. And in the south there's a -- Workforce Connections that has established a one-stop as well. Those are American Job Centers. Now, we don't know what that means exactly. Once we get the regulations and they define for us what that means, UI services provided in the offices will get a better handle on that. Funding and resources will drive the level of services available in that regard, but we do feel it's very important to do whatever we can to bring that connectivity back between the unemployment insurance system and the workforce system, working together to get folks back to work. So we'll see where that leads.

Like I mentioned before, the reemployment services for UI claimants is getting more and more attention and will continue to support those efforts. I wanted to just back up real quickly. The REA, the Reemployment Eligibility Assessment piece, is funded by the federal government. This year we were awarded $1.5 million to continue those efforts, but the reemployment services piece of the puzzle is not funded by the federal government right now. That is the piece that we are funding with the Career Enhancement Program funding that we have, we intend to continue to support that program going forward.

As far as the federal government, last year we were in a situation where we were going to default on our national debt and close down the government. We are not seeing that kind of attitude right now out of Congress. There is a continuing resolution that is in effect through December 11th at this point. Congress has decided to wait until after the elections to come back and resolve the rest of the budget issue for the rest of the federal fiscal year. So we'll see what happens there. I don't get any indication that we're going to see the kind of chaos that we've seen in previous years in receiving our federal funding; but I don't ever try to predict what Congress is going to do anymore. I just haven't heard anything that says there are going to be any huge disruptions like we were facing last time.

I guess from there I'll conclude my comments and I'd be happy to answer any questions, and then we'll get rolling with the rest of the Agenda, I think.

Mr. Havas thanked Ms. Olson and asked if there were any questions or comments from members of the Council. Mr. Havas asked Ms. Golden if the meeting was properly posted and if any comments were received.

Ms. Golden responded that she is the Administrative Assistant to the Administrator and that, yes, the meeting was posted correctly, but no comments were received in writing.

Next, Chairman Havas asked Economist David Schmidt to give his presentation on the status of the UI Bond.

VI. <u>UI BOND STATUS UPDATE (Exhibit C)</u>

David Schmidt, Economist, Research & Analysis Bureau, DETR

Thank you, Mr. Chairman. Good morning and good morning to members of the Board. For the record, my name is, as he said, David Schmidt. I'm an Economist with the Research and Analysis Bureau.

This presentation is to provide the members of the Board with an idea of where we stand on our bonds and what the rates are going to be for 2015, so that you can take that into consideration later when we talk about the contribution rates for the regular unemployment insurance program.

The state did issue bonds. We were going down that path last year. We issued bonds in November of 2013. By doing so, by the time that we did, the State was able to restore the full federal unemployment tax credit for employers in the State as of 2013. There was a November 10th deadline there and we slipped in under that by just a couple of days, with a lot of hard work from the state to get to that point. We received an AAA rating for those bonds to get the best interest rate that we could and, again, help to keep the cost of those bonds as low as possible. The issuing of the bonds also means that the special interest assessment that Nevada employers faced in 2012 and 2013 was not necessary going forward to continue to pay the interest cost of the federal loans that those bonds repaid. Now all of those costs are sort of rolled into the cost of the bonds.

What I'm going through here is the calculation of the bond assessment rates. Those are all laid out in regulation so that the calculation happens based on the schedule of bond payments and estimated taxable wages. It was set up so that there's no real room to adjust the rates. This isn't something where we say, well, we think we need to bring in this much money in order to pay the bonds this year. All of the calculations are laid out in the regulation so that the security on the bonds was as strong as possible, so that bondholders didn't need to think that we might come and go, well, we only want to collect half a percent when we really need more than that. All of these are just laid out. You take one thing; you divide it by another thing. You get the final result.

But I want to walk through the process of that calculation so that you know what we're expecting to pay. Our first bond payment was made in June of 2014. There was no principal in this payment. It was interest only of $13.6 million. It was designed this way in order to let the principal reserves build up before the first principal payment was due. That'll be in December of 2014. The bonds are every six months, payments are due on them. That payment will be $71.8 million in principal and $12 million in interest. Currently, we have in the principal account with the trustee, $83.6 million for principal and we have $16.4 million for interest. So we already have sufficient reserves to meet those payments, and we would expect that the money that will be coming in, in November and February, over the next couple of quarters, will go toward building the reserves in advance of the June 2015 payment.

The way that we calculate the bond assessment rates each year is, we start with the payments that are going to be due in the next year. In 2015, between June and December, $121 million in principal and $22.7 million in interest and expenses will be due. We multiply that by a 50 percent coverage ratio for a total amount that we need of $181 million in principal, $34 million in interest. We then look at what reserves we expect to have on hand at the end of this year, which is to say after February when the fourth quarter collections come in. We expect to have about $58 million in the principal account I should say, and about $14 million in the interest account. So we subtract our anticipated reserves from the amount that we need to figure out how much do we need to collect in 2015, and that gives us $124 million in principal and $19.9 million in interest.

If you look between the first and third bullet points, you'll see that essentially because that 50 percent coverage that we have to collect sort of rolls over from year to year. We pretty much end up pretty close to collecting in 2015 what we need in 2015, with that reserve just kind of floating there from year to year. Knowing our obligations, the next step is to figure out the wage base that will be available to pay those. We expect to see about $27.3 billion in taxable wages. We multiply that by 95 percent to account for any noncollection or late payment that may come in for the bonds. Dividing our obligations by that $25.9 billion, we get a principal bond rate of 0.48 percent, interest rate of 0.08 percent for a total rate for the bonds of 0.56 percent in 2015. This is down seven-hundredths of a percent from 2014, when the total rate was 0.63 percent.

Once we have that average rate, we then split that into four different tiers. This is to sort of mirror, in some ways, the process that we have for the UI rate, where we have a total of 18 different tax brackets for employers and then another rate for new employers who haven't yet earned their experience rating. And Edgar will be talking about that process for UI a little bit later. Here, we only have four rates. This is to simplify things and to sort of spread out the costs a little bit more so that the employers that really are on the extremes, very high and very low, aren't facing rates that are significantly higher than if we simplified the structure here a little bit, or so low that it essentially rounds out to zero.

And so the four tiers that we have is 1, for new employers, just like we have on the state UI side. We have a tier for all employers who have a negative reserve ratio, which means that over the life of their account their total benefit payments have exceeded the total amount that they've paid in UI contributions. Tiers 3 and 4 take everyone who has a zero or positive reserve ratio and we put 90 percent of the wages from those employers in Tier 3 and 10 percent of the wages in Tier 4. And this is so that the employers who have a very positive reserve ratio because their unemployment rates are typically in the 0.5, 0.25 percent brackets, we don't want to hit them with a rate where they're paying twice as much in bonds as they are in regular unemployment contributions, and so this allows us to adjust those rates down. At the end of the scale, by only using 10 percent of those wages, we make sure that we don't have so many employers landing in that category that the rates for the new employers and the negatively rated employers are shoved up by comparison.

Also, if you're interested, I'm not going to read through all of the numbers here, but you can see distribution of total wages and the distribution of the number of employers that fall into each of those Tiers. Because most of our employers in the state do have a positive reserve ratio, Tier 3, being 90 percent of the wages from those employers, is by far the largest source of both wages and a significant source of employers. Actually, the new employers have the largest number of accounts. It's because new employers frequently have a lot of startups. You have people who might have just one or two employees, but they're very new. And so you have a large number of small employers in that category.

With those four Tiers, we take the average rate that we calculated as 0.56 percent for 2015. Tiers 1, 2, and 4 are multiplied by a fixed multiplier to adjust that rate. So the rate for Tier 1, which are new employers, will be 0.26 percent. The rate for Tier 2, employers who have a negative reserve ratio will be 0.8 percent. The rate for Tier 4, employers who have that top 10 percent of positive wages, is 0.14 percent. And then Tier 3, we back into a weighted average for all of the wages in the State so that the overall average comes back out to 0.56 percent, and that average means that the Tier 3 rate is 0.6 percent overall.

All of these are lower than they were in 2014. The negative reserve ratio employers saw the largest drop, because they have that higher multiplier, their rates will drop from 0.89 percent to 0.8 percent. The Tier 4 employers, because they have that very small rate, saw the smallest drop from 0.16 percent to 0.14 percent. Overall, the total cost on average to employers at the wage base for 2015, which is $27,800. That's the maximum amount of wages that are subject to both the Bond assessment and the UI assessment. That has dropped from $172 to $155.

Looking at long term for the Bonds, you can see here the total Bond obligations for 2014 through 2018. These Bonds are structured so that hopefully we will be able to fully repay the Bonds in December of 2017. There are some Bonds that have a due date of June of 2018. However, these are structured so that we can call those six months early, hopefully using that 50 percent coverage that rolls over from year to year to pay off those Bonds as well, so that all of the obligations are done and there's no sort of extra money that's being collected and not being used to pay the Bonds at the end of 2017.

You can see also the expected taxable wages are expected to rise as employment growth picks up in the State and as wage growth continues roughly online with expected inflation. And this leads to reasonably stable expected average Bond rates for 2015 through 2017, very near the rate that they're at for 2015. That's the end of this particular presentation. If you have any questions about the Bond rates or the calculation of that, I'd be happy to answer them.

Chair Havas asked for questions from the Council, but there were none at this point. Mr. Havas asked for Chief Economist Bill Anderson to give his presentation.

VII. WORKSHOP TO CONSIDER ADOPTION OF REGULATION TO ESTABLISH THE UI TAX RATE SCHEDULE FOR CALENDAR YEAR 2015. (Nevada Administrative Code 612.270)

A. Economic Projections and Overview (Exhibit D)

Bill Anderson, Chief Economist, Research & Analysis Bureau, DETR

Good morning, Mr. Chairman, members of the Council, Ms. Olson and Mr. Karch. For the record, my name is Bill Anderson. I'm Chief Economist with the Research and Analysis Bureau within DETR. My role today, as the Administrator alluded to, is to kind of lay out the overall economic environment or economic fundamentals within which you'll be making your recommendations today. After I'm done, Dave will use this economic background to more or less layout some possible scenarios for you to consider, specifically as they relate to various tax rates and their impacts on the unemployment insurance system and Trust Fund.

So with that, I'll go ahead and plow through this. I'm keeping my remarks today focused solely on the Labor Market. I doubt if you've thought much about the presentation I gave to you a year ago, but we've added some new analytical tools and whatnot that I think will shed some additional light on underlying fundamentals. I mean, more or less to summarize things, I didn't go back and check my notes, but probably two years ago I was talking about a very slow, modest kind of recovery. Then last year I was a bit more positive, and then this year I can be even more positive. Just about every Labor Market indicator that we have access to is moving in the right direction. We have a long way to go. The recession hit us hard, but recent signs suggest that we're making up for some of that lost ground.

In terms of the unemployment rate, currently we stand at about 7.6 percent here in Nevada. That is about a point and a half higher than the national rate. I think what's important here is that at the height of the recession, in terms of our unemployment rate, we were in excess of four percentage points higher than the nation as a whole. So we've narrowed that gap considerably. We peaked at close to 14 percent during the recession. So, essentially, the rate's been cut almost in half.

I alluded to the fact that we're narrowing the gap with respect to the nation as a whole. The last few years that I've appeared before you we've talked about the highest unemployment rate in the nation, and now we're starting to make up for some of that lost ground. Our most recent information for the month of August shows that our jobless rate is now fourth highest in the nation. Obviously, still much too high, but we're starting to move up the ladder, so to say.

In recent months, our research staff has taken a more detailed look at unemployment in Nevada. And these next few slides kind of summarize that. We have about 55,000 Nevadans who are currently unemployed because they lost their jobs. I mean involuntarily. They were essentially let go. You can see that that peaked at close to 120,000, so we put a big dent in the number of what we call job losers in Nevada. People can also become unemployed because they voluntarily quit their jobs. This isn't nearly as neat of a chart, but the underlying trend here is that the number of people who are leaving their jobs voluntarily is trending up. There are a lot of ups and downs, but the overall trend is up.

A lot of folks don't understand that for the most part that's a good thing. When people quit their jobs it suggests that they have other opportunities and/or their confidence in finding other employment opportunities is on the rise. So it sounds kind of backwards, but when we see a lot of people quitting their jobs that's a pretty underlying trend. Long-term unemployment; we define long-term unemployment as those who've been unemployed for more than 27 weeks, more than a half a year, has also come down considerably from in excess of 90,000 down to about 45,000 in our most recent reading. So we've seen a big dent in the number of long-term unemployed.

Now, there's been a lot of debate about the so-called quality of new jobs that are being created here in Nevada. One aspect of that debate concerns full-time versus part-time employment. And what we've been seeing is that most of the new jobs that we've been creating over the course of the recovery have been full-time in nature. You can see that full-time employment, and that's the higher blue line, tumbled considerably during the recession. At the same time, part-time employment increased. But since we've been into a recovery mode, almost all of our job growth appears to have been of the full-time variety, whereas part-time employment is essentially holding steady. So that's certainly some good news there.

Without fail, when we release our monthly unemployment rates, and our next release will be next Friday, I always get the question, well, that's the official rate, but what's the real rate of unemployment. For the most part, what folks are alluding to there is, if we count all of the folks that have dropped out of the labor force and have given up on their search for work because they don't think that there are employment opportunities out there for them, if you count them in the unemployment rate, what's that going to be? I don't want to get too much into the weeds here, but these are various measures of the jobless rate, as identified by the Bureau of Labor Statistics in the U.S. Department of Labor. Different definitions of what we count as unemployed.

