



Nevada's Employment Outlook and UI Trust Fund Forecast

Presentation to Employment Security Council

October 2023

Chris Sewell, Director

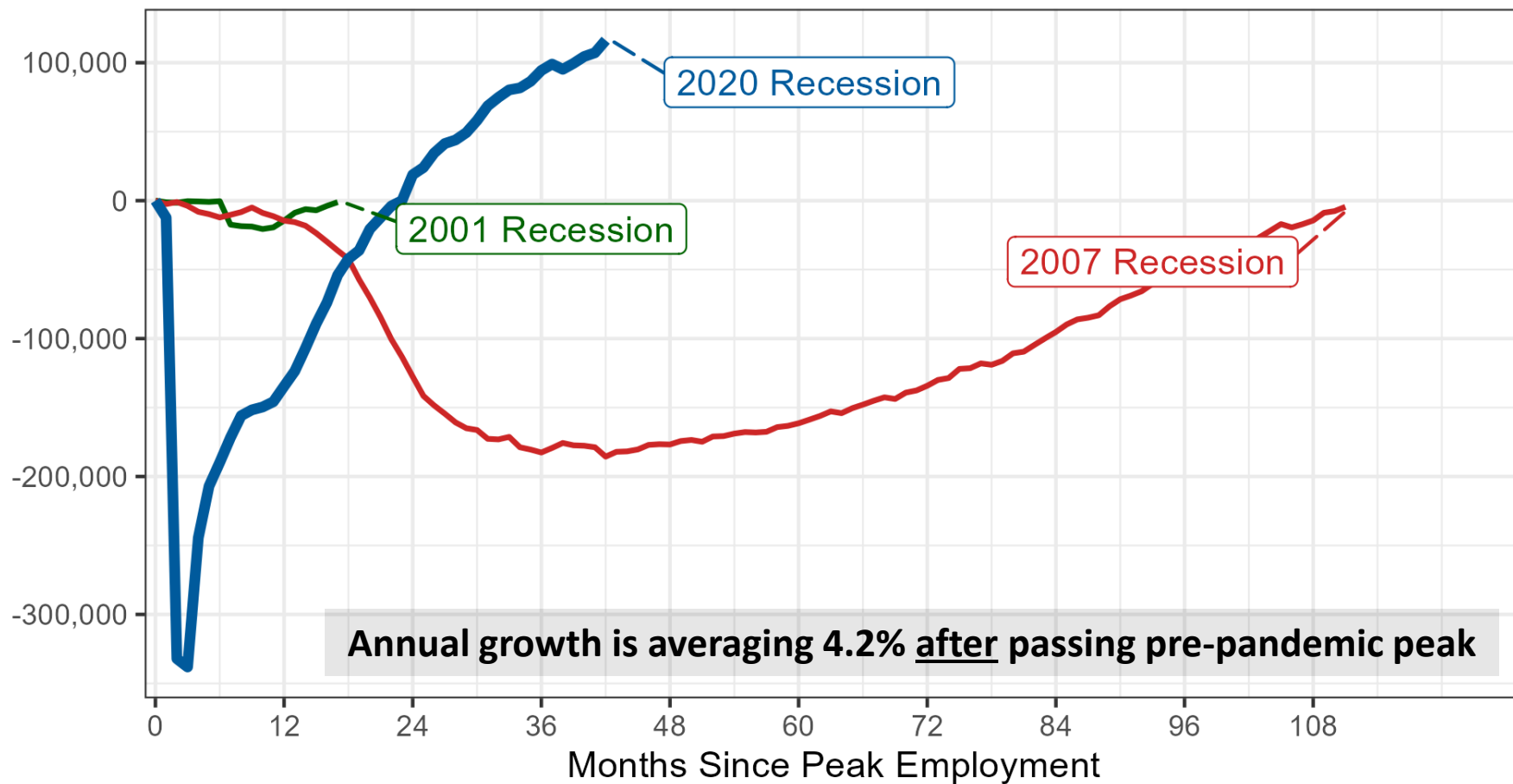
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David Schmidt, Chief Economist

