



Bruce Rauner
Governor

Jeffrey D. Mays
Director

Employment Security Advisory Board Meeting
Friday, June 26, 2015
Minutes

Attendees:

Springfield: **Jim Nelson (proxy for Greg Baise)**

Chicago: **Jim Argionis**
 Tim Drea
 Rob Karr

Telephone: **Tony Garcia**
 Mark Grant (proxy for Kim Maisch)
 Sharon Thomas Parrot
 William Potts

Absent: **Jean Alison Bussone**
 John Easton
 Hanah Jubeh
 Michael Simmons

With a quorum of the members present, the meeting was called to order by Chairman Jim Argionis.

Agenda:

- Minutes of the meeting held March 31, 2015, were approved.
- Jeff Mays; Director's Comments: Director Mays began by noting the addition of Dolores Simon as the Department's new Deputy Director of Business Services.

WIOA – IDES is actively participating in the implementation of the Workforce Innovation and Opportunity Act (WIOA) in Illinois. The legislation provides federal funding for employment and training programs that are administered at the local level with state oversight, stressing the need for integration and coordination among the various workforce development agencies. It replaces the Workforce Investment Act. IDES is playing a significant role in determining how we will be approaching the development of job seeker skills to meet the requirements of employers within specific geographic areas throughout the state. The Department of Commerce and Economic Opportunity, the Department of Human Services and the Illinois Community College Board are core partners in setting the stage for a new way of looking at how people will be moved from unemployment through identification of skills, activities and training programs. On 6/15, IDES submitted comments on the US Department of Labor's (USDOL's) proposed rulemaking to implement WIOA. IDES's comments 1) expressed concern over how USDOL proposes that infrastructure costs be shared among participating workforce agencies; 2) asks that state-level considerations (e.g., lease commitments and labor contracts) be taken into account regarding the general requirement that core workforce programs be physically located in a comprehensive center; and 3) asks for clarification on the protocol for dealing with in-person clients as opposed to individuals who establish contact by phone or e-mail. The Department will continue to work very closely with DCEO and the other core agencies to put together a unified plan to be submitted in March.

IDES Rules Regarding Electronic/Monthly Wage Reporting – At its 6/16 meeting, the General Assembly's Joint Committee on Administrative Rules (JCAR) indicated, as expected, that it had no objection to IDES's proposed permanent rulemaking to provide relief from certain penalties that were assessed in connection with the requirements that some employers submit wage reports electronically and monthly. The requirements were established to enhance

the state's ability to monitor Medicaid eligibility and also appear to have potential as an integrity tool for the unemployment insurance program. While most employers were able to transition to the new requirements on time, there were some who, although operating in good faith, did not initially meet the requirements and incurred penalties as a consequence. The Department felt the penalties were excessive under the circumstances. The JCAR action clears the way for final adoption of the rules, which will relieve employers of more than \$14M in penalties.

Work Sharing – IDES continues to await word from USDOL regarding a possible extension of a federal deadline for implementing work sharing legislation the state enacted late in 2014. The legislation allows partial UI benefits where an employer reduces workers' hours as an alternative to layoffs. In January 2015, USDOL awarded IDES \$4M in federal grants to implement the legislation and promote a work sharing program. However, the grant funds were conditioned on the state's implementing the legislation by the end of January 2016. Given the extensive IT changes that would be required for even a "manual" work sharing program, the Department advised USDOL that it could not responsibly commit to the current federal implementation deadline. Accordingly, IDES did not spend any of the grant funds pending word on USDOL's ability to extend the deadline. IDES last met with USDOL on this issue on 6/10 in hopes of extending the implementation deadline but with the understanding that if USDOL did not extend, IDES would lose the grant.

- George Putnam; Quarterly Financials Presentation:

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 calendar year 2014 with a positive balance of \$1.31B and is projected to end calendar year 2015 with a positive balance of \$1.75B. Year-end balances are projected to remain positive through 2019 – the extent of the forecast horizon – which is expected to close with a balance of \$1.46B.

- Monica Carranza; Integrity Update

IDES employs a variety of measures to identify, prevent and recover improper unemployment benefit payments, including 1) cross matches against a) state driver's license records, b) Social Security records, c) a national data base of incarcerated individuals, d) national and state new hire directories, e) IDES's quarterly wage records, f) IDES's monthly wage records (scheduled for implementation later in 2015, and g) IDES's online job board (to check work search efforts); and 2) use of the Comptroller's offset at the state level and the federal Treasury Offset Program, to recover amounts due to the system. To date we believe that we have prevented, created and/or recovered almost \$580M in unemployment insurance overpayments, and the number keeps growing. In response to questions from Mr. Drea, Director Mays noted that Illinois was also second in the nation in overall employer audit effectiveness and specifically with regard to identification of employee misclassification we were fourth in the nation. Director Mays also noted that misclassification is not synonymous with fraud; given the different statutory standards that different programs are required to use to determine whether a worker is an employee or independent contractor, there is apt to be genuine confusion as to how a worker should be classified. The Director agreed to include information on employee misclassification in future integrity updates. Regarding the security of IDES' data, Ms. Carranza noted that we have very antiquated legacy systems that surprisingly protect us since the data are on old mainframes which cannot be hacked. As the state contemplates using cloud services and new technologies, security will be a huge emphasis, and the companies that will offer those services know that. Director Mays also noted that IDES' unit for investigating benefit overpayments went from three to six investigators last year and is going from six to ten this year.

- Linda DeMore; Master Bond Fund Report

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. Payments of \$122M and \$196M on the series A and B bonds, respectively, were made on 6/15/2015, along with a \$23M interest payment. Bonds under the only other series - Series C – have all been redeemed. Total outstanding bond indebtedness stands at \$618M. The current plan is to redeem all of the bonds by June, 2017.

- Evelina Loescher; Labor Market Information Products

The Department is able to obtain the most current and most relevant state-wide economic information. Its labor market information efforts are primarily funded by the US Bureau of Labor Statistics/BLS to produce state and local data. Additionally, USDOL's Employment and Training Administration helps to fund the LMI program for the purpose of data dissemination around the state through workforce partners, and offers grants to produce new analytical tools for local area statistics. The most familiar data produced by the Department are the monthly statistics on metro-area and state-wide employment and unemployment. The Department is also able to produce the data for

WIOA and also economic development regions, down to local areas, counties and even small cities. The Quarterly Census of Employment and Wages is used by the Bureau of Economic Analysis to improve the GDP forecasts at the state and national level. A very useful labor market statistic product is the annual Occupational Employment Statistics survey of employers for information such as job titles and wages, used to forecast industry and occupational employment. The Illinois Longitudinal Data System is a state-wide initiative of all the key agencies in the state working to combine resources in order to ultimately analyze outcomes for educators from grammar school through high school, then college and into the workforce in order to produce the ultimate outcome measure of employment and earnings. We have also done special projects, such as one with DCEO through a workforce data quality initiative grant where we measured exitors of programs. Additionally we produce career information statistics for people who are looking for work or who are in college trying to determine their career paths. Most Department LMI may be obtained on-line through the IDES website (under tools and resources – data statistics). The website contains several pages worth of information from local area unemployment statistics to commuting patterns to information on real time labor market statistics such as the help wanted on-line index. Director Mays noted that moving LMI to the forefront was one of the Department's top priorities.

- Discussion (2014 Ethics Training)

Board members must complete the 2015 annual ethics training for appointees under the Office of the Governor, as administered by the Office of the Executive Inspector General, by 12/31/2015.

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