That U-stream measure right in the middle is most closest to our official rate of unemployment. If you add in those folks who have become discouraged and dropped out of the labor market, we're talking about roughly a percentage point increase in the unemployment rate that would get us up from that annual average of about 8.8 percent to 9.7 percent under the U-4 measure. And if you really wanted to broaden the measure and you started talking about folks who are working, but they're working part-time and they'd rather be working full-time, then you get up into the mid-teens in terms of the unemployment rate. But I think the key note here is that if we include all those discouraged workers, we are going to add roughly a percentage point to the unemployment rate.

Keeping our focus now on the employment front, employment's been trending up for about 44 months now, relative to a year ago. Job growth is hovering in the 3.5 to 4 percent rate over the past half year. And you can see how that growth rate has picked up over time. If you remember, the Governor announced, early on in his term, the goal of 50,000 new jobs created in the economy during his first term in office. We developed this spreadsheet to help the Governor's Office kind of track that goal. You can see that we added about 11,500 private sector jobs in 2011, then about 20,000 jobs in 2012. Close to 30,000 jobs last year. That got us, actually, above the 50,000 job goal right there. And then this year we're trending a little bit more than 40,000 higher than where we were a year ago. So if we can hold on to these trends -- and I think they might recede a bit in the final months of the year -- we're looking at roughly 100,000 jobs created in Nevada's economy since we bottomed out in 2010. We will be keeping an eye on this going forward.

Nearly all sectors are contributing to our recent job gains. Professional business services, leisure and hospitality lead the way. The only one that's actually declining ever so slightly is the mining sector which, if you remember, during the recession held up pretty well, but with declining gold prices over time, things have more or less leveled off there. But the bottom line here is we've been seeing pretty broad-based diversified growth. We are up about 3.5 percent, 3.6 percent so far this year in terms of employment. That's about double the rate of job growth nationwide. We are outpacing the U.S. in terms of job growth in 9 of our 10, what we call super sectors.

What this charts shows is the difference between job growth in Nevada, in percentage terms, and in the U.S. And you can see, for instance, in construction we're growing roughly eight percentage points faster than in the U.S. If you look at mining and logging, which includes energy, you can see that we're coming up short of national growth, but everywhere else we're seeing job growth in Nevada that exceeds the rate of job growth in that same sector nationwide.

I use this chart everywhere I present, and I think it's the best chart to give you a feel for what's happened and what's happening in Nevada. We've started looking at our job growth ranking. Where do we rank in terms of job growth? Prior to the recession, we outgrew every other state in the nation, and then you can see that came down rather quickly. And during the recession in 2009 and '10, we had the weakest job performance in the nation as a whole. And now, beginning in 2011, we're starting to pick up lost ground. And so, that through our first indications of activity in 2014, we're growing faster right now than about 48 other states. Again, I think this really gives you a good picture of how hard Nevada was hit during the recession and, secondly, how we're making up for that lost ground as the recovery unfolds. When we report job numbers, and the job numbers that I've been talking about, it's kind of a net figure that we provide you with. That is the end or the net result of a lot of different labor market transactions.

Ten of thousands of people are gaining employment and losing employment every month. This kind of looks at our gross job gains and gross job losses. You can see that our gross job gains in expanding and opening establishments have exceeded our losses and declining establishment for about 13 straight quarters. We can also narrow that focus and look at new jobs from business openings and compare to that jobs lost in business closings. And you can see that our new job gains from openings have exceeded our losses from closings for about nine straight quarters. So we can now look at this labor market churn and it's also shedding some light on the recent job growth that we've been seeing.

Switching focus now to wages. If there is one weakness that has characterized our recovery to date, it's on the wage front. If you look back at 2011, '12, '13, we were only seeing wage growth in the 1 to 1.5 percent range. We did see some more encouraging signs in the first quarter of this year. We'll be watching that going forward, but we grew in excess of 2.5 percent during the first few months of this year compared to last year. So hopefully that's a sign of things to come.

We have undertaken a more detailed analysis of wage trends in Nevada. We often talk about average wages. Well, not everybody pays average wages. We looked at that from the perspective of new hires. We have an average wage and then you have a wage for new hires. And what our data, and we work with the Census Bureau on this, tells us is, that new hire wages are about two-thirds, over time, of average wages, which makes sense. When you have new hires a lot of times they're newer entrants into the workforce. They might not be quite as productive as the more senior members of the workforce, so that's reflected in their wage rates. We looked at wages by age. As a 55-year-old, this is somewhat concerning to me, because now my wages are supposed to start going down. You can see that wages rise with age, all the way up to that 45 to 54-year-old category, and then they easing back a little bit in the final years of a person's work life.

The number of employers is on the rise. We peaked a little bit in excess of 60,000 employers in Nevada prior to the recession. Several thousand of those were lost as the recession unfolded, but now we're back up to that 60,000 mark, just barely short of our pre-recessionary peak. We've been seeing increases for 12 straight quarters in terms of the number of employers. So, again, some good news there.

We did some work in anticipation of the Governor's recent conference on small business in Nevada, and we thought we'd share that with you. Despite all the big buildings on the strip and hospitals and utilities and whatnot, large employers, the state's economy is dominated by small establishments. You can see that the vast majority of establishments employ less than five people here in Nevada. In fact, if I remember right about 98 percent of our establishments employ less than 100 people in Nevada. So that, I think, provides some insight.

We're seeing job gains across the board. Because leisure and hospitality is so large and they're kind of leading the way in terms of job growth, they stand out there at the top, but you can also see that our small and medium-sized businesses, those with 20 to 49 and 50 to 99 workers, are also growing quite strongly, there is pretty broad-based growth there. If we just narrow our focus to those establishments with less than 100 workers, again, kind of the traditional definition of small business, you can see that since 2010 we've been on the rise. We're still a bit short of where we were prior to the recession, but you can see that we're consistently making up for lost ground there.

Now, in terms of looking forward, we saw the labor market bottom out in 2010. We've been seeing some improvement ever since then. And looking out through 2016 and 2017, we expect to continue to see that kind of improvement. We should be surpassing our pre-recessionary peak of employment as 2016 kind of rolls into 2017, somewhere in that period. But we're looking at job growth in excess of 40,000 on a year-over-year basis when we get out into 2016 and '17.

To put that into perspective, prior to the recession, we were growing at an unsustainable 60,000 or so job gains on a year-over-year basis. That obviously wasn't sustainable. Coming out of this recession, we were growing roughly 10-20,000 jobs a year early on, and more recently, as I noted, we are growing in the 35 to 40,000 range and we expect it to continue to pick up from that. We won't reach that pre-recessionary level of growth, but nonetheless, we'll see some noticeable improvements.

Looking at a few of our key industries, in terms of construction, again, to simplify the magnitude of how hard hit that industry was, we lost 100,000 jobs in construction, from about 150,000 down to 50,000. We started adding those jobs back roughly in 2012. We expect that trend to continue to improve. In fact, construction's been one of our fastest growing, in percentage terms, sectors in the economy. By the time we get out to 2017, we should've added about 40,000 of those jobs back. So, that is certainly good news.

Manufacturing, it's been in the news a lot lately with the recent announcement about Tesla. That's reflected in our job growth forecast here. We expect job growth to strengthen considerably in Nevada, driven in large part as Tesla comes online. So everybody asks me, well, have you taken that into account, and the bottom line is that we have. Retail trade should continue adding about 4,000 jobs annually. That little spike you see every year is holiday-related seasonal hiring. But the underlying trend will continue to point upwards. Healthcare -- everything should be as easy to forecast as healthcare jobs; about 3,000 new jobs every year going forward to continue that trend.

Accommodation and food services or leisure and hospitality, however you want to refer to that, we are right at our pre-recessionary highs. We'll certainly be surpassing those in the months ahead. And we expect, over time, to add about 40,000 over the next few years in leisure and hospitality -- or accommodation and food services.

In terms of the unemployment rate, we think given these job trends that we're looking at and some historical trends that we've taken into account, the unemployment rate should continue to decline. As I said, we peaked at close to 14 percent. Right now, for all of 2014, I think we're averaging just a tick above 8 percent in terms of the unemployment rate. We think that's going to continue to go down. By the time we get out to 2016, we're looking at roughly a 5.5 percent or so unemployment rate.

Now, obviously things can happen between now and then. Dave actually is going to wind up his presentation with a couple of things to just keep in mind as to what can happen to throw these projections off. But if things hold as we expect, this is more or less the scenario that we're looking for. So with that, Mr. Chairman, I'll conclude my comments and I'll be open to any questions that you might have. If not, then Dave can transition into the next topic.

Chairman Havas gave the floor to Dave Schmidt to present his part of the meeting.

B. **Review of UI Trust Fund (Exhibit E)**
Dave Schmidt, Economist, Research & Analysis Bureau, DETR

Again, for the record, my name is David Schmidt, Economist at the Research and Analysis Bureau. I think Bill gave you a pretty good idea of some of the trends we're seeing. Employment is growing and growing at a faster rate. We've seen a little bit of pick up in average wage growth, which had been pretty flat for a few years. Working that into "what does it mean for the Trust Fund" and what are we expecting for the years to come, is going to be the point of this presentation.

The last few years I've given you a map that showed various Trust Fund balances and sort of what was happening nationally. This year, I have sort of a line graph to say what was the total Trust Fund balance across the country heading into the recession, and then what's happened since then. You can see that the United States, as a whole in 2007, entered the recession with about $40 million sitting in all the Trust Funds of all the states, and very little loans. I think Michigan was the only state that had any loans, because they were right at the edge of moving into a solvent position when the recession really hit.

2009 was a bad year for Nevada. It was a bad year, obviously, you can see here, for the nation as a whole, where loan balances that states needed to take jumped by about $30 billion between 2009 and moving into 2010. While the trust fund balances, they leveled out over the course of the recession, some states have policies in effect where their rates just keep going up as benefit payments go up. And so, those states managed to keep some money in their trust funds, but a large number of states ended up borrowing money both from the federal government and, eventually, from the private sector.

You can see from 2009 through 2012 that the total loan balances from states that were borrowing, exceeded the total positive balances from those states that still had reserves. So the United States as a whole was actually upside down and had a net loan balance through the recession. But since things have started to improve, particularly in 2012, '13, and '14, that situation is improving. As of June 30th of this year, the total loan balances, at least from the federal government, were down to about $12 million, while the total positive Trust Fund balances were up to about $30 billion nationwide.

This slide shows you the number of states that are in different levels of solvency or have undertaken different options to repay their loans. You can see the number of federal loans from 2012 to 2014, the states that have those loans has dropped considerably. We had about 22-23 states that had federal loans in 2012. That's down to about 13 states as of June of this year, and a couple of more states are actually coming off that list between June and November, as they also work to repay those federal loans, so they can restore their federal tax credits.

We have seen a small increase in the number of states that have borrowed from the private sector, from about seven in 2013 to eleven in 2014, Nevada being one of those states. You can see the number of states that are at a low level of solvency overall that don't have any form of loans outstanding has been fairly constant from 2012 through 2014.

But there has been a noticeable increase in the number of states that have some solvency levels that are at or above an average high cost multiple of one, which is a federal solvency standard that measures the amount of money that you would have to have in your trust fund to pay benefits for one year during a recessionary-type environment.

Nevada, again, is a state that was hit very hard by the recession. Here you can see the average tax rate in Nevada from 1950 through the present, and you can see the benefit cost rate, which is the tax rate that would have been necessary to pay for the benefits that were paid out in that year. You can see just how hard 2009 hit us. That's a 4.7 percent rate. So during the worst of the recession when we paid out over a billion dollars from the regular unemployment insurance fund, we would have had to have an average tax rate in the state of 4.7 percent to pay for those benefits. Given the 18-tier rate structure that exists in Nevada, it actually wouldn't have been possible to push the average that high, given the number of employers and the number of wages that are at that new employer rate of 2.95 percent, which is fixed, because you would have had to have pretty much everyone at or above the maximum rate of 5.4 percent to make that average work out.

But as that benefit cost rate has come down and the Council has recommended increasing the average rate to help both repay our loans at first, and now it's to start building solvency in advance of a future recession, we have been in a situation where, because our average tax rate is higher than the benefit cost rate, we are improving. We were paying down our loans and now we are building some solvency toward the future.

Looking at how the average unemployment tax rate in Nevada work with bonds and what's the total hit to employers, this chart on the left shows the projections that we had of over the period of 2014 to 2017, when we were looking at should we bond, should we not bond; what would the total average cost to employers be. And it's kind of tricky, because particularly the part that's labeled FUTA in red, that represents the money that would be coming in because of the reduced federal unemployment tax credit that employers were facing. Essentially while we were borrowing, the Feds, in essence, started increasing the federal unemployment tax and redirecting that money to pay for loans.

But that's on a $7,000 taxable wage base as opposed to the taxable wage base in Nevada, which is set at two-thirds of the average annual wage in the State, and for 2015 it's going to be $27,800, a bit higher. And so with a lower tax rate on a larger wage base, we bring in more money, whereas the federal unemployment tax credit reductions were 0.9, 1.2, and 1.5 percent going forward, but that's only on $7,000. And so this treats those increases as though they were on the Nevada wage base even though they're not. You can see the overall cost to employers and compare apples and oranges, at least to some degree.