Prepared by the Research & Analysis Bureau

Employment has Fully Recovered

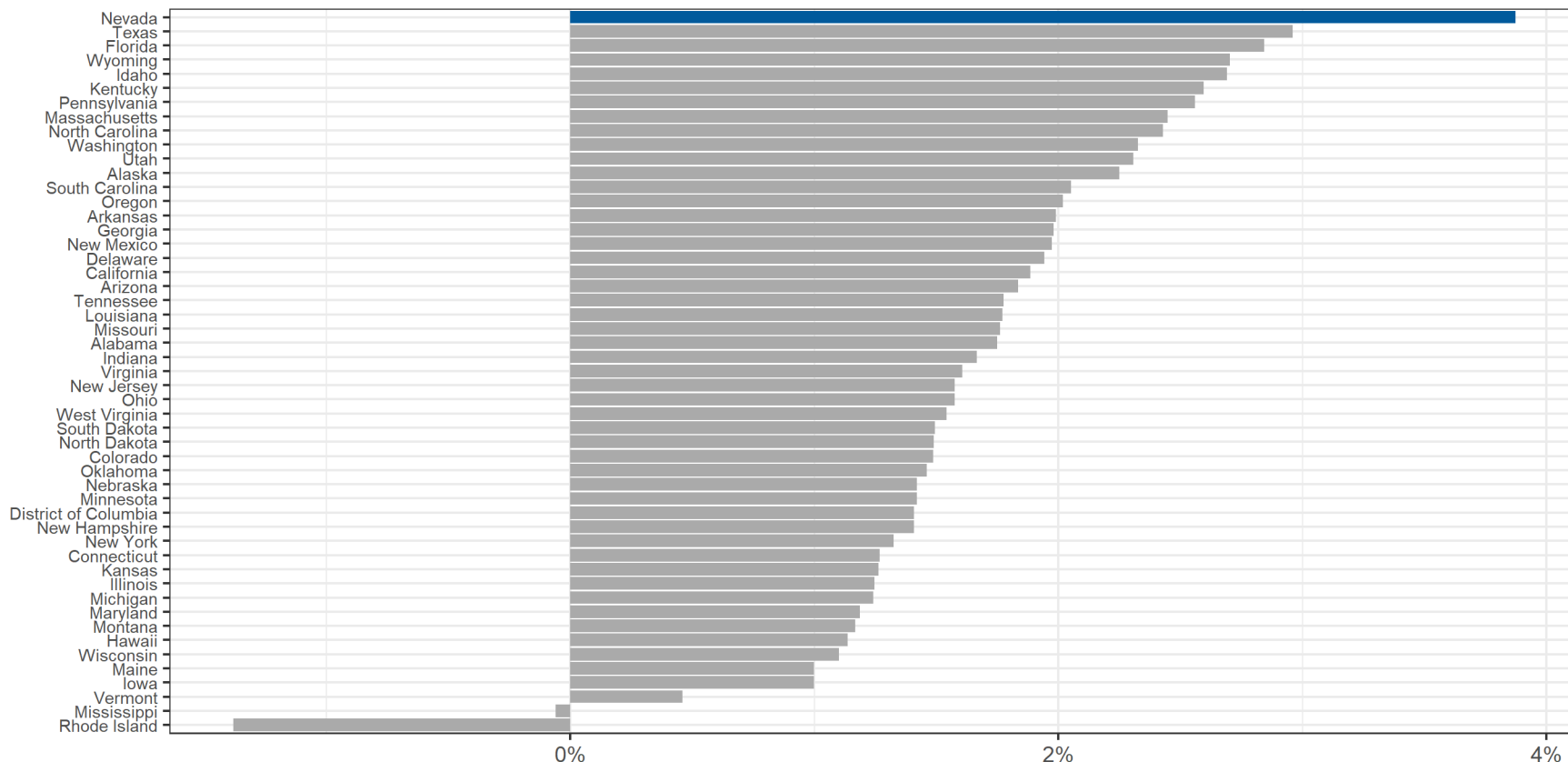
Job Loss Since Peak Employment, Nevada



Leading the Nation in Job Growth

Total Nonfarm Employment Change

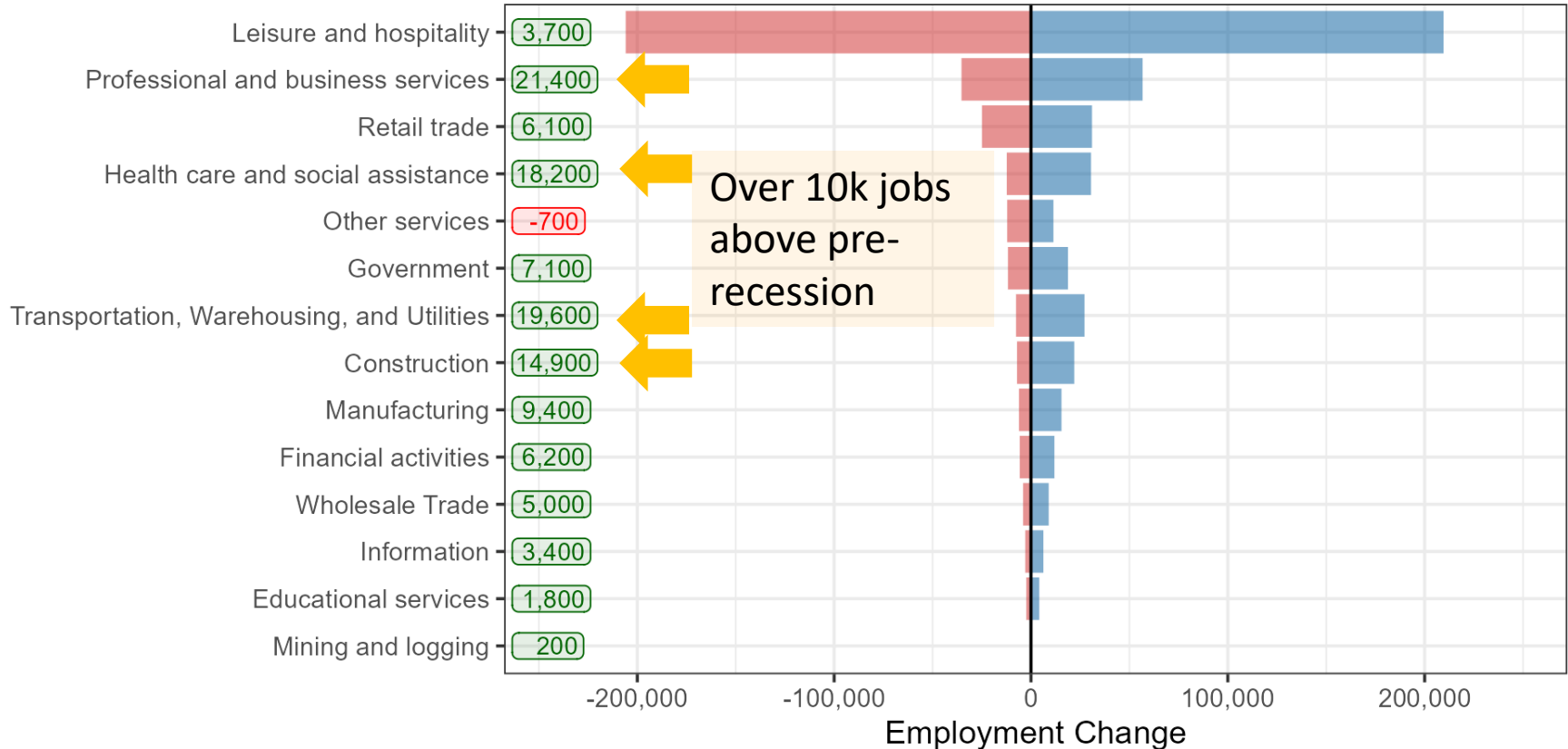
Nevada is 3.9% and ranks 1st



Industries Have Recovered

Jobs Lost and Gained, Nevada

Jobs Lost Feb 2020 to May 2020, Gained May 2020 to August 2023

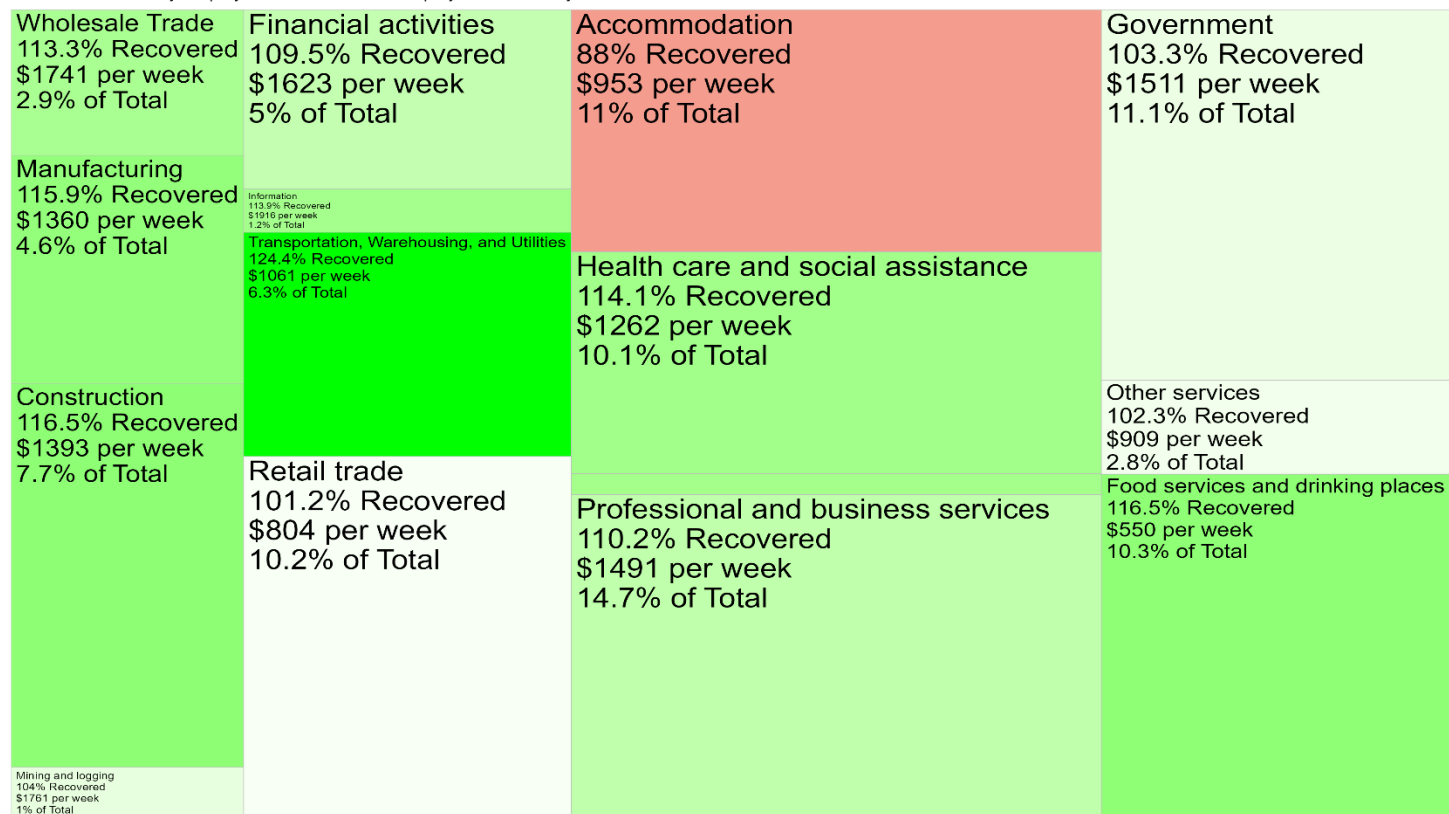


Data Seasonally Adjusted

Growing Diversification

Nevada Employment Recovery: August 2023

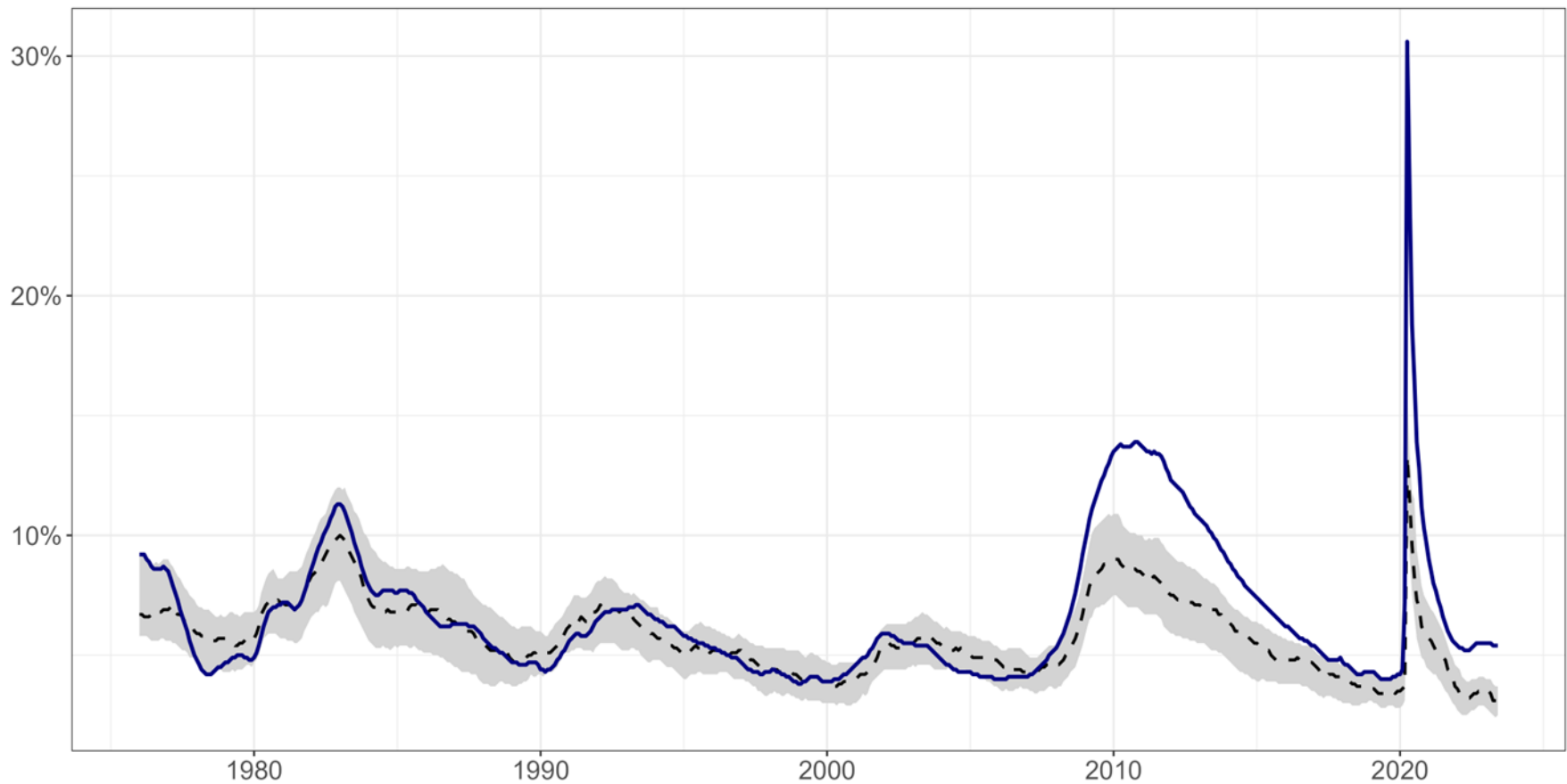
Area shows monthly employment, color shows employment recovery



Seven industries, representing 41% of state employment are at least 10% above pre-recession employment **and** pay wages above the 2022 state average of \$1,193 per week.

