



Bruce Rauner
Governor

Jeffrey D. Mays
Director

Employment Security Advisory Board Meeting
Tuesday, September 22, 2015
Minutes

Attendees:

Springfield: **Tim Drea**
 Rob Karr
 Kim Maisch
 William Potts
 Jay Shattuck (proxy for Jean Alison Bussone)

Chicago: **Jim Argionis**
 John Easton
 Tony Garcia
 Jim Nelson (proxy for Greg Baise)
 Sharon Thomas Parrott

Telephone: **Hanah Jubeh**

Absent: **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 June 26, 2015, were approved.
- Jeff Mays; Director's Comments:
IDES's SFY16 Budget – SB 2042, which the Governor signed into law last month, appropriates funds for all of IDES's administrative expenses, except reimbursement of the state's Unemployment Trust Fund (UTF) account for unemployment benefits paid to certain former state employees. The continued lack of approp authority for reimbursement to the UTF account is not expected to present significant problems for the account in the short term. Illinois appears to be in the minority in requiring a state appropriation of federal administrative grants for UI administration.

Federal Budget Allocation for FFY 2016 – USDOL estimates that IDES's base funding for unemployment insurance administration, for the federal fiscal year that begins 10/1/2015, will be decreased by approximately \$7.3 million or 4.81%, relative to the federal fiscal year that began 10/01/2014. The estimated nationwide decrease is 3.07%. The decrease is due to a reduction in unemployment insurance workloads. IDES plans to absorb the decrease by reducing headcount through attrition and other cost saving measures.

WIOA's Potential Impact on Office Locations – IDES is assessing the extent to which the federal Workforce Innovation and Opportunity Act (WIOA) may impact upon the agency's local offices. WIOA replaced the federal Workforce Investment Act (WIA) and, like WIA, requires that various employment and training services be available

at comprehensive one-stop centers, including IDES's employment service, unemployment insurance, trade adjustment assistance, veterans' and migrant/seasonal farmworkers programs. WIOA is being interpreted as requiring that employment service staff be physically present at the comprehensive centers. The designation of comprehensive centers will be a collaborative process, involving the core WIOA partner agencies. Questions remain as to how many of the facilities currently housing IDES's programs will be designated as comprehensive centers, the extent to which IDES programs besides the employment service can be accessed at the centers remotely as opposed to face to face and the optimal locations for IDES field staff.

IDES Accomplishments - Director Mays briefly touched on IDES's accomplishments for the year to date, focusing on efforts to save taxpayer money, improve services and set the stage for future savings and improvements, including: extending the current contract for banking services (avoiding the need for a costly RFP and preserving the favorable terms of the current contract); reducing overtime; continuing to emphasize UI integrity and collection efforts; pursuing an aggressive schedule for repaying the unemployment insurance bonds (minimizing interest costs); implementing various process improvements within the Revenue Division; and participating as a pilot agency in the State's Enterprise Resource Program (to replace a number of Legacy systems used for back-office functions). The Department is also exploring merging its tax system with the Department of Revenue's; reexamining its service delivery model with an eye toward WIOA implementation and more evenly distributing claims-related workloads; reexamining its space needs; and considering greater use of electronic notices.

Work Sharing – USDOL has advised that it is not able to extend a federal deadline for implementing work sharing legislation that 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 and ultimately returned the money.

- 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. Beginning November 2011 through 9/1/2015, IDES estimates it has prevented \$454M in potential benefit overpayments, identified \$85M in overpayments and recovered \$145M in overpayments. On the employer side IDES conducted 3,200 employer audits, including large, medium and small employers, in SFY15, identifying \$296M in net unreported wages and \$6.5M in unreported UI taxes for SFY15.

- 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 \$1.63B. 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 \$1.3B.

- 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 Department currently expects to redeem all bonds by June 2017.

- Kelly Waller; Legal Services Program
The Unemployment Insurance Act requires that IDES contract for up to \$1M per year for free legal services for unemployment-benefit claimants and another \$1M per year for small employers, in administrative proceedings before the agency. The services are funded from the Special Administrative Account. The current legal service providers for claimants are Benos, Sukhatme & Associates and the Law Offices of Sheldon Sorosky. The current providers for small employers are Sanchez, Daniels & Hoffman and Vantage Legal Solutions. Assuming the legal services program remains in place, IDES will need to issue a Request for Proposal (RFP) for both the claimant and small employer services, for the state fiscal year that begins 7/1/2016. There was some discussion of additional measures that could be used to assess the program and the fact that, in prior years, other priorities required suspension of the program.
- Joe Mueller; Petrovic v IDES/Stone Street Partners v City of Chicago
Petrovic – The IL Supreme court scheduled oral argument in Petrovic v. IDES for 9/23. The issues include: 1) whether IDES has standing to appeal adverse circuit court decisions in administrative review actions involving unemployment-benefit claims; 2) whether an individual must have violated an express employer rule to be subject to the UI Act’s misconduct disqualification (prior appellate decisions have held the rule need not be expressly stated); and 3) whether actual, as opposed to potential, harm is necessary to trigger the misconduct disqualification (prior appellate decisions have held potential harm was sufficient).

Stone Street – The IL Supreme Court is expected to hear oral argument in Stone Street Partners v. City of Chicago Office of Administrative Hearings in November. While IDES is not a party to the case, it has implications for IDES administrative proceedings as it involves the extent to which nonattorneys can represent corporations in administrative proceedings. Three prior appellate decisions have allowed nonattorneys to represent employers in Department administrative proceedings, but, in Stone Street, the First Appellate District used sweeping language to hold a nonattorney could not represent a corporation in an administrative proceeding before the City of Chicago. The Attorney General has filed an amicus brief generally noting the value of nonattorney representatives in administrative proceedings, including those before IDES.

Revisions to Operating Resolutions/Meeting Schedule – The Board agreed to consider amending its Operating Resolutions to establish a regular meeting schedule and to eliminate obsolete language regarding the number of times it meets each year.
- 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.