So in 2014, we had a bond assessment rate of 0.63 percent. We had a regular unemployment contribution rate of 1.95 percent for a total cost to employers, on average, of 2.58 percent, which was slightly under the cost of the no bonding scenario. So the employers, even though they're now paying this bond assessment, they were paying for the interest on the federal loans and they were paying the federal government through their increased federal tax rates, so that we essentially remove those and then repay the bonds that we can save some money, but also have a little bit more control over the process, as compared to the federal government, where rates were going up on employers every single year.

With the bonding, with everything that's gone on, this chart shows you the overall cash flows for the State in sort of a graphical form. You can see we went from having reserves of about $800 million prior to the recession to maximum borrowing near the worst of the recession of about $800 million. The very worst point in the middle of the year was actually $846 million. Since then we have a large increase in revenues in 2013, because of the bond proceeds. That pushed us back up above zero, and we expect to end 2014 with a little over $200 million in the Trust Fund.

This chart shows you where we are currently and where we would need to be to have a solvent Trust Fund according to both state and federal measurements. The state measurement essentially looks at the worst year in the last 10 years. And it just so happens that sitting here in 2014, the worst year in the last 10 years is also pretty much the worst year in the history of the unemployment insurance program in the State. In order to have a year's worth of benefits at that very worst year, we would need to have a little over $1.1 billion in the Trust Fund as of 2014. The federal measure is a little bit more generous. It looks at the average of the worst three years in the last 20 years.

But this last recession was so bad that those three years are 2009, 2010, and 2011. It still spreads out, it says, not what was the very worst point, but on average what was a very bad point, and so because 2010-2011 were a little bit better than 2009, the average amount that we would expect to have to have in the Trust Fund to pay benefits for a year is about $920 million. And so you can see as far as it goes to sort of filling up that glass for that solvency level, we're sitting at between 20 and 25 percent, depending on which of these measures you look at.

This chart looks at the history of benefit cost rates. This is that orange line in the chart a couple of slides ago. But this says how many times in how many years from 1980 to the present, have we been in a certain category. And so there's only one time since 1980, where we've had a benefit cost rate of over 4 percent, and that was that 4.7 percent that we hit in 2009. As of 2014, we were back down into the 1.25 to 1.5 percent benefit cost rate. It was about 1.47 percent. It's near the upper end of that category, but you can see that we've come from having the highest benefit cost rate in the history of the program, down to where we're at pretty much an average sort of level right now. It's a little bit elevated, but we're really pretty close to what you would expect to see during some normal economic times, which makes sense given the sort of employment growth and wage growth and other economic indicators we've been seeing in the State.

Looking toward what sort of trends are we seeing right now and how might that affect the forecast for unemployment benefits going forward. This chart looks at the average level of weekly initial claims, which is, people filing to sort of enter the unemployment insurance program, per 1,000 jobs in the State. We do this because as employment grows, you would expect to see, even at a steady rate of turnover, just an increased number of people working would lead to an increased number of people filing for unemployment benefits.

So this is for every thousand jobs, how many initial claims have we been seeing. You can see that during the 1990s, that was a very stable trend at right about three initial claims per thousand jobs. And as of the latest weeks here in 2014, we're actually at about 2.9. So we're right back to where we were on average during the 1990s. This fell to almost 2 during the housing boom in the middle of the last decade. But on average over this time period, we've seen about three initial claims per thousand jobs, that's the average. That's the steady state level.

So we're already there. What this means going forward is that we really don't expect to see much more of a decline in the number of people that are in the unemployment insurance system. Where there is any decline in benefits going forward, it's going to be through things like, shortening the average duration of a claim or other changes sort of within that volume of people who are claiming benefits.

This chart looks at the percentage of people from 2007 to 2014, who qualified for either the maximum duration of benefits, which is 26 weeks in Nevada, the maximum benefit amount that was in effect for any given year or both. And this gives you an idea of how many people are at the high end of the range of benefit payments. You can see that there's been a slight increase in the number of people that qualify for the maximum duration, which is the blue line at the top of the chart. We've gone from a little under 60 percent in 2011/2012, to a little bit over 60 percent in 2013/2014. What this suggests is that there's an increase in the number of people who have more wages over more quarters, because the average duration is based on the total wages that someone earns during their base period, which is the wages on which their benefits are based.

If everyone has all of their wages concentrated into just one quarter, they might qualify for a very high benefit amount, but the number of weeks that they'll qualify for, the total benefit amount, will be lower. And so, because this percentage of people eligible for the maximum duration is increasing, we can see that there's an increase in the number of people who have their wages spread over multiple quarters, which means they're finding some steadier employment, they're seeing wages in multiple quarters, they're not just sort of into employment and out of employment very quickly.

Looking down at the number of people who are eligible for the maximum benefit amount, you can see that's actually been pretty steady from 2011 through 2014. That suggests, as Bill said, we've seen very low wage growth. We haven't seen a lot of increase in the wages that people are earning, and so the number of people eligible for the maximum benefit has been pretty steady. And then, obviously, that affects the number of people who are eligible for both the maximum benefit and maximum duration, which has also been fairly steady from 2011 through 2014. As the economy improves, I'd expect that we might get back up toward the levels that we were seeing back in 2007.

Something that's interesting is that while we haven't seen a big increase in the number of people at the maximum wage level, we have seen some increase in the average payment that people are receiving. And so there has been some improvement in wages. It hasn't been enough to push lots of people into that maximum benefit amount, but the benefit amount that people receive has been increasing a little bit. This also makes sense because the maximum payment increases over time as average wages increase to keep up with inflation. And so we have seen the dollar amount rise a little bit since it hit its low in 2012. However, there, it's still been pretty steady through 2013-2014.

The average duration, similarly we saw some improvement in the number of people eligible for the maximum duration. The average duration has broadly been declining since we came down from 2010. It flattened out through 2012 into 2014. Prior to the recession, we were running at about 13 weeks. Although you'll remember that was a boom time where there was so much employment opportunity that it was easier for people to leave unemployment insurance and get into employment again quickly.

Long run, we probably expect to see that fall to about 14 weeks over time. It's still somewhat elevated, but there's probably some room for the total number of people claiming benefits to decline as we see some improvement in that average duration of benefits.

One thing that's happened over the course of the last year is that all of the federal unemployment benefits that were available for benefits have ended. Those ended as of the end of 2013. At one time, people were eligible for up to 99 weeks of unemployment insurance benefits. If they were at the maximum of 26 weeks in the regular program, then they would be eligible for the maximum federal weeks. With the end of those federal extensions, the total number of weeks that people can claim is back down to 26. And you can see that represented by the end of the gray and light-blue portions in this chart.

It's interesting to note that, while our total weekly claims in the regular unemployment insurance program are just under 30,000, which is pretty much where they were back in January of 2008, it's actually slightly lower than they were then. The total number of people who were unemployed, which is that red line, is still about 30,000 higher than where we were at that time. What's reflected here is that there are still a large number of that long-term unemployed that Bill mentioned earlier, where people who have been unemployed so long they really just don't qualify for unemployment benefits anymore. Currently, a little under 30 percent of all the people who are unemployed in the state are actually eligible for some form of unemployment insurance benefits.

Another trend that we've seen is the decline in the total amount that we're paying out each month. Obviously, when we've come down from the recession there, we peaked paying over $100 million every single month during 2009. That average was pretty high throughout 2009, near $100 million. Since then we've come down to where we're paying out about $30 million a month. This is somewhat higher than where we were at in 2005 to 2007, but as wages have gone up since then, as employment is continuing to recover, as we're seeing sort of a flattening out in the number of people entering into the system, the forecast that I'm going to give you doesn't really call for much of a decline here. We're looking at a decline of about $2 million out of total benefit payments of about $370 million. So we're expecting a little bit of a decline, but pretty much a flat trend going into 2015, just because we are in many ways back to sort of a regular, steady level of activity within the system.

So this is where I get to look at where did I think we would be this time last year and where are we at now, so you have some sort of perspective on what the accuracy of this forecast was at least last year. Last year we were expecting a lot slower recovery than we've seen. We were expecting the unemployment rate for 2014 to average 9.2 percent, looking for the average through the whole year to be about 7.8 percent. So that's obviously a significant improvement. Our employment growth is about a percentage point faster than we were expecting. We were looking for growth in the low 2 percent; now looking at an average of about 3.2 percent. As Bill was saying, we may come in even a little bit higher than that since we've been in the 3.5 percent range recently. Overall, our total level of covered employment is about 1 percent higher coming in at 1,009,000 people compared to expectations of just 1,000,000. The total number of weeks claimed was actually slightly higher than we were expecting, but pretty close overall. The reason that the forecasted unemployment rate improved so much, but the weeks claimed was pretty consistent with what we were expecting is that disconnect that we've seen, because of the amount of long-term unemployed, because we have so many people who are unemployed and affecting the unemployment rate, but not receiving any form of unemployment benefits.

The forecasting there used to be very closely tied together, but we've had to sort of break it apart and see what are we expecting with benefits, what are we expecting with unemployment, because there are so many people who are unemployed, but no longer eligible for benefits.

Overall, how this has affected the forecast for the Trust Fund is that we've collected more revenue than we thought we would and we've paid out less benefits than we thought we would. And so the Trust Fund balance came in about $80 million higher than we were expecting, based on the average tax rate that was in effect this last year. And so good news, I am much happier to come here bringing good news than bad news.

This table looks at the calculation of the state solvency measure. This is how we figure out that worst year in the last 10 years that I was talking about earlier. As laid out in the statute, we take four factors; the level of covered employment in the state, which is employment that's covered by insurance rules. We take the risk ratio, which is a measure of how many of those employed people are likely to enter into unemployment insurance and we take the worst level of the risk ratio in the last 10 years. We take the highest duration of benefits in the last 10 years, which peaked at a little over 19 weeks during the recession, and we take the average weekly benefit payment. If you multiply those four together you get a figure that's the total benefits you might expect to pay in the worst year in the last 10 years, which again is $1.1 billion.

Looking at the cash flows that we've seen during 2014, we brought in $507 million in revenue. We had bond proceeds of $592 million, which went to repay the federal loan we had at the time of repayment, which was about $550 million, and put a deposit into the trust fund of about $50 million to cover cash flow between November and April, which is the point in the year where we see the collections for the first quarter start to come in and is the highest revenue quarter over the course of the year.

We did receive interest because we repaid those federal loans in November. Having a positive Trust Fund means that we start earning interest from the federal government instead of having to pay interest as the State Trust Fund is invested by the Department of the Treasury. We paid out a little under $380 million in benefit payments over the course of 2014. This is down about $50 million from 2013. And as a result, again, we came in at the end of the year with about $215-216 million in the Trust Fund, which is a significant improvement from where we were last year. This leaves us, as I said before, at about a 20 to 25 percent level compared to the solvency calculations for both the state and federal solvency measures.

Down at the bottom of the chart you can see that in 2014, again, we had that 0.63 percent average Bond assessment rate, which put the total cost to employers between the average UI rate and the average Bond rate at 2.58 percent. And I would add a caveat to the numbers at the bottom of this chart, where while this reflects the cost from the UI rate and the cost from the Bond rate, this doesn't' incorporate in 2012 and 2013, down at the bottom, the cost the federal tax credits or the interest assessment. This is just looking at sort of the big picture. And so what you see at the bottom is more meant for comparison to 2015 numbers, which are coming up, than comparing to 2013. I just don't want you to look at $605 per employee in 2013, $706 per employee in 2014 and go, whoa, we increased rates by 100 bucks a head.

If you take those other things into account, you get about $90 per employee in 2013. There was a small increase from '13 to '14, but that's because one of the goals for the bonding rate was to find a level where things could be flat over the course of 2014, '15, '16, and '17.

Because the federal tax on employers was increasing each of those years, if you take that increasing rate and you turn it into a flat rate, that means we were a little bit higher in '14 than we would have been otherwise, but we end up lower in '15, '16, and '17 than we would have been otherwise as we stabilize that rate. So that's where those numbers come from.

The next two slides look at the state solvency multiple, where one would represent a year's worth of benefits for both the state measure and the average high cost multiple, which is that federal solvency measure. Finally, looking at potential rates for 2015, there is a large caveat that, of course, the Council is not limited to any other rates that I present or Edgar will be presenting. This is just meant to be a framework for you as you consider what sort of recommendation you'd like to make.

This table also presents a much narrower range of options than we presented over the course of the last several years. This is meant to be consistent with that intent as we were pursuing the bonding in the last year of looking at more stable rates. So, whereas last year the range of rates varied by, I think, a full percentage point or more, here are the increments between the rates that we're presenting as just 0.05 percent. So it's a much narrower range that's sort of centered around the rate that we're at right now with that intent, again, of bringing some stability to what employers can expect in the state.

So looking at this range of rates, which are from 1.90 percent to 2.05 percent, when combined with the 0.56 percent average bond rate, you're looking at a total cost of employers between 2.46 percent at the bottom end and 2.61 percent at the high end of this range. With the taxable wage base increasing from $27,400 to $27,800, the total cost on average per employee would be between about $680 a head and about $725 a head. Our expected benefit payments for 2015 is $376 million. Like I said, this is $2 million lower than what we experienced in 2014, and we expect to bring in about $8 million in interest from the federal government on our Trust Fund over the course of this year.

Long-term, when you're looking for stability and a steady course over several years, this table gives you a slightly wider range of tax rates, because it fits better into this particular shape from 1.85 percent to 2.1 percent. What's the long-term impact on our federal solvency multiple where we hit that one level, which is that one year of benefit payments is highlighted in green. The other years are in red, so you can see at a 1.95 percent average rate, which is what we're at right now, we would expect to hit that federal solvency multiple of one in 2019. If the rate were 2.1 percent, we would expect to hit that multiple about a year earlier in 2018.