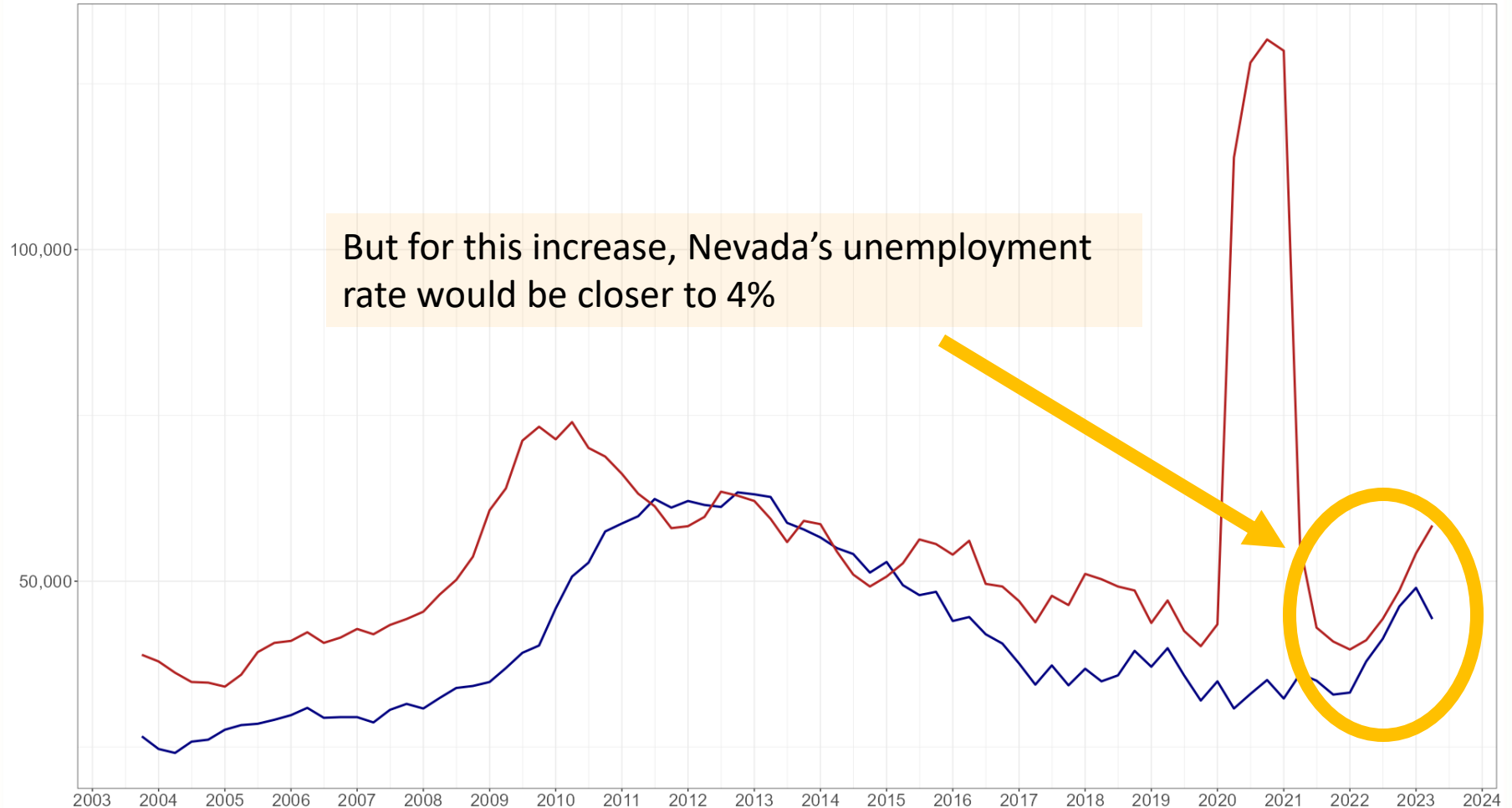
Unemployment is Elevated

Unemployment Rate for Nevada and Other States
Grey area represents 20th to 80th percentile for all states



Unemployment Composition Improving

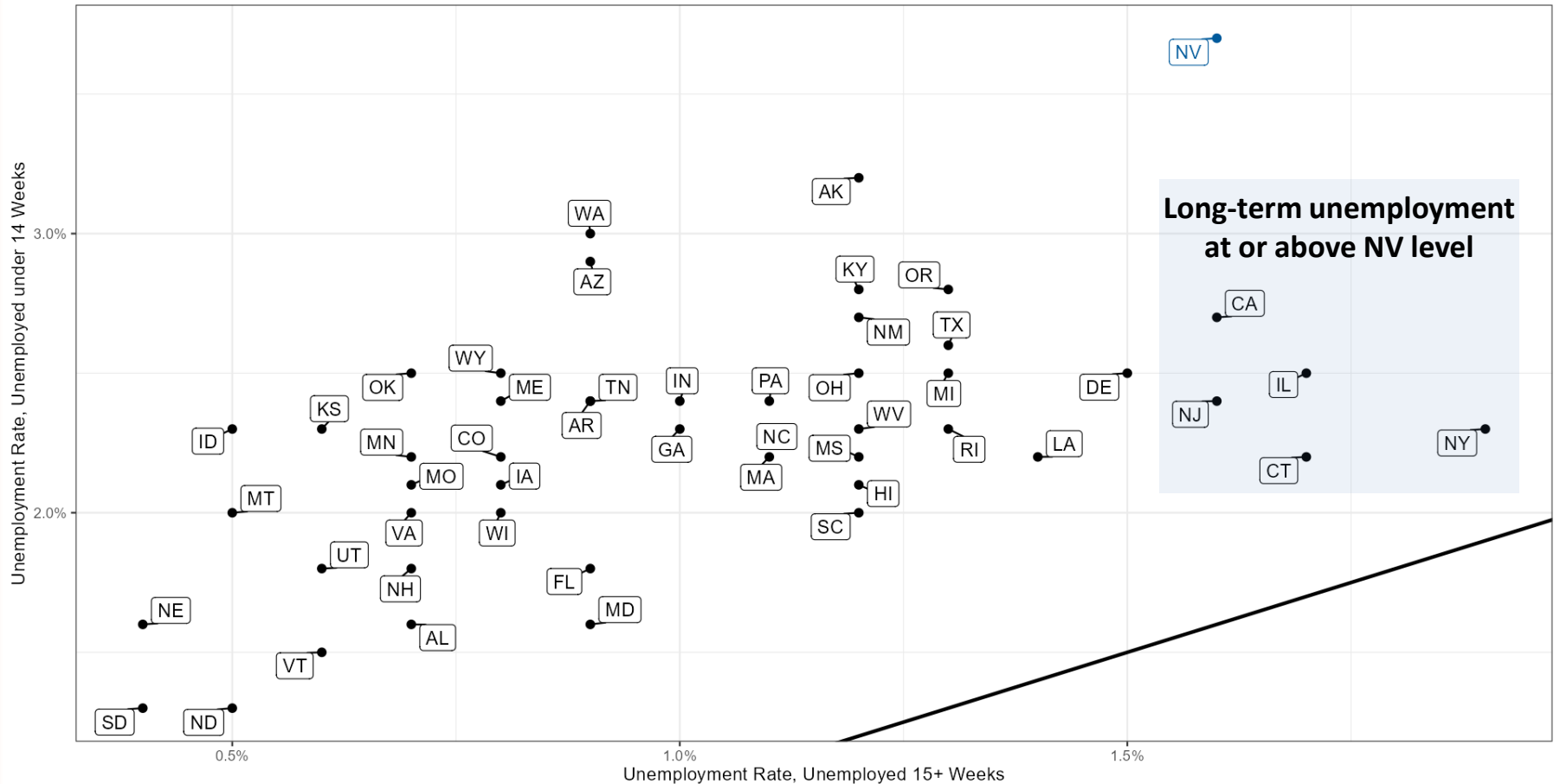
Unemployment for individuals who are **not job losers** or who **have been unemployed for 14 weeks or less**



NV Stands out in Short-Term Unemployment

Twelve Month Average through 2023 Q2

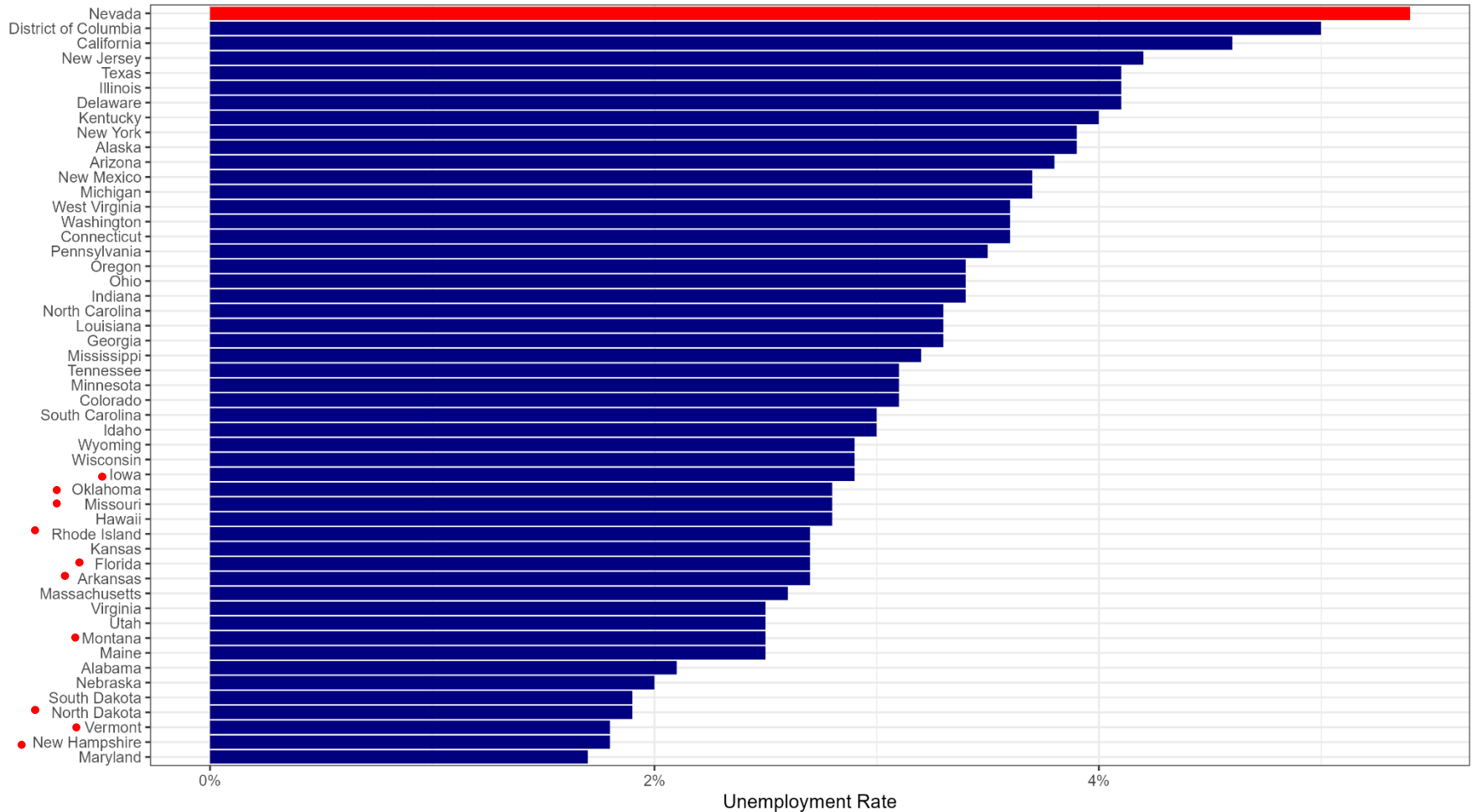
Black line represents balance between short and long unemployment



