Employment Security Advisory Board Meeting
Friday, June 27, 2014
Minutes

Attendees:

Chicago:	**Jim Argionis**
	Tim Drea
	Tony Garcia
Telephone:	**Kathleen Dudley**
	Hanah Jubeh
	Rob Karr
	Kim Maisch
	Diane Morgan
	William Potts
Absent:	**Greg Baise**
	John Bouman
	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 20, 2014, were approved.

- Jay Rowell; Director's Comments:
  State Legislative Agenda – SB 3530, as amended by the House, contains the 2014 IDES legislative agenda items to which business and labor have agreed, including language to implement a short-time compensation program as an alternative to layoffs. For the measure to reach the Governor's desk, the Senate still has to concur with the House amendments.

  Federal Workforce Legislation – On 6/25, by a vote of 95 to 3, the U.S. Senate passed the Workforce Innovation and Opportunity Act, which would revise and reauthorize the workforce development system established by the federal Workforce Investment Act. The new measure would retain categorical funding for state employment service programs – one of IDES's longstanding congressional priorities. The bill reportedly reflects a bicameral bipartisan agreement, so the conventional wisdom is that its chances for House passage are good.

  Federal Cash Flow Loans – Although positive balances are projected for IL's UTF account through at least the current forecast horizon, it is worth noting that, per federal rulemaking adopted in 2010, it will now be increasingly difficult for state UTF accounts to obtain short-term interest-free federal loans. Previously, a state's UTF account could borrow from the federal government between 1/1 and 9/30 of a calendar year and not incur interest on the loan, as long as it repaid the loan by 9/30 and avoided further federal loans for the remainder of the calendar year. Starting this year, however, those "cash flow loans" will only be available if the account meets certain solvency criteria. The criteria include a requirement that, during one or more of the preceding five years, the UTF account's balance must have equaled or exceeded a specified percentage of the average of the account's three highest annual outlays over at least the last 20 years. The percentage is 50 percent for 2014 (in the neighborhood of $1.7B for IL's account, extrapolating from USDOL's online solvency calculator) and will increase to 100 percent by 2019. When the rulemaking was first proposed, IDES formally commented that it would likely make cash flow loans unavailable for many, if not all, of the largest states and urged USDOL to work with states on a more realistic funding goal for UTF accounts. Interest on federal advances must be paid with state funds other than from the UTF account. Illinois' last federal interest payment, made in 2012, was covered with proceeds from the 2012 bond issuance.

Reemployment Assistance Initiative – In coordination with USDOL, IDES is cooperating with DCEO, the Chicago-Cook Workforce Partnership and Man-Tra-Con Corporation in a Reemployment Strategies Technical Assistance initiative, to develop and pilot a set of best practices regarding the use of social and digital media for service delivery and client outreach in connection with the employment service, unemployment insurance and workforce investment systems. The initiative will also involve an informal self-assessment of efforts to integrate Illinois workforce data- Planning for the initiative is expected to be completed by late summer.

May 2014 Unemployment Rate – The unemployment rate has decreased steadily in Illinois these past several months. In May, the unemployment rate decreased 0.4 percentage point to 7.5 percent, after decreasing 0.5 point in April to 7.9 percent. In both April and May, Illinois was one of two states that posted the largest over-the-month decline in its unemployment rate. The May 2014 unemployment rate is 1.7 percentage points below the May 2013 level.

- 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 account ended calendar year 2013 with a positive balance of $1B and is projected to end calendar year 2014 with a positive balance of $1.19B. Year-end balances are projected to increase through 2018 – when the balance will peak at $2.56B – and drop only slightly in 2019 – the extent of the forecast horizon. Individuals unemployed for at least 57 weeks now account for 40 percent of all unemployed in the state – well above prerecession levels. The state's job opening rate, however, is also above prerecession levels.

- Jay Rowell; 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. On 6/16/2014, an interest payment of $30M was made and $172M in bonds were redeemed. As of 6/16/2014, total outstanding bond indebtedness stood at just over $1B.

- Joe Mueller; Legal Issues:
  Mandatory Use of Federal Treasury Offset Program – Federal law had previously authorized IDES to use the federal Treasury Offset Program (TOP) to intercept federal income tax refunds, to recover "covered unemployment compensation debt": benefit overpayments attributable to the claimant's failure to report earnings, employer contributions and any penalties and interest assessed on those amounts. IDES has been using TOP to recover benefit overpayments due to fraud. The federal Bipartisan Budget Act of 2013 amended the Social Security Act to require states to use TOP to recover all covered unemployment compensation debt. IDES is proceeding with implementation of that federal requirement. USDOL has acknowledged that it may take some time for states to implement these changes and has taken the position that it will not raise any issues as long as a state is pursuing implementation in good faith.

  ***Stone Street Partners v. City of Chicago* –** The city of Chicago reportedly plans to appeal the First Appellate District's decision in *Stone Street Partners v City of Chicago.* Among other things, the appellate decision included sweeping language that nonattorneys could not represent corporations in administrative proceedings. That language is at odds with prior appellate decisions dealing with proceedings before IDES but did not overrule those decisions, so the Department continues to allow nonattorneys to represent parties in administrative proceedings under the UI Act. However, the City's appeal provides the potential for the Illinois Supreme Court to revisit the issue.

- **Discussion (2014 Ethics Training)** – Board members must complete the 2014 annual ethics training for appointees under the Office of the Governor, as administered by the Office of the Executive Inspector General, by 12/31/2014.

- **Jay Rowell; Local Workforce Board Overview –** The Board reviewed a brief video on employment and training programs. A tour of the Springfield collocated workforce office was offered after adjournment. A similar tour in the Chicago area is planned for the near future for those interested.

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