Also for comparison, so you can keep this in your head, because the average bond rate has come down from 0.63 to 0.56 percent, stability can mean different things to different people. And so one definition might be, if the average tax rate were to remain at 1.95 percent, then it's stable from where the average rate is in 2014. If you want to look at the total cost of employers, because the bond assessment has come down, if the average regular tax rate were to go up, 2.0 would be of these rates the one that is closest to maintaining the total cost to employers at the same level it was in 2014.

Another thing to consider, over the last couple of years I've given you this number where over the last 50 years the average period of time from the end of one recession to the beginning of the next recession has been 5.4 years. Dating it from June 2009, which was the official end of the last recession nationally, that would put us in December of 2014.

Fortunately, it looks like that most of our economic indicators are looking up, so I don't think that December of 2014 will be the start of the next recession.

But the longest period of time over that same time span, the last 50 years, from the end of one recession to the beginning of the next was 10 years. And if you take a look at that measure then you would be looking at June of 2019. This also isn't a prediction of a recession in 2019, but rather that's the longest time that we've seen in those last 50 years. It could be longer. We're coming out of a very deep recession. National expectations are for a long, slow recovery, so it could well carry on beyond June of 2019, or it could come much sooner.

Taking a look at the average tax rates that we're presenting here, the low end and the high end are indicated on the chart by the green and red lines there at the far right. The blue dot represents a 1.95 percent average rate if we were to keep the 2014 tax rates steady. You can see the expectations for the benefit cost rate over the next several years, or for it to level off at around the level that it was at in the 1990s, a little under 1.5 percent. So all of these rates would mean that we continue to build funds. None of the rates that we're presenting would cause us to start dipping into the Trust Fund, but they're all aimed at rebuilding the Trust Fund over the course of the next several years.

As Bill said, this is where I get to say I don't know the future. If I knew the future I would be a much wealthier person than I am right now. But as it is, the future is an uncertain place. What are some things that might affect these forecasts? Obviously, the Federal Reserve is ending its quantitative easing program as of the end of 2014. This has been something that the markets here have been looking at over time, is how the end of that program and eventually the increase in the federal funds rate affect the national recovery. Can we be weaned off of the stimulus that's been coming out of the Feds smoothly or will there be some disruption there? And that's one thing that can definitely impact the future.

We've also seen the Euro area is sort of right on the edge of, are they in a recession or are they not in a recession. They're not collapsing, but they're also not growing very strong, and obviously that's a major player in the world's economy. China has been going through some drop in their expected growth compared to where they were growing at incredible rates over the last several years. They're seeing some pullback there. And China is a major trading partner, obviously, with the United States having just so many people and such a large economy.

South America, there's been some instability with Brazil and Argentina and other countries down there. So there's a lot of things in the world that are -- could it go very bad or maybe it won't be as bad as we expect. There are big questions there. The Middle East, there's a lot going on there and that's a major source of oil. Oil prices being so important to the economy where this is where we get a lot of our energy from, and energy is really what drives the national economy. So if something were to happen there that had a big impact on oil prices, I think that would certainly be felt throughout the country here.

And, again, one of the aims of bonding and repaying those federal loans and issuing the bonds that we did last year was to help give employers some predictability and some stability in their rates. And so as I said before, the average tax rate of 1.95 percent would be a rate at which the regular unemployment rates would be flat from 2014, or an average rate of 2 percent would be the rate that, given the drop in the average bond rate, would most closely match the total rate that employers were paying in 2014. And that's the end of my comments. I'd be happy to answer any questions you might have.

Chairman Havas asked if there were questions from members of the Council. There was a question on what the interest rate is, approximately, being charged by the capital markets, what we pay privately, and then what do we earn on our deposits and our positive deposits?

Mr. Schmidt responded by saying that the total federal rate that we're receiving on the Trust Fund varies from quarter to quarter as the treasury markets change. But it's been pretty steady over the course of the last couple of years at about 2.4 percent per year. The bond rates that we're paying, obviously there's a difference between the face value of the bonds and the total interest cost of the bonds. The total interest cost of the bonds that we issued peaks at about 1 percent for the 2017 bonds, and, obviously, the nearer maturities have lower interest rates, but they were all in the sort of .9 to 1 percent range.

Mr. Havas noted that he understands you can't calculate a spread. You can't really do an arbitrage, but you can generalize about really the kind of savings that we drive by doing this. Mr. Schmidt agreed and added that is also because we receive that AAA rating.

Mr. Schmidt continued by saying that the structure of the bonds is overall very short. This was not a 30-year refinancing, where we take an obligation and spread it over many years. This was an alternative to repaying the loans the way that we were already going, just trying to leverage the low rates in the capital markets to improve that 2.5 percent that we were paying the feds, or to the roughly 1 percent total cost that we have through the bonds.

Mr. Havas asked, but in a dimension that most of us understand, how would you project pursuant to -- we know '15, but '16, '17, '18, and '19? Mr. Schmidt responded that he would expect with the quantitative easing, ending with expected future increases in the federal funds rate and just the overall growth and strengthening that we've seen in the U.S. economy, we're definitely expecting the federal interest rate to increase, which means over time, because we have the bonds locked in at that up to 1 percent rate as the federal interest rate is increasing, that just increases the amount that we're earning, because we have a positive Trust Fund balance instead of paying because we have bonds.

Mr. Havas mentioned that we do not have to worry anymore about borrowing rates, but we can talk about our growth as far as the deposit earnings. How do you see the increase on an annual basis if there -- let's say projecting for the very best with the end of quantitative easing. Mr. Schmidt said that we have been generally looking at a fairly steady rate, we are not looking at a large jump in those rates, but probably going up back toward the 3 percent or 4 percent that we've seen in recent years. It used to be even 6 percent or higher. Mr. Havas wanted Mr. Schmidt’s thought on at about what a year. Mr. Schmidt said to just keep it pretty steady, maybe a quarter of a percent or so a year, somewhere in that neighborhood. Mr. Havas thought that would give us some real consideration.

Chairman Havas thanked Mr. Schmidt and thought his presentation was very stimulating.

At this point Mr. Havas asked for a short of about 15 minutes before continuing with the Agenda items.

Continuation after the break.

VII. REGULATION TO ESTABLISH THE UI TAX RATE FOR YEAR 2014

C. Tax Schedule Explanation (Exhibit F)

Edgar Roberts, Chief of Contributions, ESD/DETR

Mr. Chairman and members of the Council, my name is Edgar Roberts. I serve as the Chief of Contributions for the Employment Security Division. As previously mentioned, the purpose of this meeting and regulation workshop is for the Council members to receive information in order to recommend to the Administrator the next unemployment insurance tax rate schedule for calendar year 2015.

State law requires the Administrator to set the tax rates each year by regulation. The Administrator sets the tax rates each year by adopting a regulation per NRS 612.550(5). In addition, pursuant to NRS 612.310(2), it is the role of the Employment Security Council to recommend a change in contribution rates whenever it becomes necessary to protect the solvency of the Unemployment Compensation Fund. This slide outlines a regulatory process with the Security Council making a recommendation for the 2015 tax rate. The holding of a Small Business workshop, which is scheduled for October the 28th, and followed by a Public Hearing to adopt a regulation tentatively scheduled for December the 3rd, and then the actual adoption of the annual regulation by December 31st.

The Federal Unemployment Tax, or FUTA, imposes federal payroll tax on all employers at 6 percent of each employee's wages, up to $7,000 or $420 per employee per year. Employers then receive a credit of 5.4 percent if the employer participates in a federally approved state unemployment insurance program. The cost is .6 percent times $7,000 or $42 per employee under normal circumstances. An employer's FUTA credit is reduced when the state has to borrow funds from the federal government as Nevada had to, to pay benefits and the loan remains on -- when the loan is remaining outstanding. In 2013, Nevada's bonding solution restored the full FUTA credit of 5.4 percent back to Nevada employers.

In addition, to ensure that a proper tax and a proper credit are given for State Unemployment or SUTA taxes, the IRS requires an annual crossmatch or certification process with states to validate SUTA payments for FUTA credits. The State Unemployment Tax or SUTA taxes collected from Nevada's employers are deposited into a Trust Fund. This Trust Fund can only be used to pay benefits to unemployed Nevada workers or to repay the principal of loans that were used to pay benefits. The revenue in this Trust Fund cannot be used for any other purpose. Also under federal law these funds must be deposited with the U.S. Treasury. The funds cannot be invested in any other manner, and the fund does earn interest. This unemployment insurance tax is paid entirely by employers, and there is no deduction from an employee's check for this tax. An employer's tax rate will vary based on the employer's previous experience with unemployment.

At the core of the unemployment insurance program is a rating system known as experience rating. To be in conformity with federal law, all states are required to have a method of experience rating that has been approved by the U.S. Secretary of Labor.

The rating system works as follows: the rate for all new employers is 2.95 percent of taxable wages pursuant to NRS 612.540. The annual taxable wage base or taxable limit is an annual figure calculated at 66 2/3 percent of the annual average wage pay to Nevada workers pursuant to NRS 612.545. Unemployment insurance taxes are paid on an individual's wages up to the taxable limit during a calendar year.

Turning to slide seven. The UI taxable wage limit in 2014 is $27,400 per employee. Effective January 2015, the taxable wage limit is increasing to $27,800. That was the figure you were looking for. Employers pay at the new employer rate of 2.95 percent for approximately three and a half to four years, and until they are eligible for an experience rating. Once eligible for an experience rating, an employer's rate can range from .25 percent to 5.4 percent, depending on the individual employer's previous experience with unemployment. The 18 different tax rate classifications are outlined in NRS 612.550(6).

The annual tax rate schedules adopted through the regulatory process applies only to experience rated employers. It has no impact on new employers and the new employer rate of 2.95 percent. The standard rate established by federal law is 5.4 percent. Rates lower than the 5.4 percent can only be assigned under a state's experience rating system approved by the Secretary of Labor. The intent of any experience rating system is to assign individual tax rates based on the employer's potential risk to the Trust Fund. Basically, those employers with higher employee turnover rates are at a greater risk cost to the fund to pay higher rates and will pay higher rates than those with a lower employer turnover rate.

Also on seven, employers' annual cost per employee for unemployment insurance range at the highest rate from $1,479.60 per employee, to the lowest of $68.50 per employee. In calendar year 2015, the maximum annual cost per employee will increase slightly by 1.44 percent due to an increase in annual average wage and annual taxable wage limits.

Turning to the next slide. To measure an employer's experience with unemployment, Nevada along with a majority of other states, use their reserve ratio experience rating system. Under this system the Division keeps separate records for each employer to calculate their reserve ratio each year. In the formula used to calculate each employer's reserve ratio, we add all contributions or UI taxes paid by the employer, and then subtract the benefits charged to the employer. The result is then divided by the employer’s average taxable payroll for the last three completed calendar years. This calculation established the employer’s reserve ratio.

The purpose of using this method is to put large and small employers on equal footing without regard to industry type. For example, if an employer paid $60,000 in contributions, had $20,000 in benefit charges and an average taxable payroll of $400,000, the employer would have a reserve ratio of a positive 10 percent. The higher the ratio the lower the tax will be for an employer. If an employer has received more benefit charges than they have paid in taxes, the employer's reserve ratio will be negative and the employer will generally have a higher tax rate.

Turning to the next slide. The reserve ratio calculated for each experience rated employer are then applied to the annual tax rate schedule to determine which rate classification will apply to the calendar year. Before setting the annual tax rate schedule for the next calendar year, Nevada's unemployment law NRS 612.550(7) requires the Administrator to determine the solvency of the Trust Fund as of September 30th. Projections are then developed for the subsequent calendar year.

Those projections include estimates of the number of active employers, the amount of taxable payroll, the amount of UI benefits that will be paid, and the estimated revenue that the Trust Fund will need to meet those benefit payouts and maintain solvency. Using the employer reserve ratio data, optional schedules are produced and a variety of average tax rates and revenue projections are made.

Now, let's look at your packet that's 2015 estimated tax rate schedule that you have. Contained in this handout, you'll see the estimated tax rate schedules we provided for the Council. We have six tax rates to consider. This information, along with any public comment, will assist you in giving the Administrator a recommendation for next year's tax rate. The detailed tax schedules display the reserve ratio increments between the rates, the ratios assigned to each rate, the estimated number and percentage of employers in each rate category, the estimated taxable wages, and the percentage of the projected total revenue. We have provided the Council, in previous years, five, and this year we have provided six schedules for you to give you an adequate choice to make a recommendation for the tax rate.

Turing to slide 10. In your estimated tax schedule you'll see that for the average rate of 1.95 percent, which is the current rate in effect for 2014, in this schedule, as well as the others in your handout, the 18 tax rates displayed in the fourth column of the charts do not change. These rate classes range from .25 percent to 5.4 percent and are fixed by statute NRS 612.550. The law also requires the Administrator to designate the ranges of reserve ratios to be assigned to each tax rate classification for the year. By doing so, the number of employers in each of the tax rate changes and will increase or decrease the total estimated revenue. In other words, if you increase taxes, if you want to increase the tax, you adopt a reserve ratio schedule that puts more employers in the higher tax rates, and to lower taxes you select those that put employers in the lower tax rates.