Data from <https://www.bls.gov/lau/stall.htm>

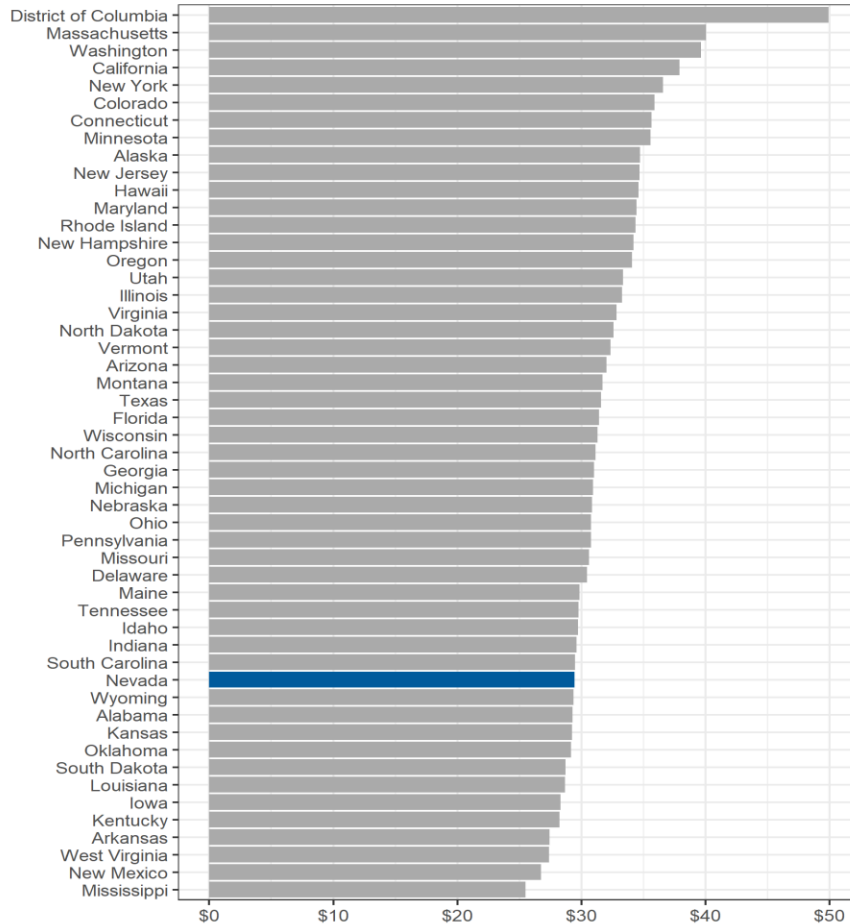
Higher Unemployment...

Unemployment Rate Ranking by State

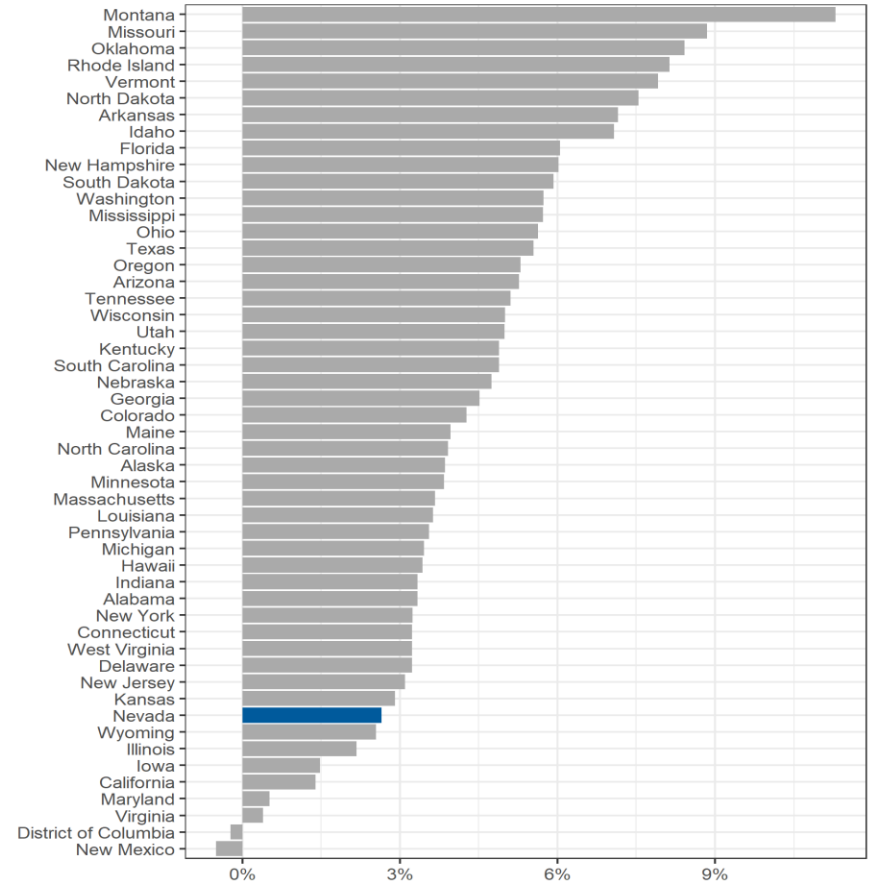


... and Slower Wage Growth

Average Hourly Wage, All Employees
Nevada is \$29.43 and ranks 39th of 51 states.

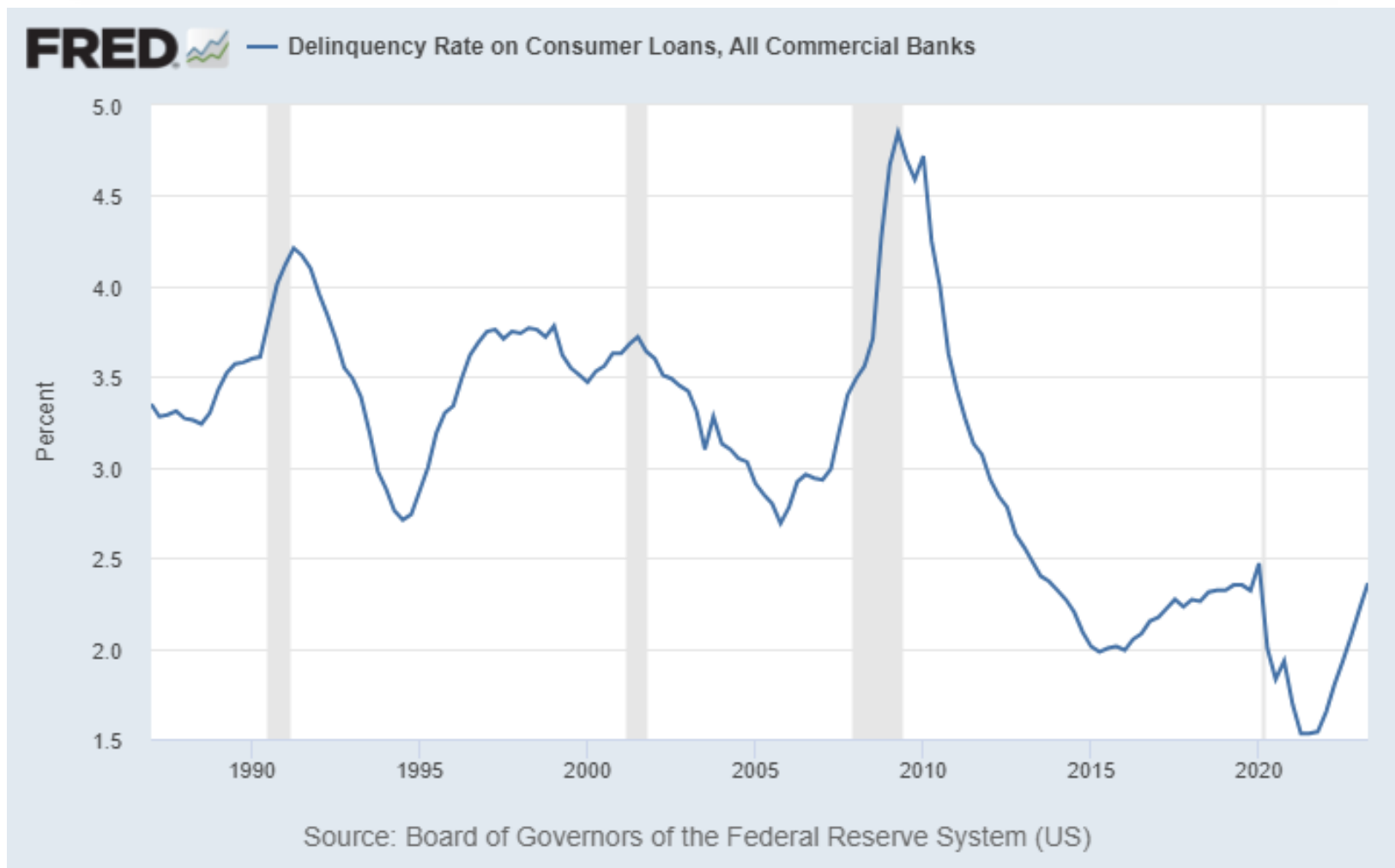


Annual Change, 3-Month Average
Nevada is 2.7% and ranks 43rd of 51 states.

