



Bruce Rauner
Governor

Jeffrey D. Mays
Director

Employment Security Advisory Board Meeting
Thursday, September 20, 2018
Minutes

Attendees:

Springfield: Joanna Webb-Gauvin (Tim Drea Proxy)
Mark Denzler – (Greg Baise Proxy)
Rob Karr
Mark Grant

Chicago: John Easton

Telephone: James Argionis (Chairman)
David Prosnitz
Tony Garcia
William Potts

Absent: John Easton
Sharon Thomas Parrott
Rick Terven

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

Agenda:

- Minutes of the meeting held June 21, 2018, were approved.

- **Director's Comments (Director Jeff Mays)**

General Comments:

Four Year Accomplishments:

Illinois has added nearly 213,000 workers since January 2015 and the unemployment rate has dropped from 6 percent to 4.2 percent.

Unemployment payments provide critical support to hundreds of thousands of Illinois workers each year who have been laid off through no fault of their own. Through June 2018, over 1.336 million individuals have received over \$6.659 billion in benefits to make ends meet during difficult times.



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Employers that hire unemployed workers with barriers to employment are eligible to receive a Work Opportunity Tax Credit (WOTC). Through December 2017, IDES has certified nearly \$1 billion in tax credits for employers who have hired over 400,000 workers with barriers to employment.

All bonds have been paid off and there is a strong trust fund balance.

IDES has significantly built on previous initiatives by the agency to modernize our anti-fraud enforcement capabilities, minimize improper payments, and enhance collection systems to identify, prevent, and collect monies due the Trust Fund. To date, these efforts have saved the UI Trust Fund over \$225 million.

Employer UI taxes in 2018 are estimated to be \$720 million LOWER than the last year of the previous administration, and they are projected to drop an additional \$200 million in the coming year.

The Department handles the assessment and collection of the largest single employer tax paid in Illinois. Over 330,000 employers remit nearly \$2 billion in unemployment taxes each year. In partnership with the Illinois Department of Revenue, IDES Developed and launched the most modern UI Tax system in the country, and provided employers a one-stop shop for all state taxes.

Over 50 percent of previous paper filers are now filing electronically. Customers have one-stop access to register for and administer all their State of Illinois taxes with MyTax Illinois. More than 100,000 business owners now submit their quarterly wage reports and make their payments online through MyTax Illinois, reducing the customer's workload and improving the accuracy of their reporting.

IDES has replaced two legacy fraud detection and collection programs with a modern and comprehensive fraud detection, prevention, and collection system, that provides a robust platform for bringing even greater integrity to our unemployment system.

IDES also piloted and launched the SAP Enterprise Resource Program to replace IDES' legacy accounting and inventory systems.

The technology systems upgrades cited above have led to millions of dollars of savings through numerous operational efficiencies and enhanced capabilities. They have also markedly improved the services we provide employers and claimants.

IDES has developed a mobile application for Illinois Job Link, our national labor exchange; a mobile application for Reality Check for enhanced career counseling and a



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Career Outcomes Tool mobile application to link post-secondary education programs to wages and employment.

Education attainment impacts median wages and unemployment rates. IDES has worked with Governor Rauner to enhance career information systems for parents and students and to develop mobile applications that show which schools and programs produce the best wage and employment outcomes.

Each month, IDES answers tens of thousands of calls from employers and claimants. We have re-organized our claimant call centers, employer helpline, Illinois Job Link hotline, and modernized our call center equipment to provide vastly improved services to those needing assistance and have significantly reduced call wait times.

IDES has had significant and broad improvement on all USDOL Performance standards since 2014. IDES is currently meeting all six USDOL Secretary performance standards and is on track to meet them all by 4th quarter 2018.

And we're looking to finish the calendar year strong. We have the National Workshop on Education and Work taking place next week, we're working on growing our SIDES enrollment, launching our mobile app for UI claim certification and continuing the strong rollout of our Career Outcomes Tool: Illinois College2Career.