The law also requires the increments between reserve ratios to be uniform per NRS 612.550(5). In this tax rate schedule of 1.95 percent, the ranges are from a positive 11.5 to a negative 14.1, with increments of 1.6 between each of the reserve ratios. In this example, if an employer's reserve ratio is a positive 11.5 or better, the employer receives the lowest tax rate of .25 percent. An employer with a reserve ratio of less than a negative 14.1 would receive the highest tax rate of 5.4 percent, and as you can see, the rest of the employers fall somewhere in between.

In this particular chart, approximately 23.2 percent of the eligible employers are in the lowest tax rate of .25 percent, and 8.6 of the eligible employers are in the highest rate of 5.4 percent. As you review the tax rate schedules you will see that these numbers change in each of the estimated tax rate schedules. Out of our 60,127 total employers as of September of this year, there are 37,328 employers eligible for experience rating, which we estimate under the first schedule would generate $476.6 million in revenue to the Trust Fund. And to that estimate we need to add new employers at 2.95 percent, which are not eligible for experience rating, with $54.42 million for a total revenue of $531.2 million associated with keeping the average rate at the current rate of 1.95 percent.

Turning to the fourth chart in your estimated tax rate schedule handout and this next slide. This chart displays the detail for an average rate of 2 percent. To achieve this average rate, you'll see the reserve ratios change to a range of a positive 11.9 to a negative 13.7. The estimated total revenue increases to $546.19 million and the number of employers in each rate classification again shifts with 21 percent of the eligible employers being in the lowest rate of .025 percent, and 8.8 percent of the eligible employers being in the highest rate of 5.4 percent.

Turing to the last chart in your handout marked Summary. This chart displays the summary for the average rates of 1.85 percent through 2.10 percent. This summary shows the ranges of reserve ratios, increments, average employment insurance tax rate, estimated revenue, and the distribution of employers within each rate class. As a note, you will see that each of the schedules there is an additional 0.5 percent tax for the Career Enhancement Program (CEP), which is a separate state training tax set by NRS 612.606. In addition, the average bond rate of .56 percent is displayed and also added for a total tax rate.

One final note, the Division has not received any written comments in regards to the tax rates for this year or a potential tax rate change. With that, that concludes my presentation. I'd be happy to answer any questions.

Chairman Havas asked what the Division is recommending if anything. Mr. Roberts answered that that was up to Council to recommend one.

Ms. Olson responded: This is Renee Olson for the record. From the Division's perspective last year, when we talked about bonding and we were putting bonding into place, one of the important things that was discussed was stabilizing the tax rate. And we think, based on the projections for the economy and the growth that we can continue to pursue a stabilized tax rate. And I guess I would just leave it at that.

Chainman Havas opened it up to comments from the members of the Council.

Mr. Paul Barton took the floor. Considering the stabilization and everything at this point in the economy coming up, there is a rate there that considers leaving the cost to the employer the same, yet allowing us to increase the Trust Fund at a little bit higher rate. And we may consider that, considering we're getting towards that point to where the economy could go under another recession, looking at the averages. So that 2.0 rate would leave the actual cost to the employer stable and give us the benefit of causing a rate in the Trust Fund. So I would propose that we adopt a recommendation for the 2 percent rate.

Chairman Havas asked if Mr. Barton would want to make that in the form of a motion. Mr. Barton answered in the affirmative.

Robert Whitney Counsel for ESD (Mr. Tom Susich being absent). Mr. Chair, this is Robert Whitney for the record. Even though it was mentioned that the public hadn't submitted any written comments, public comment should still be taken orally before a motion is actually made.

Mr. Havas agreed, and stands corrected. I apologize for that. Please, Paul, I'm going to have to correct that and we'll have to invite a motion subsequently here after discussion.

VII. <u>REGULATION TO ESTABLISH THE UI TAX RATE FOR YEAR 2015</u>
D. <u>Public Comment on Tax Rate Schedule</u>

Carole Vilardo, Nevada Tax Payers Association. Mr. Chairman, members of the committee and staff, I appreciate the presentations this morning.

I would very much like to encourage you to maintain the lowest rates possible, and the reason for that being is that we have employers who will be faced with charges relative to Obamacare come January 1st, in addition to which we don't know the outcome of the margin tax initiative. If this were after it, it'd be a little easier to talk about what the potential situations would be relative to impacts on an employer, but this is not the only impact. There's a series of impacts that will come up. And, again, it might be fine to increase the rate if we knew what was going to happen with the modified business tax. If it was going to be reduced to its 19 -- I'm sorry, to its 2011 level, which was the .063 instead of remaining at 1.17. So I would ask that consideration be given when you're looking at the rates for what you might do on this. And I appreciate the efforts that have been made to show a stabilization of these rates. I think staff has worked very hard, and as always, their presentations have been very thorough, which is much appreciated. And I thank you.

Mr. Havas thanked Ms. Vilardo.

Good afternoon, members of the Council. Jim Nelson, Executive Director, Nevada Association of Employers. I concur with Ms. Vilardo's comments. I think we've got a lot of unknowns right now. Since our peak of about 2.25, we've come down. We've been making some adjustments that have had a bottom line impact on the overall solvency of the fund. Representing over 400 employers in the state of Nevada, it would be wonderful if I could go back this afternoon and say that the recommendation for the 2015 tax rate is to stay where we've been, no increase. I just think that that has an appeal. It sounds good to the business community. And so for the purposes that Ms. Vilardo mentioned, as well as that, I would suggest that we keep it at the 1.95 and move from there. Thank you.

Mr. Havas thanked Mr. Nelson and Ms. Vilardo. I apologize for not giving you the recognition you deserve. Appreciate it. Any other discussion from the public? Okay. I did stand to be corrected. I will invite now an entirely new motion, if that's okay.

VII. <u>REGULATION TO ESTABLISH THE UI TAX RATE FOR YEAR 2015</u>
E. <u>Council Discussion</u>
F. <u>Council Adoption of Recommended Tax Rate Schedule</u>

Mr. Paul Barton said that understanding that the 1.95 does sound better to the public for you to announce it, but it actually -- the cost will stabilize if we go to a 2.0 and it'll give us a little bit better increase in the fund, and I think that's a wiser choice at this point. So I would make a motion that we adopt the recommendation of a 2.0 tax rate. Mr. Havas asked if there were a second. Mr. Shawn Kinsey seconded the motion.

Mr. Havas noted that it has been moved and seconded in favor of the motion. Do I hear any discussion on the motion? All those in favor of the motion signify by saying Aye. The Council members responded with saying Aye. There was no opposition.

Mr. Havas said that the Ayes carry.

VIII. CLOSING PUBLIC COMMENT

This is Renee Olson. I just wanted to take a moment today to recognize the service of a long-term Council member that recently retired. Mr. Suwe has taken his place. Mr. Ross Whitacre served on the Council for a long time, and I just wanted to say today that we thank him for his service and we appreciate the time that he spent advising on this Council. Thank you.

IX. ADJOURNMENT

Chairman Havas asked if there was anything else the members would like to bring up at this time. If not I will invite a motion to adjourn. Ms. Katie Johnson said she would like to make a motion to adjourn, this was seconded by Danny Costella and the members responded with Aye to adjourn.

NOTE: These minutes have not yet been approved by the Employment Security Council and are subject to revision/approval at the next Employment Security Council Meeting scheduled.

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STATE OF NEVADA
DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
EMPLOYMENT SECURITY DIVISION AND THE
EMPLOYMENT SECURITY COUNCIL

This meeting, conducted by the Administrator of the Employment Security Division (ESD) and the Employment Security Council (ESC), is a meeting to provide information to Council members regarding the Employment Security Division responsibilities as well as an overview of the 78th (2015) Nevada Legislative Session.

Tuesday, July 14, 2015 - 10:00 A.M.

Live Meeting:
The Legislative Building
401 S. Carson Street, Room 3137
Carson City, Nevada 89701

Video Conference to:
The Grant Sawyer Building
555 E. Washington Ave, Room 4406
Las Vegas, Nevada 89101

Council Members Present
Paul R. Havas, Chairman, Representing Employers
Paul R. Barton, Representing Public
Margaret Wittenberg, Representing Employers
Fred R. Suwe, Representing Public
Charles Billings, Representing Employers/Labor
Kathleen Y. Johnson, Representing Public
Shawn Kinsey, Representing Employees/Labor - LV

Council Members Absent
Daniel J. Costella, Representing Employees/Labor
Michelle S. Carranza, Representing Employees (LV)

Department of Employment, Training and Rehabilitation (DETR) Staff Present in Carson City
Renee Olson, Employment Security Division Administrator, ESD/DETR
Jeff Frischmann, Deputy Administrator, Unemployment Insurance (UI), ESD/DETR
Dave Schmidt, Bureau of Research & Analysis, DETR
Alessandro Capello, Bureau of Research & Analysis, DETR
Scott Kennedy, Chief of UISS, ESD/DETR
Neil Rombardo, Senior Attorney, ESD/DETR
Christina Guzman, ESD/DETR
Joyce Golden, Administrative Office, ESD/DETR
Mikki Reed, ESD/DETR
Lynn King, Administrative Office, ESD/DETR
John Parel, Business Services Manager, Northern Region, ESD/DETR

Department of Employment, Training and Rehabilitation (DETR) Staff Present in Las Vegas
Ron Fletcher, Chief of Field Services, ESD/DETR
Deborah Smith, Workforce Svc Rep 3, ESD/DETR
Ben Daseler, Business Services Manager, Southern Region ESD/DETR

Members of the Public, Media and Other Agencies
Present in Carson City
Geoff Dornan, Nevada Appeal, Carson City/NV
Cy Ryan, Las Vegas Sun
Tray Abney, Chamber
Ray Bacon, Nevada Manufacturers

Members of the Public, Media and Other Agencies
Present in Las Vegas
Paul Moradkhan, Las Vegas Metro Chamber of Commerce
Justin Harrison, Las Vegas Metro Chamber of Commerce

Exhibits

Exhibit A - Attendance Record

Exhibit B - Agenda for the Meeting/Workshop

Exhibit C - Business Benefits of Nevada JobConnect

Exhibit D - Unemployment Insurance Overview

Exhibit E - Employment Security Council Legislative Update

I. CALL TO ORDER AND WELCOME

Paul Havas, Chair of the Employment Security Council, called the meeting to order at 10:00 a.m. on July 14, 2015. He announced that at this juncture call upon confirmation of posting and then we'll have a roll call of the Council Members.

II. PUBLIC COMMENT

Chair asked if there was any public comment, hearing none, he moved on to the next item.

III. CONFIRMATION OF POSTING

Chair asked Ms. Golden confirmation of posting. Ms. Golden replied by introducing herself:

Joyce Golden, Administrative Assistant to the Division Administrator. Everything has been posted according to our statutes.

V. REVIEW WRITTEN COMMENTS

Mr. Havas asked if there were any written comments received. None were received.

IV. ROLL CALL OF COUNCIL MEMBERS (Taken out of order this time)

Mr. Havas asked for the members to in traduce themselves and who they represent.

Charles Billings, representing Employers/Labor
Margaret Wittenberg, representing Employers
Fred Suwe, representing the Public
Katie Johnson, representing the DETR Board of Review, as Chair
Paul Havas, Chairman, Employment Security Council, representing the Employers
Paul Barton, representing the Public
Shawn Kinsey, representing Labor

VI. APPROVAL OF MINUTES
A. Public Comments

There were no public comments at this time.

B. Approval of Minutes by Council

Chairman Havas asked for a motion to approve the minutes from May 27, 2014 and approve the minutes as read. Council member Katie Johnson made a motion that the council approve the minutes as read. The Council signified by saying aye and Mr. Havas said that the motion carried and the minutes were approved. At this point Mr. Havas asked for a motion to approve the minutes of October 8, 2014 as read. Mr. Havas noted that Ms. Johnson had made a motion and that a second was needed. One of the Council members seconded the motion. There was no discussion and the members signified by saying aye to the minutes to be approved. Mr. Havas indicated that both sets of minutes have now been approved.

Here Chairman asked for the Administrator to present an update.

VII. <u>EMPLOYMENT SECURITY DIVISION UPDATES</u>

Renee L. Olson, Division Administrator, Employment Security Division

Thank you. Renee Olson for the record, Administrator of the Employment Security Division. I just wanted to introduce some folks to everyone really quick. We're going to have a couple of presentations under this Agenda Item.

Part of what I'm going to present at the end is some changes that were made by the Sunset Subcommittee to duties of the Employment Security Council. And, one of the reasons we thought we would have this meeting—one of the things the Employment Security Council does every year is, meet to consider and recommend the tax rate for the upcoming year. But, there are other duties of the Employment Security Council. This meeting is really more of an informational meeting, but it's a chance to think about what the Employment Security Council might want to do in meetings other than setting the tax rates.

So, we'll go over some of those duties and I just wanted to bring that up that, although we've relied mostly on the Employment Security Council for that purpose, there are some other things that the Employment Security Council can do and so we can start talking about and thinking about what those things are.

So, first of all, I'd like to introduce John Parel. He's going to let you know, give you some information about what the Job Connects do for businesses in the community and how/what they do with businesses, then impact the labor market and how we help folks get back to work as well. So, this is something we thought would be important for the Council to hear about and understand as we're thinking about the frame of mind that I just brought up, about what other issues the Employment Security Council can consider.

I'd like to introduce Neil Rombardo, he's the Attorney for the Employment Security Division. He started with us in January and he came to work for us after Tom Susich retired after a very long career in Unemployment Insurance Law. And so, we'd like to welcome him and he's going to help us make sure that we are staying on the straight and narrow with the Open Meeting Law, right? And, any questions you might have, I'm sure he'd be happy to answer those questions.