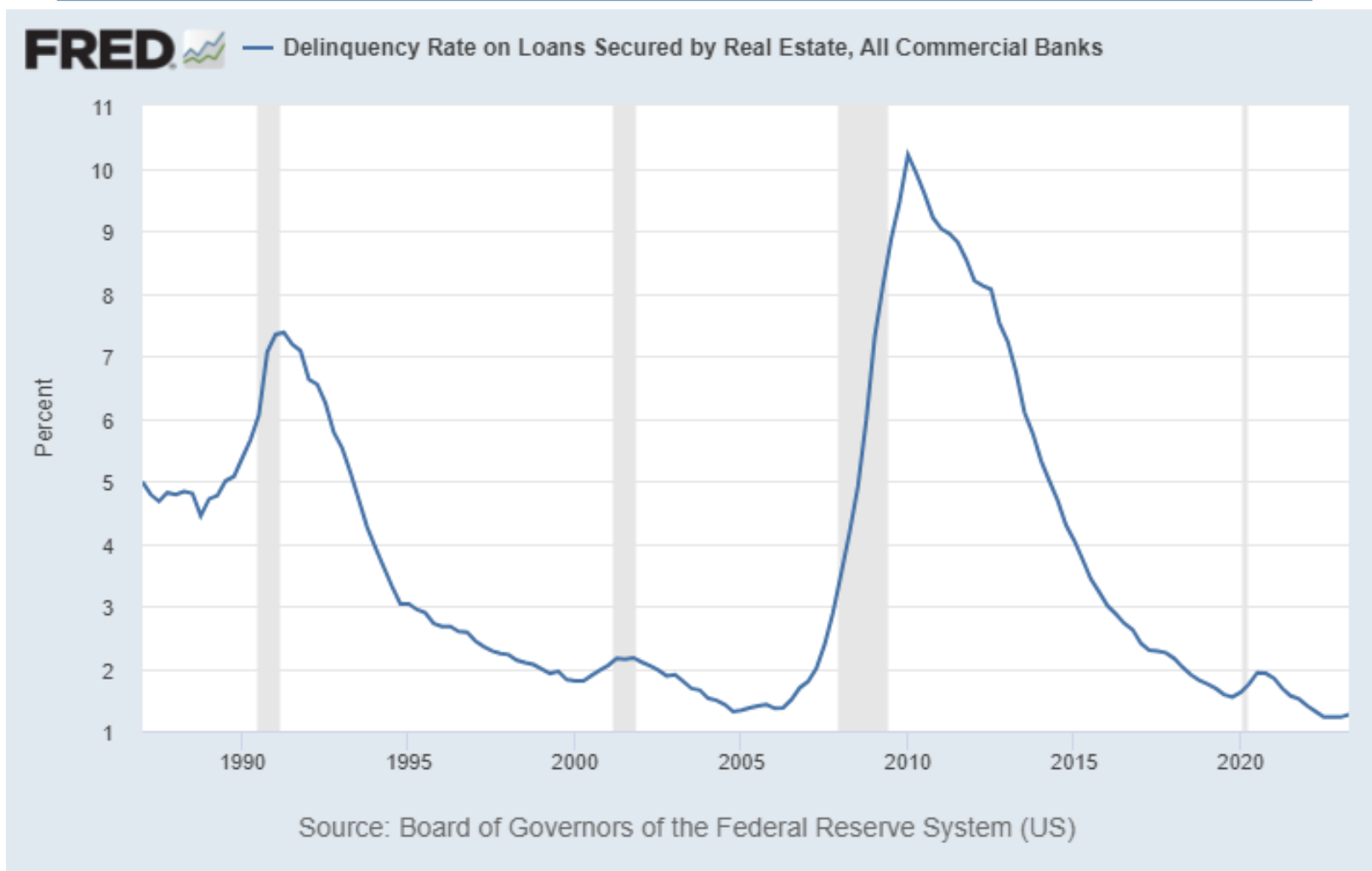


Source: U.S. Bureau of Labor Statistics, Current Employment Statistics
Data for August 2023

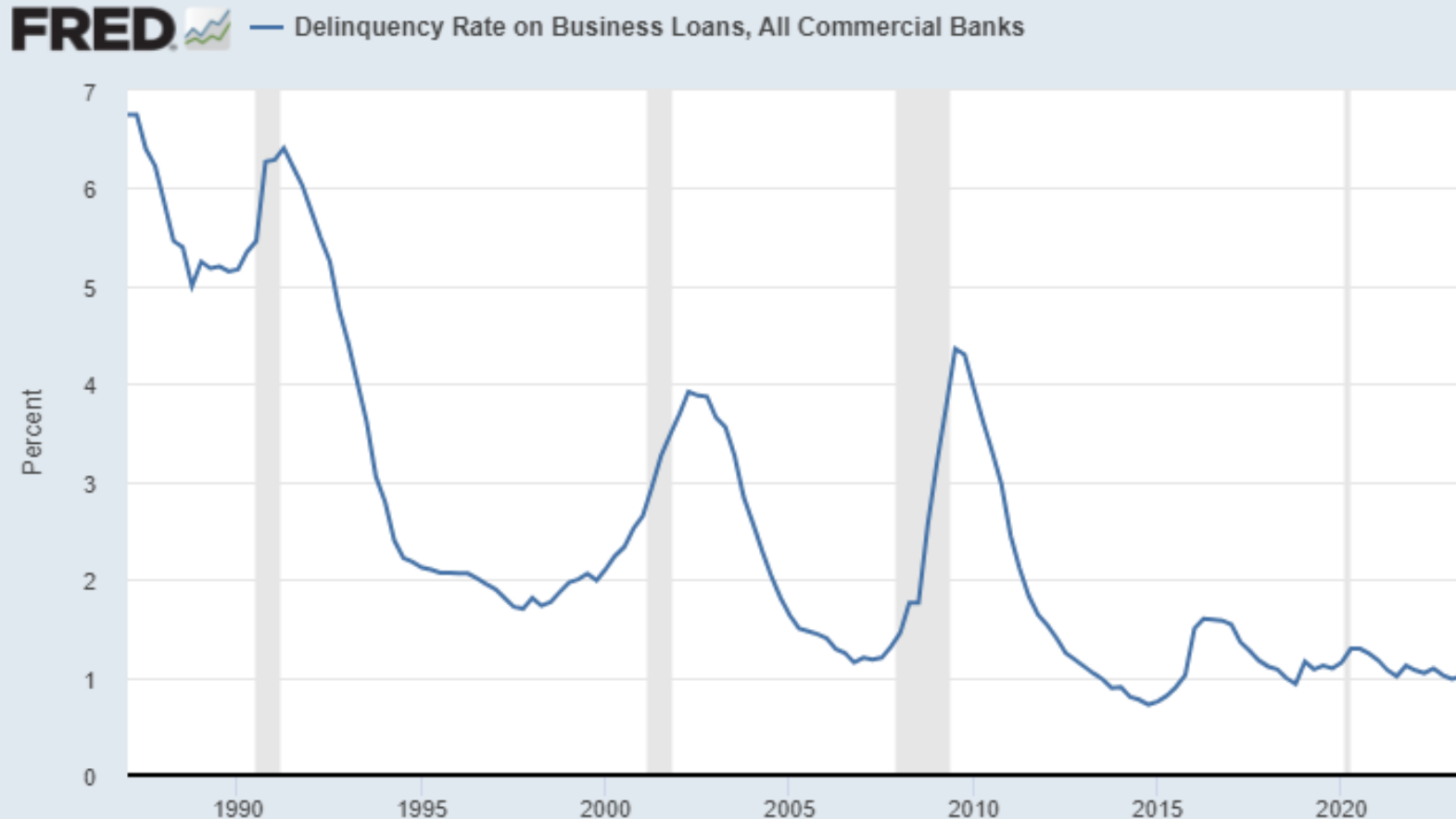
US Delinquency Rate: Consumer Loans



US Delinquency Rate: Mortgages / Real Estate



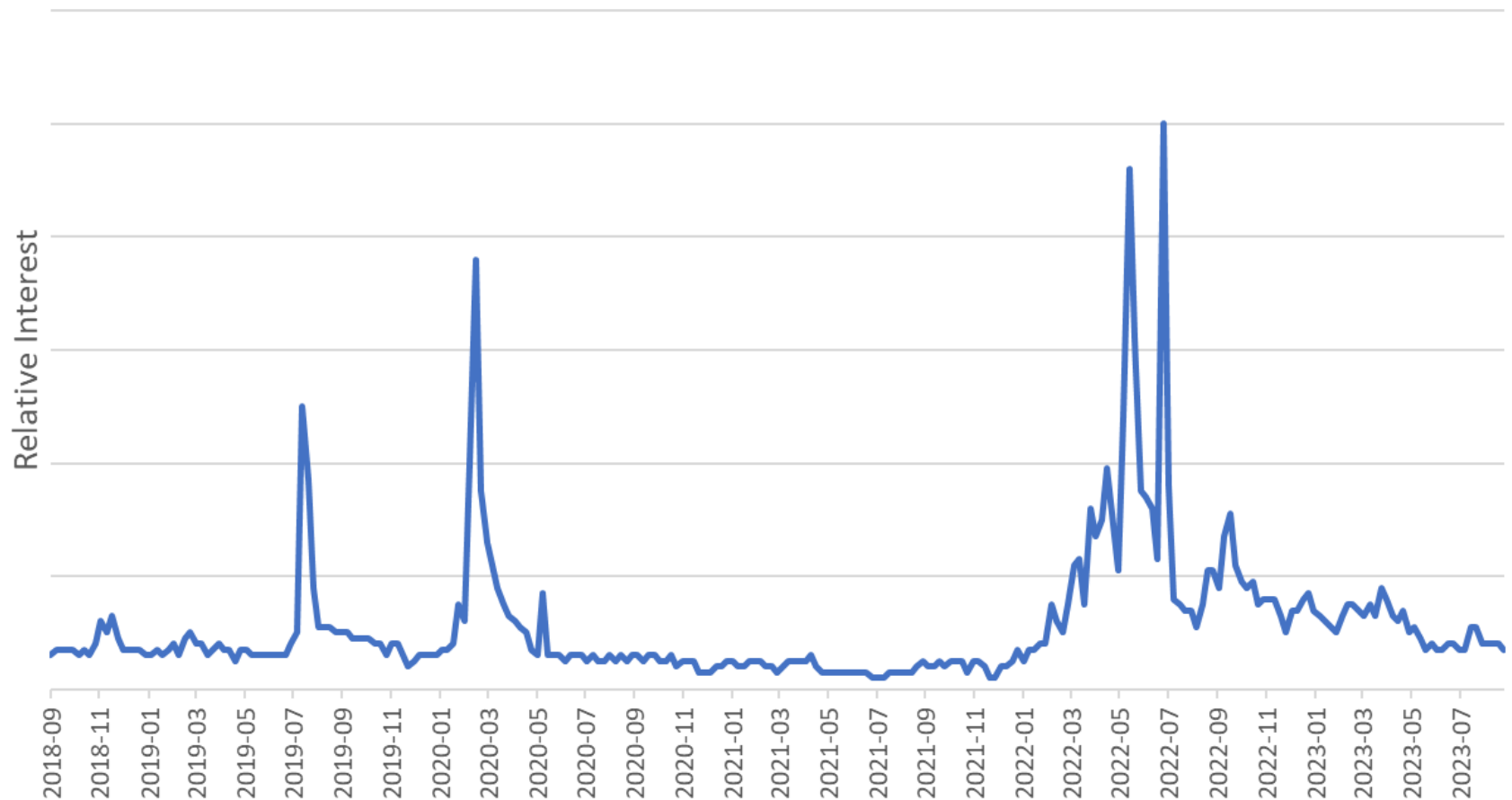
US Delinquency Rate: Business Loans



Source: Board of Governors of the Federal Reserve System (US)

