Review of UI Trust Fund

Small Business Workshop
October 22, 2021

Department of Employment, Training, & Rehabilitation

David Schmidt, Chief Economist
Jason Gortari, Economist III

Prepared by the Research and Analysis Bureau
Agenda

• National Perspective and Outlook
• Nevada Unemployment Insurance Trends
• Nevada’s Unemployment Insurance Trust Fund
• 2022 Rate Discussion
National Perspective: Economic Expansion on the Rebound

U.S. Economic Expansions & Contractions
consecutive months of expansion/contraction

Source: National Bureau of Economic Research Recession Dates
National Perspective:
Unemployment Rate Improving

U.S. Unemployment Rate
Seasonally adjusted rates by month 1948 to 2021, dashed line at September 2021 rate

Source: Bureau of Labor Statistics

NevadaWorkforce.com
@NVLaborMarket
National Perspective:
UI Claims Headed towards Pre-pandemic Levels

U.S. Weekly Initial Claims for Unemployment Insurance

dotted line at October 9, 2021 value of 293k

Source: Bureau of Labor Statistics

NevadaWorkforce.com
@NVLaborMarket
Nevada UI Trends:
Initial Claims Averaging 10k Last 3 Months

State of Nevada Unemployment Insurance Initial Claims
by month through September 2021; red line represents 12 month moving average

Source: ETA 5159
Nevada UI Trends:
Average Duration of Benefits Improving

State of Nevada Unemployment Insurance Average Benefit Duration
by month, dashed line represents September 2021 level

Source: ETA 5159
Nevada UI Trends: Exhaustion Rate Improving

State of Nevada Unemployment Insurance Exhaustion Rate
by month, dashed line represents September 2021 rate

Source: ETA 5159
All UI Programs Pandemic: Continued Claims 2020 to Current

State of Nevada Weekly Continued Claims
2000 to current

Program
- EB
- EUC 08
- PEUC
- UI

NevadaWorkforce.com
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Amount Compensated: History of Regular Program

State of Nevada Total Amount Compensated
by year

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Nevada’s Trust Fund: Benefits Exceed Contributions in 2021

UI Contributions & Benefit Payments

By Quarter

Contributions
Benefit Payments

In Millions

Q2 2011
Q4 2011
Q2 2012
Q4 2012
Q2 2013
Q4 2013
Q2 2014
Q4 2014
Q2 2015
Q4 2015
Q2 2016
Q4 2016
Q2 2017
Q4 2017
Q2 2018
Q4 2018
Q2 2019
Q4 2019
Q2 2020
Q4 2020
Q2 2021
Nevada’s Trust Fund: Positive After American Rescue Plan Funds
### Nevada’s Trust Fund: No Title VII Loan Benefits

<table>
<thead>
<tr>
<th>No Title VII Loan Benefit</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Earned</td>
<td>$ 7,060,870.00</td>
</tr>
<tr>
<td>Interest Avoided</td>
<td>$ 7,561,964.00</td>
</tr>
<tr>
<td>Assumed FUTA Cost/Emp</td>
<td>$21</td>
</tr>
<tr>
<td>FUTA Credit Reduction Cost Avoided</td>
<td>$28,496,248.20</td>
</tr>
<tr>
<td>Total Value Added/Year</td>
<td>$43,119,082.20</td>
</tr>
</tbody>
</table>
2022 Rate Discussion: Nevada’s Current BCR is High

State of Nevada Unemployment Insurance Benefit Cost Rates by Year
for calendar years 1939 to 2021

Source: ETA 394
*2021 rate is through 2021Q2
2022 Rate Discussion: NV Tax Rate History on Taxable Wages