John Parel is one of our Business Service Managers in the Northern Region. He works very closely with the folks like EDON, with Economic Development, employers across Northern

Nevada and in conjunction with JobConnect offices, so he's going to tell you what he does.

A. Business Benefits of Nevada JobConnect (Exhibit A)
John Parel, Business Services Manager, ESD.

Good morning ladies and gentlemen, my name is John Parel. As Renee mentioned, I am the Northern Nevada JobConnect Business Services Manager. I'm here to discuss the business benefits of Nevada JobConnect.

Nevada JobConnect is the State's workforce delivery system, as you know, we connect businesses and employees. We're part of the American Job Center Network which is nearly 3,000 Centers across the United States. We have 10 JobConnect Career Centers and two business services offices in the State. We're in the business to work with business. This slide gives you an overview of the business services we provide, which I'll go over in more detail later.

Employers that list their jobs with us benefit from the following business services at no charge. The Business Services Office located in Northern and Southern Nevada has 30 dedicated staff. We work with the business community to fulfill ESD's mission that is, that we exit to empower a vibrant labor market in Nevada by creating business and worker connection with high quality demand driven services.

This slide gives you an overview again, of the services that we do and again, I'll go over these in a little more detail later.

We conduct a comprehensive search of the State's largest database of job seekers. We provide talent pre-screening. We offer skills assessment testing and certifications. Not only do we plan and facilitate company hiring events and job fairs, but we can also provide them with the space to do so. We offer hiring financial incentives with the Silver State Works Program. And, we provide workforce intelligence and labor market data.

We can help businesses with their local, state or even national recruitments through our affiliations with the American Job Center Network.

We assist businesses with the formation of job descriptions and requirements. We provide information on current local hiring trends. We plan, coordinate and set-up hiring events at job fairs tailored to the business' needs. And, we offer free advanced advertising through our partners on TV, radio, social media and our national website, NEVADA.US.JOBS.

One of the biggest benefits to business is our ability to search for talent through various sources, such as our own Nevada Job Bank. Nevada's Job Bank is the State's job exchange system. It's used by thousands of employers to post their jobs and has over 151,000 records of active job seekers. When an employer posts a position, our staff will perform applicant pre-screenings by referring only qualified applicants, saving the businesses time and money by alleviating the overwhelming process of reviewing hundreds of resumes.

In addition to our large database, our staff reach out to attract talent through our partners, colleges, universities and various media, again saving businesses time and money.

Our job posting process has been streamlined to maximize our turnaround times. Job postings can be self-service or full service assistance from Business Services Staff. Businesses have the option in how involved they want us to be in their recruitment process.

Another benefit that businesses get from JobConnect is skills testing. Businesses can have Job Connect test their applicants as part of the prescreening process. JobConnect offices are equipped with computer training labs or Resource Centers that customers can use. Business Services staff are able to facilitate or proctor employers own tests and assessments or use one of our tests such as the Prove-It System of tests, which includes over a thousand tests such as typing, Microsoft Office and hundreds of skills tests.

Job Fairs and Hiring Events have been our bread and butter these past few years. They've been very successful in moving large amounts of unemployed individuals to employment. Last year alone, we conducted 435 employer events and served over 10,215 job seekers.

This past May, we conducted our first sector specific job fair. The manufacturing sector benefited from this and there were over 30 manufacturing businesses that benefited with from over 700 job seekers who attended the event. Businesses were thrilled by the attendance but were more excited about the quality of the job seekers, as most had manufacturing experience, since it was targeted. We plan on scheduling other sector specific job fairs based on specific sectors hiring needs in the near future.

Our Rapid Response is a JobConnect program that assists businesses when they have to lay-off employees or shut down. We would customize a plan with the employer that best suits their needs. Part of that plan can include a Lay-Off Aversion Job Fair where we conduct a job fair either at the business site or our facility and invite companies in the same industry to interview the affected employees. This process not only allows other businesses access to qualified applicants, it saves unemployment insurance fund money by circumventing the whole unemployment process.

JobConnect not only finds qualified candidates, but when necessary, incentivizes businesses to hire candidates who may be less skilled than required. Employers can use the incentive to train the employee to acquire those missing skills. The Silver State Works Program often makes a difference in hiring candidates that the employer may have had some reluctance in hiring. The Program helps minimize that risk for the business.

Economic development - JobConnect is proud of its partnerships with the State's various economic development agencies such as the Governor's Office of Economic Development, EDAWN, NNDA and the LGVA to name a few. JobConnect's role in assisting economic development agencies with growing existing businesses and attracting new companies into our State cannot be diminished. JobConnect provided new and expanding companies with labor market information and workforce intelligence they needed to make critical decisions to relocate or expand into our State. Labor is one of, if not the largest expense a company can have. Incentives are great, but a company wants to know that they have a sustainable workforce. One of these new companies - when these new companies commit to moving to or expanding to our State, JobConnects assist them in their initial and future recruitments.

Last year, we met with over 300 companies that our economic development partners were working with and here's a small sample of those companies and we continue to work with these companies as we speak.

Our dedicated staff truly embrace the meaning of customer service. The businesses we work with are appreciative of the excellent service we provide. Here are some testimonials from employers we've been working with and are now working with. [goes through slides] Again, here are a few more of the employers we're working with now. And these companies are some of our biggest supports and even go as far as help market our services to other employers.

That concludes my presentation. Thank you for giving me the opportunity to discuss how we benefit the employers here in Nevada. Do you have any questions?

Chairman Havas indicated that he thought it was a fine presentation. At this time there were no questions for Mr. Parel.

Administrator Olson said that she attended a hiring event in Reno. The pictures you saw there were Reno Town Mall and we basically filled that whole space with employers. When I went to visit the hiring event, I really stopped and talked to every employer that was there and got really great comments about how happy they were with the qualified candidates that we were able to attract to the event. It was pretty exciting, kind of a neat event, but you see how many they hold of hiring events, 435 in the last year. So, we just wanted to let you know how we actively work with the employer community and businesses and by focusing on businesses, we're really creating a demand driven system so that we're helping employers find the employees they need and that's how the labor market works best. We just wanted to highlight that for you and see if you have any questions. We invite you to come visit the JobConnect offices any time. It's kind of neat to see how those offices work. So, thank you John.

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Next we're going to give you some information about Unemployment Insurance and really what we wanted to highlight a little bit for you was, what businesses are going to see when we roll out our new Contribution system coming up soon here in the next few months. Scott Kennedy is going to talk to you a little bit about that and he's going to give you some other information. Hopefully it will just start you thinking about the process coming up in October. We're going to have our meeting in October to start thinking about the tax rate for the upcoming next year. And so, it's a lot to take in at that meeting. We'll start thinking about information we're going to be receiving at that point. But, anyway, I'd like to introduce Scott Kennedy and he's going to talk to you a little bit about what UI has been up to.

B. <u>Unemployment Insurance Program Update (Exhibit D)</u>
Scott Kennedy, Chief of Unemployment Insurance Support Services, ESD

My name is Scott Kennedy. I'm the Chief of UISS, which is Unemployment Insurance Support Services, we're the policy arm of the Unemployment Department in Nevada.

I'm going to start off by going over some labor market information and please feel free to interrupt me. I'm going to be throwing a lot of statistics and everything at you. If you have any questions on the labor market information, Dave Schmidt from our Research and Analysis Bureau is here and he would certainly be able to assist in answering any of those questions.

For Unemployment, the Nevada Unemployment Rate as of May 2015 was 7%. The Las Vegas Metro Area was 6.6%, Reno/Sparks 6.1% and Carson City 6.9%. For jobs in May 2015, seasonally adjusted, the Statewide employment increased by 8,000. The Las Vegas Metro area increased by 1,400. Reno/Sparks by 1,100 and Carson City increased by 400.

For Tax, the regular Unemployment Insurance Rate is, 0.25% to 5.4%. The CEP Rate currently is 0.05%, except for those 5.4% employers, because they don't pay CEP. The average employer rate for 2015 is 2%. And, the new employer rate is 2.95%.

As you know we had to use a bond to pay back our debt to the Federal Government from borrowing for unemployment due to the Great Recession. Right now, our average bond rate is 0.56%. Of that, 0.48% is for the bond principal and 0.08% is for bond interest. The bond rate range is 0.14% and that's for the time 10% of wages from employers with the most positive reserve ratios. The rate is 0.26% for new employers. 0.60% for the majority of positive rated employers. And, 0.80% of negative rated employers. The bond rates are computed annually and we anticipate that our bond repayment date will be December 1, 2017.

You can see why Dave had to be here, because I would not be able to answer questions about this stuff.

Our taxable wage base in 2015 was $27,800. As of January 1, 2016, that will be going up to $28,200.

Our current Trust Fund balance is $341.3M. Our 12-month benefits outgoing, as of March 2015 is $370M. And, for the same period of time our 12-month contributions incoming is $513.3M. The amount needed for one year of benefits in reserve is $963M to $1.2B. We expect a solvency level sometime in 2018 or 2019.

Now for the weekly benefit amount as of July 1, 2015 for claimants went up to $417 per week. That's the maximum of their weekly benefit amount. For the week ending June 20, 2015, the number of claimants receiving UI was 26,606. Regular UI benefits paid for that week were $6,616,271, so you can see, we're still paying quite a few claims.

For 2014 totals and this was the calendar year, the average number of claimants receiving UI per week was 29,964. The total regular UI benefits paid for that calendar year were $367,865,829. As you can see, we have come down several thousand from 2014.

The 2015 totals so far this calendar year show the average number of claimants receiving UI per week is 27,781 and that continues to go down, slowly. The total regular UI benefits paid so far this year has been $176,784,934.

I wanted to talk a little bit about the UI Integrity Program. Mostly wanted to show here how we've advanced our cash recovery and overpayment recovery methods. Back in 2006 we had 41.9% overall overpayment recovery rate. Total cash recoveries were $1.12M and the fraud cash recovered was $406,269. Skip to 2014, we had a 59% overall overpayment recovery rate. Our total cash recoveries were $7.662M and our fraud cash recovered was $3.202M. So you can see we took quite a jump.

There were several reasons for that. We basically had a federal income tax offset that we were allowed to start collecting. Back in 2009, the State was allowed to use offsets and we put into law that frauds must be paid - fraud overpayments must be paid in full, in cash before anyone could receive any further benefits. In 2013, we instituted wage garnishments. We're starting to get from employers, that we can garnish wages to get back the overpayments on claims.

In 2015 so far, the cash recovered as of June 1st has been $5.518M. Our wage garnishment cash recoveries has been $627K. The IRS intercepts have been $3.184M. So, as you can see, these have been very productive programs in getting money back that we've overpaid on some of our claims.

Mr. Havas asked if Scott was able to give examples of fraud.

Mr. Kennedy responded. Someone has returned to work and doesn't notify us and continues to file weekly claims for unemployment benefits. That's the most, you know, obvious example. We've had very limited number of claimants who have been deceased or been incarcerated, whose family members then continue to file weekly claims for the unemployment benefit checks and everything, so it runs the gamut. You know, and we actually do publish out on the website our—what does Steve call it, the fraud - they're actual pictures, they're mugshots and everything, as published on the website so people can see that we're really, really serious about prosecuting people for their fraud overpayments.

Mr. Havas thanked Scott. Ms. Olson added that the Division put in place certain cross matches and comparisons for detecting when someone is filing a claim and they are currently incarcerated. So, we've put steps in place there to mitigate that as well as a cross match with, I think social security to detect fraud identity. Identity fraud and as well as measures put in place to make sure that we're not paying for deceased individuals. I think there were maybe one or two that came up that we found. So, I just didn't want to leave it with anybody thinking that we hadn't put measures in place to mitigate those issues. And, I just wanted to say that, this is an important factor to consider. When we were in a position of borrowing money from the Federal Government to fund benefits and now we're trying to pay those bonds off and we're trying to reestablish the Trust Fund, this is as an important of an activity that we can do to try to replenish cash into the Trust Fund that may have been paid under fraudulent situations. So, we do take measures to protect the integrity of the program, the Trust Fund, as well as just collecting taxes.

Scott Kennedy continued: And, also let me add, we also do the National Data New Hire Cross Match, where basically an employer fills out a W-4 Form and submits it to the Federal Government for hiring a new employee. We get that and we hit it against our system to see if they're filing for unemployment at the same time and we're able to identify certain people through that method as well and hopefully stop their benefits before they file more than a week or two.

Now, into our new computer system. Basically, Nevada implemented a new state-of-the-art, web based computer system for Unemployment that we called UINV. We were utilizing the old guide system, which was 35+ years old. It had become very antiquated. It was very difficult to make any changes with it at the end. So, we've implemented this new system. It is gone very well. We've had our hiccups, there's no doubt about it, but I think right now we have a really nice state-of-the-art system that we can use.

The release dates for this new system, Benefits went live in September of 2013, Appeals went live in July 2014. Contributions or tax, we are shooting for going live this Fall, 2015.

The UI Program was able to successfully implement this new computer system while dealing with the Great Recession. Nevada had the highest unemployment rate in the nation at 14.4%, at peak in 2010. At that same time, our staff was also working through design sessions, testing new system and everything, so we had to dedicate staff towards doing that as well as, dealing with the highest unemployment rate in the nation.

When we went live with benefits in September of 2013, our unemployment rate was 9.3%. At the peak of the unemployment in Nevada we were paying approximately 140,000 claimants per week. That included regular UI, the extended benefits and State extended benefits that we were paying at that time. When we went live with UINV in September of 2013, we were paying approximately 50,000 (49,932) claims a week.