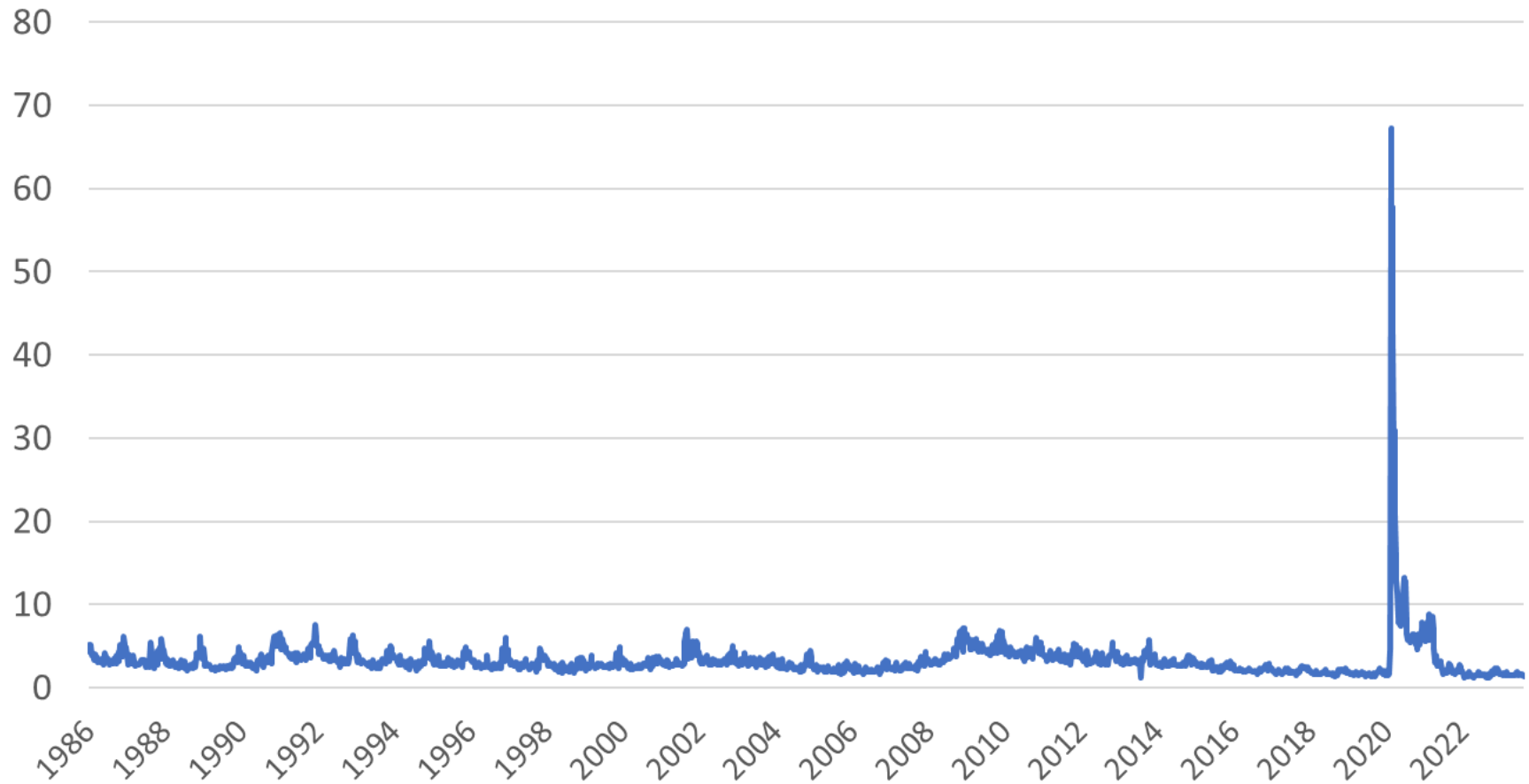
Recession Interest Elevated but Falling

Google Trends: "Recession"



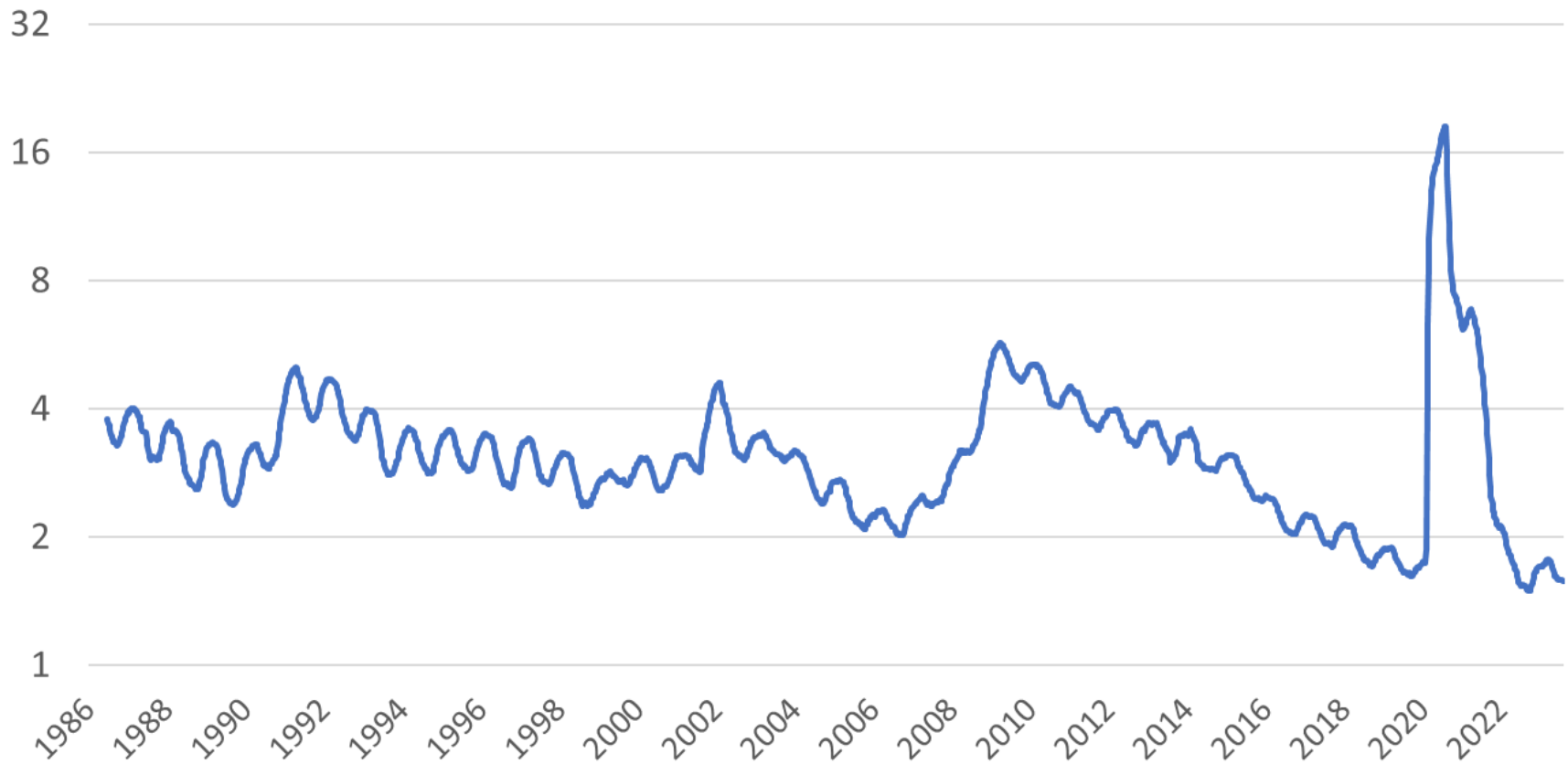
Trend in New UI Claims

Weekly Initial Claims per 1,000 Jobs in Nevada

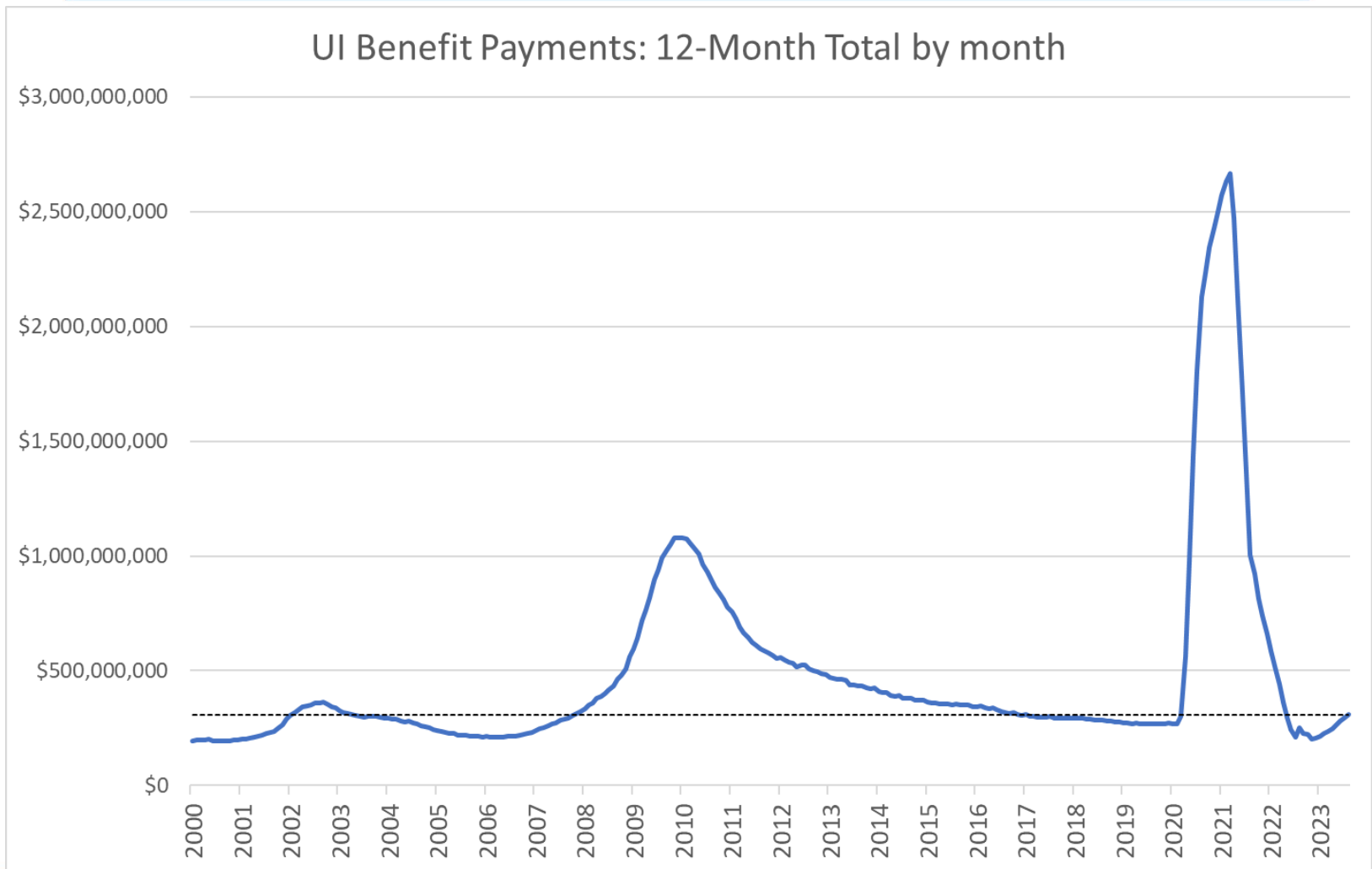


Trend in New UI Claims

Weekly Initial Claims per 1,000 Jobs in Nevada
6-month average (log scale)