- **Integrity Update (Tom Chan)**

As mentioned in prior meetings, IDES has employed a variety of measures to identify, prevent and recover improper unemployment benefit payments, including 1) cross matches against a) wage reports, b) state driver's license records, c) Social Security records, d) a national database of incarcerated individuals, e) national and state new hire directories, and f) 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 9/1/2018, IDES estimates it has prevented \$960M in potential benefit overpayments, identified \$101M in overpayments and recovered \$228M in overpayments. On the employer side, over the last few months the Department has been considering how it can improve its audit effectiveness. In prior meetings, we've discussed a new procedure whereby IDES would rely less on random selection and focus more on industries with a history of misclassification. IDES has considered feedback on this proposal and decided that, going forward, it will continue to find employers for audit in all the ways it previous did, but we will add one additional methodology for selecting employers that will include consideration of the employer's operation within an industry that has a history of misclassification. As previously mentioned, neighboring states already do this and USDOL guidelines actually encourage that IDES consider 'type of industry' in audit



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selection criteria. As always, the Department remains open to additional feedback on this approach as it is implemented. The Department's decision to move forward is based in part on the fact that IDES ended state fiscal year 2018 with a little over 1,000 fewer audits than fiscal year 2017. In short, the main causes were an overreliance on random audits, the implementation of the Department's new tax software and the loss of approximately half of the Department's audit staff during the previous three year period. IDES is in the process of hiring new auditors, but we expect it will take some time to get back to previous staffing and performance levels. For these reasons, IDES is not on track to meet USDOL's federal performance standards for calendar year 2018. Specifically, IDES does not expect to have audited the USDOL minimum of 1% of all contributory employers for 2018. If we do not meet those standards, we anticipate that USDOL will place IDES on a corrective action plan. Under such a plan, IDES would have to provide three improvement implementations that show that we will meet the performance standards in 2019.

- **Service Delivery USDOL Performance Improvements (Trina Taylor)**

IDES is currently meeting all six USDOL secretary performance standards and is on track to meet, and in many instances exceed these measures by the 4th quarter 2018. Some of the significant implementations and improvements that have contributed to this success includes:

- Revising the online claim application;
- Expanding the methods an individual can file a claim to include online, by phone via the call enter, in person and Teleserve;
- As Director Mays mentioned, expanding our call center operations to include additional sites with over 100 agents and updating our call center equipment;
- Requiring new claimants to register with employment service;
- Establishing required reemployment workshops in all locations;
- Redefining the role and responsibilities of our incoming Document Processing Center;
- Reestablishing full service office functions in Rock Island and our Mid-South location in Chicago;
- Reducing the accumulation of backlog cases, the number of cases scheduled and modified management reports and tools used to monitor timeliness and quality;
- Collaborating with the National Association of State Workforce Agencies (NASWA) to market and onboard employers/TPA's to use SIDES as an electronic means to send and receive claim and protest information.

These improvements have not only allowed DES to pass the performance measures, but they have also positioned DES to better handle the additional workloads in the event of a recession.



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- **Quarterly Financials Presentation (George Putnam)**
 - Unemployment Trust Fund Report

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. The account saw an increase in 2017, ending the calendar year with a positive balance of \$1.6B. Year-end balances are projected to remain positive through 2021 – the extent of the forecast horizon – which is expected to close with a balance of \$950M. However, starting in 2019, the account is expected to run annual deficits through the end of the horizon.

- College2Career

Everyone was encouraged to access their smart phones or tablets and a presentation of the new www.ilcollege2career.com was offered.

- **Master Bond Fund Report (Briant Coombs)**

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. As of 6/15/2017, the bonds were redeemed in full. On 9/25/2017, the MBF's remaining balance of \$156M was transferred to the UTF account. Interest earned for the month of September 2017 in the amount of \$92,730 was posted October 1st to the MBF and transferred to the UTF October 3, 2017. As of November 30, 2017, the balance in the MBF is zero and the account is closed.

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