Some of the benefits of the new system, there's an increased system capacity, for example, the sequestration. If you remember the Federal Government implemented sequestration, where we had to reduce weekly benefit amounts for extended benefit claimants by a certain percentage. With the new system, we were able to do that fairly easily and if something like that would come back in the future, we could implement it fairly quickly and easily. Under the old Guide system, it really would've taken a long time, taken a lot of programming and I'm not sure we could've actually done it on another Guide system, so we really had to have this new system to be able to do that.

We anticipate that the Federal Government comes through with new things all the time for unemployment and we anticipate this new system will allow us to enact those things fairly quickly going forward.

One of the biggest benefits has been the online claim filing system. We call it Customer Self-Service, or CSS. What this basically does is, a customer, a claimant that registers for CSS, it gives them a snapshot of their claim. They can see what claims, what weeks they've filed for and have been paid for, what weeks they have upcoming, what their weekly benefit amount would be and what their maximum benefit amount would be. It gives them, if there are any issues on their claim, they can see what those issues are. It gives them fact finding, if there's an issue that they can complete. And, it basically, saves them having to contact us for this information like they used to have to in the past, they can see it all right there on their computer on their Customer Self-Service page. Currently, 65.2% of claims are being filed by the Internet, as of May 2015.

One of the other benefits I mentioned was fact finding. We have a dynamic fact finding that we built into this system and basically, this allows the claimants to complete their fact finding at the time of their filing. If they say they've quit or they were discharged from their job or they had some vacation pay, the fact finding is made available to them. And, what I mean by 'dynamic fact finding', it follows a logical progression. So, if they answer a question a certain way, it's going to take them to the next logical question. If they answer it a different way, it will take them to a different question. So, it's dynamic fact finding in that it reads their answers and then takes them to where we think the next logical question should be. Hopefully, as we go forward, it will continue, get the claimants using it. They complete the fact finding upfront, so we don't have to wait until the adjudicator gets their issue, and has to call them to get the fact finding. At that point, the adjudicator should have the fact finding and they can just call to basically clarify some of the information with them. It makes for quicker calls, hopefully quicker decisions and better decisions.

The system is more efficient. We're able to handle a lot of claims utilizing fewer staff hours. We did take a little hiccup in some of our statistics once we went live with Benefits, but currently our Adjudication Timeliness is back over 90% and our First Payments Within 21 days is 87%.

As we've said sometime this fall, we're hoping to go live with our new tax system contributions. We're in the stage of user acceptance testing right now for the new tax system. Some of the benefits of this are going to be that the employers will be able to register electronically with the State of Nevada and maintain their registration pages electronically with us. They won't necessarily have to call the contributions office to do any of that and provide that information. They will have an employer self-service page, similar to the claimant self-service, where they'll be able to view their tax rate. They'll be able to pay their taxes electronically. I mean, we're setting up credit cards and e-pay systems for them to be able to pay their tax rates with us as opposed to mailing in checks.

They'll be able to view their pending UI claims. If they've got people filing UI claims against their account, they'll be able to see that on their employer self-service page and they will also have dynamic fact finding that they can complete upfront. Once they see, this claimant says you discharged him and then there will be discharge questions, the same type of thing. It will be dynamic, depending on their answer, it will take them to the next logical question.

I also wanted to mention briefly, the SIDES Program, the State Information Data Exchange System. This is a Federal Program currently being mandated by the Federal Government, but all States implement SIDES with their systems. It's an electronic data exchange for UI claims.

Currently, you can provide separation information or earnings verifications from employers through SIDES. It's a nationwide standard data format. So, basically, the same questions are available in Arizona, California that are available in Nevada for employers.

The biggest benefit to the system has been the timeliness of responses, it's been over 99% employers have responded timely to, you know, information on SIDES. There are two separate areas of SIDES. Basically there's a broker exchange where basically we send the information directly to a broker, that broker sends the information directly to, mostly its third party administrators that are utilizing the broker because it does require programming on their part and there are costs associated with that. Small employers aren't necessarily going to want to use the broker exchange.

For small employers we have E-Response, which is a secure website. We upload information to the website that they have something out there for UI. We send them an email verification that something was uploaded to the website for them to go out and get. They then have to log into the website, retrieve their information, they respond to us back to the website and we pull that information back into our system.

Nevada went live with SIDES in January of 2014. Currently we have three third party administrators and 73 employers signed up for the SIDES Program. We're taking baby steps.

Mr. Kennedy announced that this was the end of his presentation and asked if there were any questions. Mr. Havas thanked Scott for his presentations.

C. <u>Overview of 78th (2015) Nevada Legislative Session (Exhibit E)</u>
Renee Olson, Division Administrator, ESD/DETR

Ms. Olson also thanked Scott. Next we are going to move in to what kind of occurred over session that impacted the Division directly.

I was worried that my presentation was going to be boring and I really liked these pictures, so I thought this might be interesting to see. You know, the programs that ESD operates have a very rich and long history. They first started back in 1933 when the Employment Service was put into law. And, you can see in the picture, President Roosevelt and you can see behind him Frances Perkins and she was the first female Secretary of Labor. On the side are either Wagner and Peyser, but I don't know which one is Wagner, and I don't know which one is Peyser, but they're the two gentlemen standing on the sides. So, I liked to share these pictures.

This is a picture of the first federal employment office in the State of Nevada, located down in Las Vegas in 1932. They were helping to hire folks for the Hoover Dam project at the time, so. I just thought that was kind of interesting and I like to share it.

Part of what occurred during session was the result of an interim commission or Sunset Subcommittee that was established. This was a subcommittee of Legislators and Individuals that came together to look at every Commission, Board, Council that the State had and as such, the Employment Security Council was part of that review.

What they did was, they looked at what those Councils and Commissions did. They looked for duplication with Councils and they looked to see whether some should be dissolved or combined into other Commissions. And so, the result of that, when they reviewed the Employment Security Council, was really, they took two duties away and I thought I would put the whole section of statute up here that explains the duties of the Council, because of what I wanted us to think about today is, how we can expand what the Council maybe does beyond the tax setting process. We've done a few of those things over the course of the last year. We had a meeting to talk about the Career Enhancement Program, Senior and Vets Loan Program if you remember. So, really what the duties of the Council are, is to act as an Advisory Council to the Administrator. I'll go ahead and read these.

What you see in the blue sections are the sections that we're removed through **AB154.** So, the Council has the duty to try to reduce and prevent unemployment, encourage and assist in the adoption of practical methods for vocation training, retraining and vocational guidance.

"C" was an item that I think they discovered had been in the statute since the 1930s. It's—new deal written all over it. And, I think it was part of, just looking back at some of the history, what I could glean is, it was part of what they called the Civil Works Administration that gave localities money for Public Works. And, I don't think that that's been disbanded and I don't think that occurs anymore and the Subcommittee felt that that could be a duty that was eliminated from statute.

"D" promote the reemployment of unemployed workers throughout the State, in every other way that may be feasible and then, "E" was also removed, to carry on and publish the results of investigation and research studies. Then, as we know, whenever the Employment Security Council believes that a change in contribution or benefit rates will become necessary to protect the solvency of the unemployment compensation fund, it shall promptly so inform the Administration and make recommendations with respect there to. So, that is the October meeting that I've been referring to where we consider the tax rate and then you make a recommendation to me in regard to what the average rate should be for the upcoming year.

One of the other things that we discussed in the Subcommittee meeting is the fact that Board of Review is also comprised of Members of the Employment Security Council and so that and the setting of the rate were key components that we talked about during that Subcommittee.

If you have any questions on how that changed or you know, as we go forward with additional meetings, you know, I think if you have any questions there, I'd be happy to talk about those things and go from there.

One of the other bills that was changed for Employment Security Division, this is another change from the Legislative Subcommittee. **AB132**, addressed changes that they suggested for the Board of Education and Counseling of Displaced Homemakers. What was kind of funny is we always refer to it as the Displaced Homemaker Board and so when they said the full title of the Council we all went, what? [laughs] So, it's funny how you call something, you colloquialize it for so long that you don't know what the actual title is.

Anyway, during that Committee Hearing, they added a couple of things. They added to include individuals impacted due to the termination of a domestic partnership. Those folks could become clients of the program. And, they really surprised us when they suggested we increase our fees from $20 per divorce or termination to $30 and they haven't been changed since—I'm trying to remember, 1980 or some far away date, and we just did a study on what the consumer price index would've been to bring that into today's terms and fees and they increased it up to $30, which surprised us. But, it was a good surprise because the program was really underfunded and so, we think there will be some good results from that. We'll be able to serve more people. I failed to mention that the Employment Security Division serves as staff to that Board, so that's our role with that Board.

And then, they also changed, that the statute said that one of the representatives had to be a Displaced Homemaker. Well, as soon as that person goes back to work, they're no longer a displaced homemaker and they were getting basically removed from that board. And so, we felt that they still had valuable input for that board, even though they had become employed. So, we changed it to include, or former displaced homemakers, so that we wouldn't keep having that disruption and they could serve out their term.

So, **SB24** was a bill that was made at ESD's request. It was a Bill Draft that we submitted to the Governor's Office. Some changes occurred to the bill along the way. One of the things that we discovered last year with it, there were individuals, members of the National Guard, the Army and the Air National Guard in Nevada that were qualified for their federal unemployment benefits, they had become full time employees at the Guard and the statutes prevented us from addressing those folks and getting their federal unemployment benefits. And so, when we realized that it was a change really in how those folks were employed by the National Guard.

They were put on full time active duty and in previous years, I don't think it really had been an issue because of how those folks had been operating. So, we changed the statute to allow those members to obtain their unemployment insurance benefits. I think at the time, we had—I don't know if I have the numbers right, 21 or so individuals that we knew had been released from full time employment and not all of those folks filed for benefits. But, we just didn't want there to be anything that would prevent folks from tapping into their benefits if they needed them. So, that was one of the amendments to our bill that we proposed.

We also enabled the SLDS, The Statewide Longitudinal Data System. If you know what that is, that's really a project, the P-20 Council. A few years ago, a few sessions ago, there was authority put into the statute for—and the requirement for Higher Ed to report on the employment outcomes of folks going through their programs. And so, we had to adjust our statutes so that the confidentiality rules allowed that data to be used to show the results of their education efforts there, so we did that.

Reporting of this, a couple of sessions ago, we had an issue come up where we needed to compare the claims for workers comp to claims for unemployment insurance and we discovered we weren't able to do that, the information hadn't really been gathered in the Division of Industrial Relations. They needed a new system by which to collect some data.

The industry was saying, you know, we're already reporting certain information to that Division, why don't we just continue to also report our claim information there and then they can provide that information to ESD. So, this session we were able to accomplish that linkage. And so we're working right now with the Division of Industrial Relations to gather that information. But they are actually right now in the process of putting their request for their new system together, so it might be some time before we get there but we're working on it.

We also had a change that was driven by a Supreme Court decision that we offered as an option to either reaffirm the statutory guideline that said the initial period of disability would be used for the election of a base period. The opinion from the Supreme Court said that any period, the claimant should be able to use any period of disability from the initial period of disability to any. So, that statutory change was made.

Finally, we extended the recovery period for UI fraud overpayments to 10 years. And, Scott had mentioned that we started collecting overpayments from the IRS for people's tax returns. We can tap into their offset system to recover funds. This really just aligned us with the Federal Overpayment Recovery System that we can align the 10 years with their system.

And then, finally, one of the other things that we did in working with workers compensation benefits and comparing those claims is that we made it an act of UI fraud to file for workers compensation benefits while also receiving UI benefits. And so, those were the statutory changes that we requested that were made.

I'll just keep talking until somebody has a question.

Real quickly, some external bills, it's not always just making request to change statute, to 612, it's also some external changes that are requested as well. One of the changes that we agreed to and we worked with the Controller's Office was that, they are trying to garnish wages of individuals that might owe the State money. So, other Departments within the State where an individual might owe money. For example, the DMV or elsewhere, they went to Session and asked for the right to garnish wages and in order to be able to do that, they need information about where the individuals might be working. And so, we agreed to provide that strictly for this purpose. That had already been allowed for local governments and we just added the State Controller's Office to that.

SB59 amended our confidentiality section in our statute to allow us to provide the information necessary to operate the State Business Portal. This is a Secretary of State program that allows businesses to go to basically a One-Stop-Shop to be able to go in and get all their business licenses, pay any fees or anything like that and it would also give them a link to make sure they're registered for Unemployment Insurance and that they're coming to ESD also to make sure that they're paying their taxes. So, we agreed to make some changes within our confidentiality laws that allows the Business Portal to operate with our information, and that it protects the confidentiality within that system.

AB389, this is a bill that came up that the first way it was drafted was to allow employee leasing companies to be able to select whether they wanted to pay and report under the leasing company rate or by the individual businesses that were their clients. We took the position that it would be detrimental to the system and probably a SUTA violation, State Unemployment Tax Avoidance Law violation, to be able to let them pick and choose which rate they wanted to pay. And so, — where it ended up was, those companies will be reporting and paying according to their client businesses and their experience within the system.

So, another bill that had a lot of activity during this session about assisting veterans and the Governor's Office of Veteran's Services had a lot of work that they were proposing through bills. The **AB62** does a lot and I won't go into that. I don't know if I could go into everything that that bill does, but what we focused on is the impact to Employment Security Division. Really what they asked us to do is report yearly to the Interagency Council on Veteran's Affairs. You can see here that they wanted to know the average number of veterans served by our veterans' employment specialists in our JobConnect offices, they wanted to know the average number of initial and continuing claims for UI benefits. Average amount of weekly UI benefits received by veterans, that's the dollar amount of weekly benefits. Then the average duration, how long veterans were having to file for unemployment insurance. So, we'll be reporting on that yearly, to that Council.