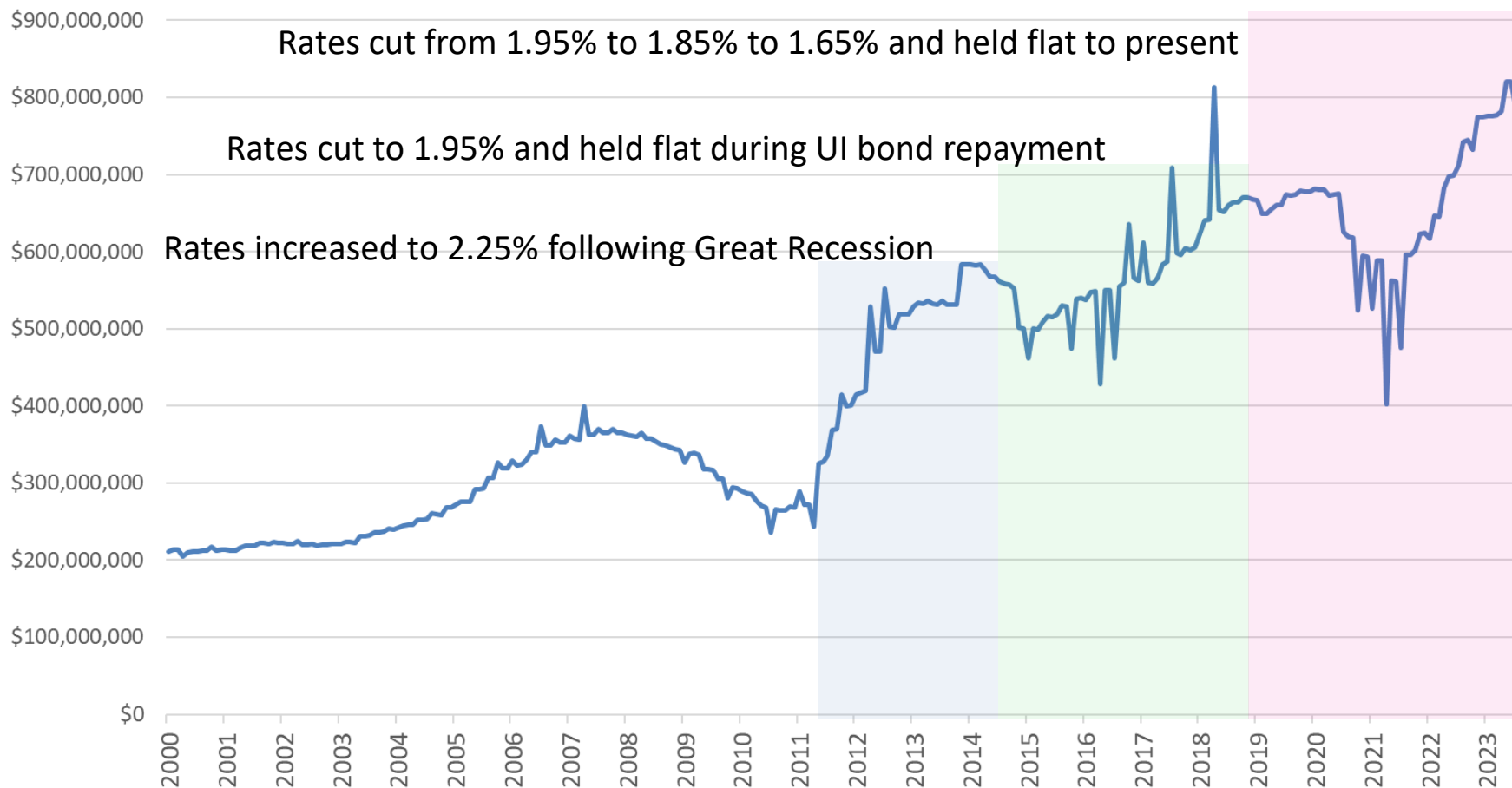


Trend in UI Benefits



Trend in UI Contributions

UI Contributions: 12-Month Total by month



Key Statistics

Trust Fund Balance:

\$800 million to \$1.41 billion

Average Annual Wage:

\$58,523 to \$60,906

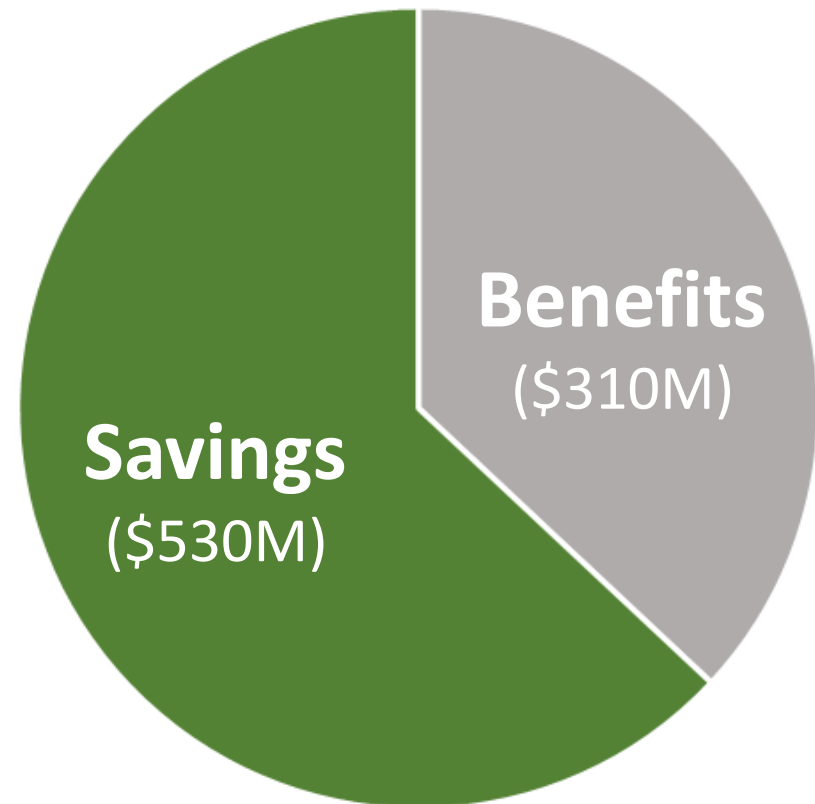
Taxable Wage Base:

\$40,100 to \$40,600

Maximum Weekly Benefit:

\$562 to \$585

Where Contributions Go:



Inflation Impacts both Taxes and Benefits

Immediate impacts – responsive but capped:

- As base period earnings rise, claimants qualify for higher weekly benefits and a higher maximum total benefit, up to the maximum weekly benefit amount. Reflects recent earnings, so benefits respond quickly.
- As wages rise, the employee earnings subject to UI contributions rises, up to the maximum taxable wage base. Contributions for an employee earnings above the maximum wage base will be paid more quickly, but the annual total will not be higher.

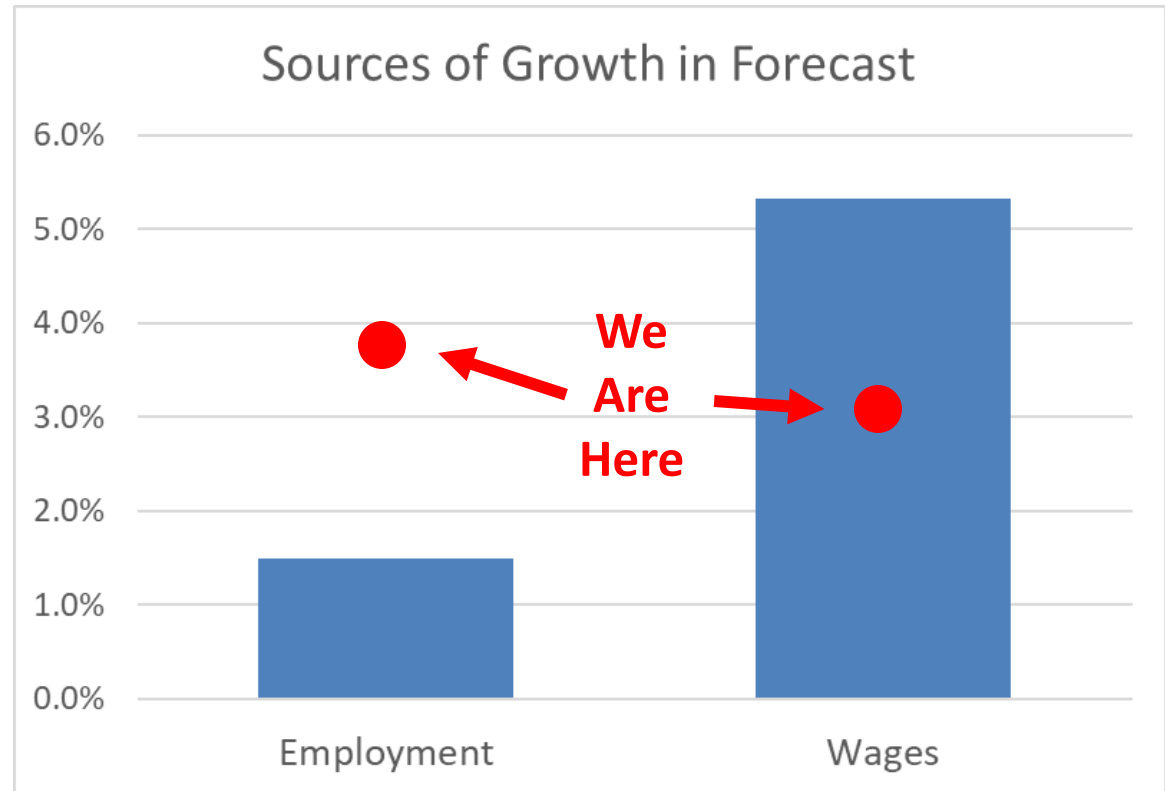
Long-term impacts – impacts on an annual basis:

- Maximum weekly benefit – effective in July – 50% of annual weekly wage.
- Maximum wage base for tax – effective January 1 – 66.67% of average annual wage.

