



Bruce Rauner
Governor

Jeffrey D. Mays
Director

Employment Security Advisory Board Meeting
Thursday, June 21, 2018
Minutes

Attendees:

Springfield: Tim Drea
William Potts

Chicago: David Prosnitz
John Easton
Tony Garcia

Telephone: James Argionis (Chairman)
Sharon Thomas-Parrott
Rick Terven
Rob Karr
Jim Nelson (Greg Baise Proxy)

Absent: Mark Grant

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

Agenda:

- Minutes of the meeting held March 15, 2018, were approved.
- **Director's Comments (Director Jeff Mays)**

General Comments:

The Department has made major strides over the last several years that included the implementation of Enterprise Resource Planning (ERP) which replaced a variety of antiquated and disparate legacy systems for back-office functions and the partnership with IDOR for the implementation of GenTax into the MyTaxIllinois platform which now allows employers to take care of all business tax obligations in one Web portal.

The Department retired \$936 million of debt and increased the Trust Fund balance by at least 600 million dollars. The Department remains on the USDOL High Priority status but expects to pass all data validation in every tax arena. IDES is now meeting standards for timeliness and quality that hadn't been met in the past twenty years. The USDOL is satisfied with our relationship.

SB 3096:

An initiative of IDES, SB 3096 includes three separate proposals: 1) provide that an employer will not be charged for unemployment benefits paid to its former employees if their unemployment was attributable to a disaster declared by the Governor; 2) establish a statewide registry for recording state unemployment-tax liens; and 3) repeal the Economic Data Task Force from statute. The bill Passed the Senate unanimously but did not move in the House. The Department will work to pass the bill out of the House during the Fall Veto Session.

Workforce Outcomes:

IDES is excited about its Workforce Outcomes efforts, including the Illinois College to Careers App which allows students to compare and contrast all State institutions of higher learning based on data collected from universities and colleges. The goal is to keep the best and brightest high school students in Illinois at its colleges and universities and then have them make careers here as well. This, coupled with the existing Reality Check App will allow young people and their parents to make informed decisions about college and the workforce by offering realistic projections and information.

- **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 6/1/2018, IDES estimates it has prevented \$924M in potential benefit overpayments, identified \$100M in overpayments and recovered \$226M in overpayments. On the employer side, audit activity for SFY18 is still lagging the pace of prior years, primarily due to the implementation of a new IT system for taxes. That system is now operational and, although the downtime caused by that project is reflected in audit activity for SFY18, for subsequent periods, the new tax system is expected to help IDES meet USDOL's audit performance measures. The year-to-date figures for SFY18 show that IDES is nearly back on track with prior workloads. Even though the total number of completed audits is down for SFY18, the figure for unreported wages found for SFY18 is well over the figure from SFY16 and is approaching the figure for SFY17. In part, this is due to the fact that IDES has replaced all the roughly 25% of auditors it lost, primarily to retirements, since the beginning of 2017. IDES has plans to bring on another 21 auditors this calendar year. IDES is also continuing to increase the use of audits triggered by a specific issue (like benefit related audits), as opposed to random audits, which it heavily relied on in 2017. Random audits, which typically do not generate as great a "return," account for just 20 percent of active audit assignments for calendar year 2018 (compared to 62% of audits completed in 2017). Industry profiling was mentioned at the last meeting. Profiling is the method of selecting candidates for audit, in part, because they fall within an industry that has a history of misclassification. USDOL guidelines encourage states to have audit selection criteria that include indicators which potentially reflect noncompliance, including 'type of industry'. IDES has not used industry classification as a factor in selecting employers to audit for many years, but the Agency's new tax system has enabled the ready use of industry type as one of the criteria for selecting audit subjects. As of today, Audit is not profiling by industry, but IDES plans to explore industry type as one of the factors to consider. Finally, as reported at the last meeting, IDES is now collecting employer liabilities through the federal Treasury Offset Program. To date, IDES has collected over \$634,000 through TOP offsets on employers. In addition, IDES collected over \$667,000 through the Notice of Intent of Offset letters mailed to employers prior to referring their balance to TOP.

- **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 \$870M. However, starting in 2019, the account is expected to run annual deficits through the end of the horizon.

Sharon Thomas-Parrott asked a question concerning the employment rate for African Americans and whether the Department can aggregate data for Illinois by race, ethnicity and age group? She referenced the latest news article about the increase of African American male unemployment. George Putnam explained that we do produce unemployment rates by race, ethnicity and age. George indicated that he will follow-up and distribute information about the American Communities survey. The information was distributed via email on 6/26/18.

- **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.

- **Discussion – 2018 Ethics Training (Jeff Scott)**

Board members must complete the 2018 annual ethics training for appointments under the Office of the Governor, as administered by the Office of the Executive Inspector General, by 1/2/2019.

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