Then**, AB89, amended 612**, to require the Administrator to report quarterly to that same Council. The aggregate unemployment data concerning veterans including the UI benefits paid. And so, we're glad to provide that information in support of, you know, the Council is concerned with looking at programs and things that they can do to help veterans, so we're happy to provide that information.

I just thought I'd bring up **AB489** because of course, our mission is to help create and help support a vibrant labor market in Nevada but we, as employers, are also part of the labor market. We always are concerned with having qualified staff working for the Division. Some of the things that impacted State employees, they were granted a 1% cost of living increase for State Fiscal Year '16. And, a 2% cost of living increase for 2017. Furloughs were discontinued. So, there will be no more furloughs. I think furloughs went on for about six years, for State employees. And the merit pay system was restored last year and that continues to operate into the next biennium.

AB436 did eliminate longevity payments for State employees. And then, other changes that will affect the staff. The retirement contributions did increase by 1.25%. Benefit premiums also increased and the deductibles increased. So, we have to appreciate that employees are being provided a cost of living increase this time. But that they do also have other obligations that they meet as they go along through the year.

One of the things that we think about is attracting and retaining a qualified workforce for the Division as well, it's really important with the programs that we operate. They're very highly technical programs. Federal programs that we operate, probably over 20 Federal programs that the Division operates right now. So, especially with the Unemployment Insurance Program, they're highly technical, law driven programs, so it's important to keep those folks in mind as we go forward. And, you know, with the Unemployment Insurance Program, one of the things that our federal funding, this isn't in my presentation but one of the things, happens to our federal funding during times of good economic times is that, federal funding contracts because our workload contracts as well. So, during session, during our budget hearings we were also working to try to facilitate that contraction in funding and so, what we did see was a loss of permanent positions there, in our Unemployment Insurance Program and we start this year with implementing those changes. It's kind of a bittersweet thing. It's yay, the economy is heated up again and we're going good and now we're contracting in our funding. So, that's expected and that's a normal course of business.

We're looking forward to the next biennium and going forward and looking at what we can do. We're already going to start looking at the next biennium in the next session for what we can accomplish and looking at our budget already for the next few years.

So, if anybody has any questions, I'd be happy to answer any questions.

Mr. Havas noted that there were not questions and so he would like to go to the final item on the Agenda and that is, comments, questions from the public? Please introduce yourself.

VIII. CLOSING PUBLIC COMMENTS

Mr. Ray Bacon stepped forward and introduced himself.
Thank you Mr. Chair, I am Ray Bacon, Nevada Manufacturers Association. These last few years has been a real trying time for the Division and quite frankly, I think Renee and prior to her, Cindy, deserve great credit for the way they've pulled through this operation. And, as a general rule, I would say that the vast majority of the employers in the State understand what they've done, I'm not sure the rest of State government really understands the anguish that they've been through.

There are a couple of things that have happened that I think may wind up being things that you may want to take a look at in the future. 1) DETR has engaged a software program which is called Burning Glass. Which is kind of an interesting operation, and this Council at least should be aware of this program. It goes out and takes a look at every employment database that's out there. Whether it's electronic, whether it's print or whatever and it works for the entire country. It goes out there and scans them all and does a reasonable job at eliminating duplicates. What that does is it gives Renee and her people and JobConnect and their people, it gives them a real live look at what jobs are out there, what fields are out there so that you can see employment trends in the past and moving into the future. Because employment trends, we know are going to change. Where the jobs 10 years from now are not going to be what the jobs are today. It's changing faster and faster as we see. Even inside your organization, you've seen productivity changes that you've had to make because you went through and did the software change.

That's the same thing that's happening in the private sector. But that gives us a tool that I think probably each one of the people that sit on this Council should, number one, be aware of and number two, at some point in time, whether it's in the October meeting or whatever, by that stage of the game, it should be fairly well in place. You may want to get a 10-15 minute pitch on that as to what it does and what's there. But, beyond that, what I've seen, it's pretty dynamic data, it's pretty interesting data and it also directly connects with part of your mission, which is part of the CTE Programs in the high school which is also part of the community college mission.

At this stage in the game, we're starting to finally address that we have CTE Programs, Career Technical Programs at the high schools that are becoming obsolete. One of the ones which is very popular with students is still graphic design. Graphic design sounds like a wonderful program. At one point in time, it was a career, now it's a skill. Graphic design is now an integrated piece with probably 20-30 different other professions. Same is true with photography. We would still have a three year photography program out there and that does a wonderful job of creating kids that have a lot of fun and have no skills that are employable in most cases, or very, very few.

So, those trends that are out there happening are something that I think this Council needs to be aware of. The other thing that I know you're aware of but what we haven't done, we haven't bridged, if you will, the gap is when Governor Sandoval came into office, we went through and did the SRI Brookings Study to take a look at where our future jobs were going to be and they came up and identified, I think it's now seven sectors where future jobs are going to be. It's manufacturing, it's mining, it's ag, it's gaming and hospitality. That misses two of the major, actually three of the major employment sectors in the State. It misses construction, which, when the thing was put in place, we didn't have any construction, so it didn't matter. And, it also misses retail, because retail was also fairly flat at that point in time. Those are secondary jobs and not primary jobs in most cases, so that's why they're missed. It also misses a large section of the service economy.

From an employment standpoint, those are still a major portion of where your jobs are placed. But, when you take a look at where the future is going in this state, we're, we believe, where those Sector Councils are created. Somehow this body probably should get to take a look at the Sector Council Annual Report so you can kind of see what they're doing and where they're going because I think it also integrates with what you're doing and where you're going.

We have done a great job as a State of having silos of information and what we're now starting to do through the Sector Councils is that we're starting to take those silos and overlap them to the point where we're starting to do things. The Sector Councils are now focused on what GOED thinks is where the future is going to be is, where the training programs are going to be is, where the jobs are going to come from and start to close that loop.

Hopefully we do a much better job in the future of training our students, whether at the community college level or the high school level, with the skills that they need to get the jobs of the future. And, more important to that, since we know the jobs are going to change is to get not only the jobs of the future but the skills and the talents that they're going to need to continually educate themselves for those jobs, because those jobs will evolve, absolutely guarantee it.

So, that's a thought process that I think is one of those things that you need to kind of put in the back of your mind to broaden the scope because you're taking a look at the employment and unemployment situation and that's all integrated. So, it's an area that's different than what you've done in the past. I think still it's vital for the long term future of the State, for everybody taking a look.

Mr. Havas said to Mr. Bacon, that he kind of inspired something in his thinking. Do you feel that the creation and development of curriculum on the community college level or technical school level, that the creation and development of curriculum is being done in a conducive environment, that something that works, or can it be improved significantly?

Mr. Bacon responded to Mr. Havas that he is going to give him a convoluted answer and he is to tell him right upfront it's a convoluted answer. The answer is yes and no. The answer goes like this. Where the community colleges, either through the Sector Councils or through interface directly with a particular industry or particular company have done a pretty good job. The quality of the programs that we have at the community colleges, in general, there are exceptions, but in general, we're producing a pretty high quality product. The Tesla operation, Panasonic operation is going to prove to us that what we don't have is the capacity that we need. So, we do a fine job with the number that we produce, but as this thing comes on line; Jim New who is the Administrator for TMCC, him and I have already had conversations because of just pure lab space issues alone, they're going to have a period of time when they're probably running 24/7 for a period of time getting people up to speed for Panasonic and Tesla. You talk about a university or a community college even talking about 24/7 operations, that's a whole new territory they've never had to deal with before. And that's likely to happen. And it's going to wind up to our benefit because, those people are going to come in and they're going to get employed and they're going to get employed with pretty reasonable jobs.

The secondary thing and this discussion is starting to happen, because one of the things that came out of the session is, the Governor's Budget had requested \$3.5M for CTE Programs. Somehow magically that number became \$10.5M for this year and \$12M for next year because the industry recognized and some of us did a lot of work to convince the legislators that it makes sense.

We spent a lot of money on education this session and some of those programs are going to have an ROI that the private sector folks fully understand and sometimes government doesn't. They're going to have an ROI of 10-15 years. Early childhood education is a great idea, but before you see the payback on that investment, if you're talking preschool education, that's 15 years out, before you see whether it did a lot of good or not. CTE Programs in this State, and let me give you the numbers, and I'll pick on one school in particular because it's probably the best in the State.

Southwest CTA in Las Vegas, which is kind of south of where IGT's new building is in Vegas, outside the beltway. They have positions for 380 students every year. So, they can take in 380 freshmen. Their graduation rate for the last two years has been an excess of 99%. In this State 99% is, where did they come from, because all of a sudden they're doing something right.

The second number, which is almost as impressive - remember, these are kids who are focused on careers and skills and things like that that they need. The percentage of the kids that are going on to some sort of post-secondary program is in the range of about 85%, closer to 90% get accepted into some programs, but some of them for financial reasons or they decide to go into the military or whatever, they don't actually achieve the 90%. They wind up with something less than that, but it runs in the 84-85% range.

Now, here's the bad news part of the thing. I don't know what the number is for this year but last fall they had 3,300 applications for those 380 seats. So, we know what works and we're not executing. The ROI on a CTE Program, it's about two and a half years. Well, let me see, I can invest my money and get my payback in two and a half years or I can invest my money and get my payback in 15 years. Which one are you going to pick? And that's what the legislators picked.

So, it's kind of a long and convoluted answer but I think we're on the right track. We have a lot of balancing to do. The secondary thing, and we had a meeting with the CTE, the Sector Councils Chairs and the CTE Administrator from the State, a couple of weeks ago. Part of that discussion was, number one, the programs that are obsolete have got to go away. Number two, industry is starting to look more and more for nationally accepted certifications and certificates. Something that comes in that's not strictly coming from the State of Nevada but something that has brought in somebody from a third party that has verified that these are the skills that are needed. That keeps them current, that keeps them updated, so that those skills are portable. The kid leaves the State, that's fine, it's accepted someplace else. That's what we're doing a lot in the manufacturing sector with the National Career Readiness Certificate. It's an ACT Program, but it's recognized every place.

So, when you start to bring in all these pieces, the important piece is that the skills are going to ratchet all the way down, so the CTE kids that were almost forbidden from taking certification tests a few years ago are now going to be encouraged. There is no reason a kid can't graduate from high school as an ACE Certified Diesel Mechanic and wind up working on the lines for $50K a year. That's not a bad deal for straight out of high school.

Ms. Olson commented that what Ray brought to mind was, that Burning Glass is something that we're working right now to implement. And, it brought to mind that, as we move into the next meeting in October, things like that, any kind of things that needs to be added to the Agenda, for example, if you will send us your suggestions, we'll be happy to go over those with the Chairman and we can look at putting some of those on the Agenda. For sure, we can give you an update on Burning Glass.

And, also, I wanted to mention that the Sectors are organized under the Workforce, it will be called the Workforce Development Board, Governor's Workforce Development Board. They're organized under there and we would be happy to provide you any information on how you might get involved in those Sector Councils and how you can get information on those Sector Councils and they're really driven to provide the intelligence that is needed to translate what skills are needed, what programs do the schools need to design to provide the qualified individuals for these jobs. So, those Sector Councils, I believe there are nine Sector Councils. And so, we'd be happy to provide anybody that information on how to get connected with those Councils.

With that, I just want to mention that any information that we can bring forward to the next meeting, we will. It will be a very busy meeting. It will be really geared toward all the facts and figures we throw at you for the Unemployment Insurance Rate, but just let us know, thank you.

Mr. Bacon continued. The other thing that I will just say in closing is that the skills gap that we talk about routinely in this country is very, very real. The new jobs that are being created are dumped, many of the people of this State do not have the skills that we need for the new jobs that are being created. So, we're going to be as a State, we're going to be very challenged for a long period of time. If they don't have the skills right now, remember, I look at the education system as, it's the production line that happens to be 12 years long. In most cases, our production lines, most everything we build is a little bit less than 12 years. So, it's a long production line and in some cases, if they don't get those skills early on, that's part of the reason we drove the stake in the ground so hard on Read by 3, because if kids don't learn to read, they don't learn the math. If you can't understand the problem, the odds are you won't get the math right.

So, there were programs like that, that are going to have some payback, some of those paybacks are pretty quick. Some of those paybacks are long term, but it's an area that we've been lacking in for a long period of time. So, I think we have taken the steps to make Nevada's education system competitive. It's not going to happen anywhere near as fast as any of us would like it to happen, but we're in the right direction and we're finally doing real live coordination between the employment sector, the economic development sector and the employers, new employers and existing employers and at this stage of the game, most of the directions, none of what we're doing is perfect, but I think we're headed in the right direction for the first time in a long, long time. Thank you.

Chairman Havas thanked Mr. Bacon and thought it has been very enlightening. Actually very stimulating, thank you, very much. Who's next? Anybody? Anybody out there? I guess, no. Council members, anybody?

IX. ADJOURNMENT

Mr. Havas asked for a motion for adjournment. Ms. Olson made the motion, someone on the Council seconded, all said aye and the motion has been moved. There was no opposition and the meeting was adjourned.

NOTE: The minutes have not been approved yet. Approval with changes or no changes will be voted on at the next meeting – October 1, 2015.