Frequency of Average UI Tax Rates

Average Tax Rate

1.00% 1.50% 2.00% 2.50% 3.00%

Frequency

NevadaWorkforce.com
@NVLaborMarket
## 2022 Forecast: Potential 2022 Tax Rates

### Nevada Solvency Calculation

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2022</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covered Employment</td>
<td>1,278,201</td>
<td>1,278,201</td>
<td>1,278,201</td>
</tr>
<tr>
<td>Highest Risk Ratio</td>
<td>42.81%</td>
<td>42.81%</td>
<td>42.81%</td>
</tr>
<tr>
<td>Highest Weeks Duration</td>
<td>25.02</td>
<td>25.02</td>
<td>25.02</td>
</tr>
<tr>
<td>Average Weekly Payment</td>
<td>$327.41</td>
<td>$327.41</td>
<td>$327.41</td>
</tr>
<tr>
<td>Solvency Target (Millions)</td>
<td>$4,483.2</td>
<td>$4,483.2</td>
<td>$4,483.2</td>
</tr>
</tbody>
</table>

### UI Trust Fund Level

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2022</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance (Millions)</td>
<td>$180.0</td>
<td>$180.0</td>
<td>$180.0</td>
</tr>
<tr>
<td>Intake to Fund</td>
<td>570.2</td>
<td>637.9</td>
<td>688.8</td>
</tr>
<tr>
<td>Taxes</td>
<td>563.1</td>
<td>630.8</td>
<td>681.6</td>
</tr>
<tr>
<td>Interest</td>
<td>7.1</td>
<td>7.1</td>
<td>7.2</td>
</tr>
<tr>
<td>Payout From Fund</td>
<td>301.7</td>
<td>301.7</td>
<td>301.7</td>
</tr>
<tr>
<td>Regular Benefits</td>
<td>301.7</td>
<td>301.7</td>
<td>301.7</td>
</tr>
<tr>
<td>Net Change in Fund</td>
<td>268.5</td>
<td>336.2</td>
<td>387.2</td>
</tr>
<tr>
<td>Ending Fund Balance (Millions)</td>
<td>$448.5</td>
<td>$516.2</td>
<td>$567.2</td>
</tr>
<tr>
<td>State Solvency Gap (Millions)</td>
<td>(4,034.7)</td>
<td>(3,967.0)</td>
<td>(3,916.1)</td>
</tr>
<tr>
<td>State Solvency Multiple</td>
<td>0.10</td>
<td>0.12</td>
<td>0.13</td>
</tr>
<tr>
<td>AHCM Solvency Gap (Millions)</td>
<td>(1,678.0)</td>
<td>(1,610.2)</td>
<td>(1,559.3)</td>
</tr>
<tr>
<td>Average High Cost Multiple</td>
<td>0.30</td>
<td>0.32</td>
<td>0.35</td>
</tr>
<tr>
<td>Average Tax Rate</td>
<td>1.65%</td>
<td>1.85%</td>
<td>2.00%</td>
</tr>
<tr>
<td>CEP Assessment</td>
<td>0.05%</td>
<td>0.05%</td>
<td>0.05%</td>
</tr>
<tr>
<td>Total Cost to Employers</td>
<td>1.70%</td>
<td>1.90%</td>
<td>2.05%</td>
</tr>
<tr>
<td>Average Cost Per Employee at Taxable Wage Base</td>
<td>$622.20</td>
<td>$695.40</td>
<td>$750.30</td>
</tr>
</tbody>
</table>
2022 Forecast:
Long Term Effect of Different Rates

AHCM on Sept. 30 of Each Year

<table>
<thead>
<tr>
<th>Tax Rate</th>
<th>Current</th>
<th>2022 AHCM</th>
<th>2023 AHCM</th>
<th>2024 AHCM</th>
<th>2025 AHCM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.85%</td>
<td>0.08</td>
<td>0.33</td>
<td>0.64</td>
<td>1.03</td>
<td>1.54</td>
</tr>
<tr>
<td>2.00%</td>
<td>0.08</td>
<td>0.35</td>
<td>0.69</td>
<td>1.14</td>
<td>1.70</td>
</tr>
</tbody>
</table>

- Estimates reflect constant tax rate for all years in baseline, no recession scenario.
For Additional Information, Please Contact:

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