



Bruce Rauner
Governor

Jeffrey D. Mays
Director

Employment Security Advisory Board Meeting
Thursday, June 15, 2017
Minutes

Attendees:

Springfield: Tim Drea
Rob Karr
Bill Potts
Rick Terven

Chicago: Tony Garcia
Sharon Thomas-Parrott
David Prosnitz

Telephone: John Easton
Mark Grant

Absent: Jim Argionis
Greg Baise

With a quorum of the members present, the meeting was called to order by Substitute Chairman, Rob Karr.

Agenda:

- Minutes of the meeting held March 16, 2017, were approved.
- **Director's Comments; Jeff Mays:**
FFY18 Budget Proposal – The Director noted the National Association of State Workforce Agencies' summary of the President's FFY18 budget proposal, compared to the FFY16 & 17 budgets. Funding for state employment service activities would drop by 38 percent relative to FFY17.

SB 1941 – In December 2016, the Governor signed a bill allowing for an additional 26 weeks' worth of unemployment benefits to certain steel workers. To qualify, a steel worker would, among other things have to have initiated a claim for regular unemployment benefits between 4/1/2015 and 12/19/2016 and been certified since 1/1/2015 as being impacted by foreign trade. The amount available under the program would be reduced by the amount of any federal extended benefits the individual received because of being certified as trade-impacted. IDES estimates that approximately 450 individuals have filed claims for benefits under the legislation. So far, a total of \$3.3M has been paid to 400 of them. The others' claims remain pending, and there could be another 200 who ultimately qualify. The new program has been a heavy lift administratively. Much of the work to implement the program is manual.

High Priority Initiative with USDOL – As previously reported, Illinois was designated as a high-priority state by the US Department of Labor, and we met with USDOL representatives during the week of 1/30/2017. They reviewed our current practices and discussed ways to improve Illinois' performance against a number of federal standards that the state has not met (e.g., regarding promptness of initial benefit payments and eligibility determinations). As also previously noted, the performance issues predate the current Administration. USDOL staff agreed that many of the program initiatives IDES has already begun since January 2015 will help address the issues, but we continue to wait on the official final report from USDOL. The packet includes a list of the performance measures used to evaluate state UI programs, along with

IL's national ranking with regard to those measures. A separate sheet provides IL's rankings in relation to its border states.

GenTax – We have less than 100 days left before we officially move our UI process into MyTax Illinois. We are on schedule for the September 11th launch. Internally, our business testing is going along well. We have a scheduled completion date of mid-July and are on target to meet that. At that point, we'll start full blown end-to-end testing and will also begin staff training. Both are scheduled to be completed by the end of August. We are also in the process of updating and simplifying almost 200 pieces of employer correspondence.

Externally, we are continuing to reach out to employers and service bureaus. We have a mailing going out on Friday, June 16th to over 100,000 employers informing them of the new simpler and more secure options they will have in September when they need to complete their quarterly UI-3/40 wage reports. In May, we sent out information to 20,000 employers who use our zero wage tele filing system informing them of their new options as well.

We are working directly with the larger service bureaus to make the transition for them as seamless as possible so that they can continue to support their employer client base. Bi-weekly meetings with the bureaus have been well received. Lastly, we will be establishing a "landing spot" on the external IDES website where we can publish important transition information for all employers and service bureaus to access.

After 6/30/2017, IDES will no longer mail employers wage report forms that are preprinted with the names and SSNs of their employees. The change is intended to reduce the risk of documents with personal identifying information falling into the wrong hands. Employers who are not required to file wage reports electronically and wish to continue filing paper reports will be able to print a blank report form from the Department's web site.

SIDES – The Department continues to encourage employers to use SIDES – the online state information data exchange system – to protest unemployment-benefit claims and respond to benefit-fraud wage crossmatch investigations. The advantages of using SIDES include: 1) improved timeliness of UI responses, saving significant dollars in improper payments, erroneous employer charges and ultimately UI taxes; and 2) direct electronic communication and storage which reduces the amount of paperwork and postage cost.

Enterprise Resource Planning (ERP) – The statewide ERP project will, eventually, replace a variety of the agency's legacy IT systems for back-office functions, including accounting, payroll, inventory and administration. ERP went into production last October for pilot agencies, including IDES. As would be expected with a new system of this size, there have been some issues, and we are working with DoIT to address them as they arise. We resolved one major issue with budget controls. We are close to resolving federal reporting issues. There may be some challenges as we head into the end of the fiscal year and audit season.

- **Integrity Update; Joe Mueller** – This quarter's packet does not include updated figures regarding IDES's efforts to identify, prevent and recover improper unemployment benefit payments. As the draft report was being finalized, questions arose regarding some of the calculations. The Department plans to resume reporting those numbers at the 9/2016 ESAB meeting, after the questions have been answered. On the employer side, IDES conducted 3,200 employer audits in SFY15, identifying \$296M in net unreported wages and \$6.5M in unreported UI taxes; for SFY16, the Department conducted approximately 3,800 audits, identifying \$160M in net unreported wages and \$2.9M in unreported taxes. As noted at the 12/2016 ESAB meeting, part of the reason for the drop in return on audits is because a larger share of the FY16 audits were random audits (75%), as opposed to audits triggered by a specific issue – e.g., a benefit assignment audit, which occurs when someone files for benefits, but the agency has no record of wages being reported for that individual. Audit results since the 12/2016 meeting reflect the Department's steps to increase the share of "audits for cause." From 1/2016 through 5/2016, IDES audits identified 6,500 misclassified workers; for the corresponding period in 2017, Department audits have identified 10,000 misclassified workers. For SFY17, through May, IDES has conducted not quite 3,400 audits, identifying \$159M in net unreported wages and \$2.8M in unreported taxes.
- **Quarterly Financials Presentation; George Putnam** – Unemployment Trust Fund Projections: Factoring in more than \$1.5B in proceeds from the 2012 issuance of unemployment insurance bonds, the state's UTF account ended each of calendar years 2015 and 2016 with a positive balance of \$1.5B and is projected to end calendar year 2017 with a positive balance of just under \$1.4B. Year-end balances are projected to remain positive through 2020 – the extent of the forecast horizon – which is expected to close with a balance of \$1B. The 6/2017 redemption of all

outstanding unemployment insurance bonds will permit revenues from the fund-building portion of the unemployment tax to again be deposited into the UTF account. In response to prior questions about how IL's UTF account compares to other states', the packet includes a comparison of IL to "neighboring" states, as well as to other large states, according to a variety of measures, including the UTF account balance as a percentage of total wages paid in the state and the account's average high cost multiple – i.e., how long the account's balance could cover benefits during periods of high unemployment.

- **Master Bond Fund Report; Linda DeMore** – On 7/31/2012, \$1.6B in bond proceeds, net of premium and underwriters' discount, were deposited into the MBF upon closing of the Series 2012 Bonds. A little over \$1.5B was used to repay outstanding federal advances to the UTF account and establish a surplus in that account. The \$159M in bonds still outstanding will be redeemed on 6/15/2017.
- **Discussion; Joe Mueller** – Reminder that Board members who have not yet done so are to complete the 2017 annual ethics training for appointees under the Office of the Governor, as administered by the Office of the Executive Inspector General, by 01/02/2018.

Motion to adjourn was made and seconded. The meeting adjourned.

Per the ESAB's operating resolutions, the next meeting is scheduled for Thursday, September 21, 2017.