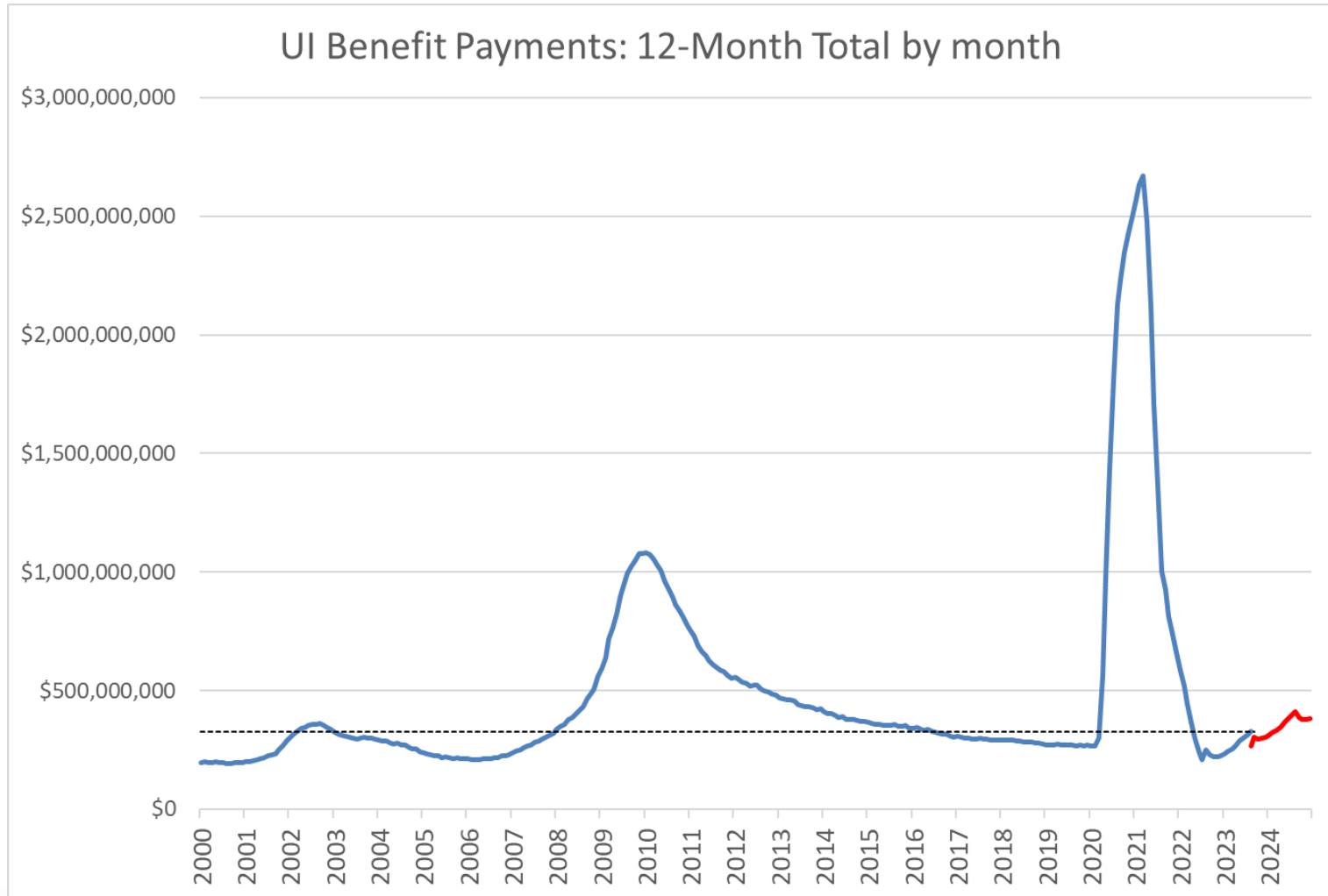
Rising Wages Drive Forecast Growth

This forecast was made using separate estimates for employment and wages, then combining those factors into estimates for total taxable wages and total UI benefits.

Employment in this forecast is somewhat slower than we are currently experiencing, while wage growth is somewhat faster.

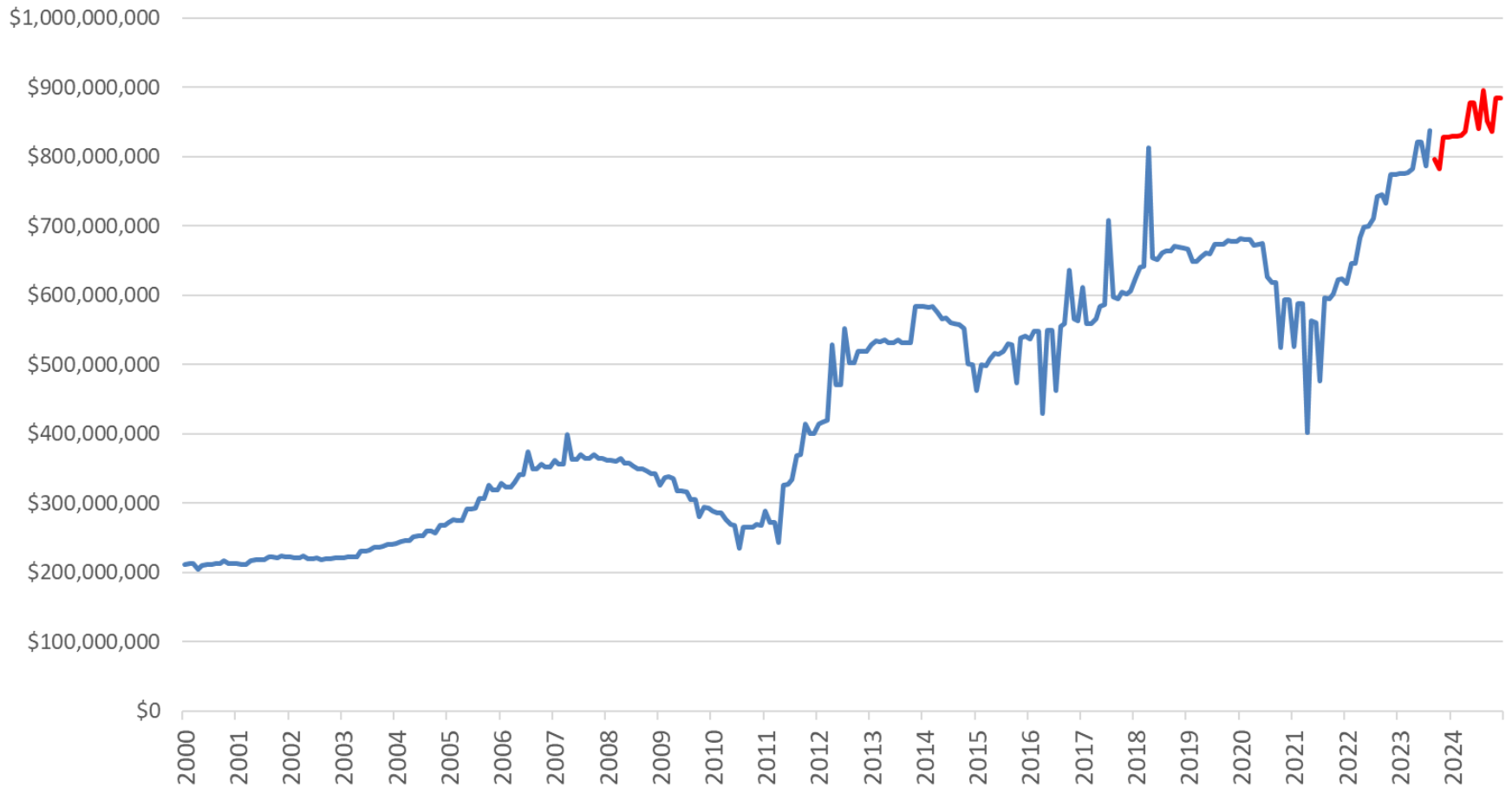


Projected Benefits



Projected Contributions (Current Rate)

UI Contributions: 12-Month Total by month



Historic Cash Flows

Nevada Solvency Calculation NRS 612.550	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Preliminary 2023
Covered Employment	1,161,391	1,204,250	1,242,021	1,147,075	1,168,229	1,297,501	1,327,091
Highest Risk Ratio	18.85%	18.85%	14.48%	38.63%	43.55%	43.55%	43.55%
Highest Weeks Duration	19.12	19.12	18.45	16.23	25.02	25.02	25.02
Average Weekly Payment	\$335.96	\$347.18	\$360.52	\$364.15	\$377.93	\$403.50	\$447.99
Solvency Target (Millions)	\$1,406.6	\$1,507.2	\$1,196.6	\$2,618.9	\$4,810.6	\$5,704.5	\$6,477.9

UI Trust Fund Level: October - September

Beginning Fund Balance (Millions)	675.9	1,001.5	1,416.3	1,864.6	291.0	-76.0	795.5
Contributions	595.4	663.5	674.0	617.9	595.6	752.7	837.4
Benefit Payments	294.2	281.8	268.7	2,232.2	862.3	228.0	328.4
Other Items	24.4	33.0	43.1	40.7	-100.3	346.7	109.9
Net Change in Fund	325.6	414.7	448.3	-1,573.6	-367.0	871.4	618.9
Ending Fund Balance (Millions)	1,001.5	1,416.3	1,864.6	291.0	-76.0	795.5	1,414.4
Solvency Level (Millions)	-405.1	-91.0	668.0	-2,327.9	-4,886.6	-4,909.0	-5,063.5
Multiple	0.71	0.94	1.56	0.11	-0.02	0.14	0.22
Average High Cost Multiple	0.95	1.27	1.54	0.23	-0.04	0.38	0.60
Average Tax Rate	1.95%	1.95%	1.85%	1.65%	1.65%	1.65%	1.65%
CEP Assessment	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Total Cost to Employers	2.00%	2.00%	1.90%	1.70%	1.70%	1.70%	1.70%

Average Cost per Employee at Max Taxable Wage (excl FUTA & Interest)

	\$590.00	\$610.00	\$592.80	\$552.50	\$567.80	\$622.20	\$681.70
AHCM Target (\$Millions) \$	1,056.4	\$ 1,116.0	\$ 1,207.3	\$ 1,278.2	\$ 1,785.6	\$ 2,072.9	\$ 2,365.7
Taxable Wage Base \$	29,500	\$ 30,500	\$ 31,200	\$ 32,500	\$ 33,400	\$ 36,600	\$ 40,100

Projected Cash Flows

Nevada Solvency Calculation	Forecast	Forecast	Forecast
NRS 612.550	2024	2024	2024
Covered Employment	1,346,997	1,346,997	1,346,997
Highest Risk Ratio	43.55%	43.55%	43.55%
Highest Weeks Duration	25.02	25.02	25.02
Average Weekly Payment	\$472.63	\$472.63	\$472.63
Solvency Target (Millions)	\$6,936.7	\$6,936.7	\$6,936.7
UI Trust Fund Level: October - September			
Beginning Fund Balance (Millions)	1,414.4	1,414.4	1,414.4
Contributions	735.3	786.0	836.7
Benefit Payments	328.4	328.4	328.4
Other Items	31.4	32.3	33.3
Net Change in Fund	438.2	489.9	541.6
Ending Fund Balance (Millions)	1,852.6	1,904.3	1,956.0
Solvency Level (Millions)	-5,084.1	-5,032.4	-4,980.7
Multiple	0.27	0.27	0.28
Average High Cost Multiple	0.73	0.75	0.77
Average Tax Rate	1.45%	1.55%	1.65%
CEP Assessment	0.05%	0.05%	0.05%
Total Cost to Employers	1.50%	1.60%	1.70%
Average Cost per Employee at Max Taxable Wage (excl FUTA & Interest)	\$609.00	\$649.60	\$690.20
AHCM Target (\$Millions) \$	2,533.3	\$ 2,533.3	\$ 2,533.3
Taxable Wage Base \$	40,600	\$ 40,600	\$ 40,600