

Illinois Employment Security Advisory Board  
Video/Teleconference Meeting  
September 15, 2022  
10:00 A.M.

**Board Attendees:**

WebEx/Phone: John Easton  
Joanna Webb-Gauvin  
John Gedney  
David Prosnitz  
Rick Terven  
Pat Devaney  
Rob Karr

With a quorum of the members present, the meeting was called to order by Chairman Pro-Tempore Easton.

1. Introductions (John Easton)

IDES continues to participate in media briefings, and to that extent, if you are a reporter or member of the media with a media request or question, please submit those to the Department's PIO, Rebecca Cisco. She can be reached at [Rebecca.Cisco@Illinois.gov](mailto:Rebecca.Cisco@Illinois.gov). The Employment Security Advisory Board serves to hear updates from the Department on various unemployment programs and the status of the state's unemployment Trust Fund. This is not a forum for the media to ask questions of Department staff.

2. Approval of Minutes from June Meeting (John Easton)

A motion was made to approve the minutes from the meeting on June 16, 2022. The motion was seconded, and the minutes were approved.

3. Nomination of Chairperson Pro-Tempore (John Easton)

Noting the Operating Resolutions of the Board, John Easton stated that there is a requirement to nominate a Chairperson Pro-Tempore for the 2023 fiscal year. A motion was made to reappoint John Easton. The motion was seconded, and Mr. Easton was unanimously approved.

#### 4. Director's Comments (Kristin Richards)

Good morning, Mr. Chairman and members of the Employment Security Advisory Board.

Since our June meeting, good news has continued to surround Illinois' labor market, with job growth and declining claimants for unemployment benefits. Since that time, Illinois has posted more than 64,000 new jobs in sectors as diverse as durable goods manufacturing, wholesale trade, transportation/warehousing, professional/technical services, and hotels/food services. Additionally, we are still seeing continued claims levels at historic lows; we are now at an unprecedented eighteen consecutive weeks below the 70,000 claims threshold. (70,000 is the historic low since the data series began).

Of course, we will continue to monitor movement in these data, but the numbers certainly indicate a solid labor market, and IDES continues to assist in connecting employers and jobseekers through IllinoisJobLink, job training, and hosting and cohosting job fairs across the state.

In his presentation today, George Putnam will present an update on the state's Unemployment Trust Fund. As we move into the last quarter of 2022, IDES, along with the 52 sister agencies across the country administering unemployment insurance programs will continue to closely monitor the potential for labor market disruptions driven by geopolitical factors including supply chain disruptions impacting various sectors of the economy.

I want to again thank Governor Pritzker and the Illinois General Assembly for acting on Senate Bill 2803, which the Governor signed into law on March 25th. This legislation provided \$2.7 billion to assist the state's unemployment insurance trust fund and resulted in a historic contribution from outside sources to pay back funds borrowed under Title XII of the Social Security Act.

On April 19, 2022, legislation was enacted that moved the previously set speed bumps/rest stops to begin on January 1, 2023 instead of July 3, 2022. I would like to note that Dr. Putnam's presentation, which you'll see later in the meeting, incorporates these rest stops into the projections he will be sharing. Dr. Putnam's presentation also includes the impact of federal law, on the FUTA credit employers currently receive, if any portion of the existing \$1.8B loan principal remains outstanding on November 10, 2022.

Following the Director's comments, David Prosnitz asked if the Department could summarize the salient points of a recent Auditor General's report. Director Richards

explained that the findings were primarily related to the federally administered Pandemic Unemployment Assistance program (PUA), which allowed individuals to file for benefits without any evidence of eligibility, resulting in the widespread extent of fraud found in the audit. As this program was distinct from Illinois Unemployment Insurance benefits paid through the UI trust fund, it was outside the scope of this meeting.

5. Revenue Update and Trust Fund Report (Isaac Burrows)

As reported at the last quarterly meeting in June, the Trust Fund entered a deficit position on June 23, 2020, as a direct result of the COVID-19 dislocation that began in March 2020. As of December 8, 2021, the agency incurred slightly over \$4.5 billion in Title XII Loan Advances and in March of this year, the department received authority to use \$2.7 billion of ARPA funds to help pay down the \$4.5 billion principal on loan advances received in response to the COVID pandemic. As a result, the Title XII Loan Advance outstanding balance is now approximately \$1.8 billion, and we are estimating approximately \$58 million of accrued interest will be due and payable on September 30, 2022. While we continue to monitor conditions and the solvency of the Trust Fund balance, we are not forecasting a need to secure any federal loan advances in the near term.

6. Quarterly Financials Presentation (George Putnam)

The state's UTF account ended the 4th quarter of 2021 with a negative balance of -\$4.18B. Under the baseline projection, the 2022 year-end balance is projected to be negative -\$0.95B, a slight positive balance \$0.26B in 2023 and to close with a positive balance of \$0.52B in 2025 – the extent of the forecast horizon. The account is expected to run a surplus in each of the years 2022 to 2024 and a slight deficit in 2025. These projections include the revenue impact of state and federal legislation that non-charged or reduced charges for certain employers in portions of CY 2020 and CY 2021, rest stops in 2023, and the payment of \$2.7B in ARPA monies to the Trust Fund account in 2022Q1.

7. Open Discussion

John Easton asked if someone could explain the statutory “rest stops” that were underlying the projections found in the quarterly financial presentation given by Mr. Putnam. Director Richards explained that historically, the parties which meet to amend the Illinois Unemployment Insurance Act represent the interests of workers and employers. When they negotiate amendments to the Act, they formulate changes to

benefit and contribution levels encouraging the parties to continue to work together to improve the solvency of the UI trust fund and make necessary adjustments; these are colloquially known as “rest stops.” These rest stops were most recently adjusted in the Spring 2022 legislative session and will be reviewed again in November of 2022.

John Easton followed that explanation by referring to the two trust fund projections, the baseline model and the pessimistic model, and asked Mr. Putnam whether the rest stops were the reason the two projections were so similar. Mr. Putnam stated that UI solvency and benefit payment dynamics were driven by both the rest stops and the Federal Unemployment Tax Act (FUTA) penalties which would be incurred if Title XII federal advances to the trust fund were not paid in full.

Jay Shattuck asked Mr. Putnam about the 2023 Adjusted State Experience Factor (ASEF) which was listed at 143%. Mr. Shattuck stated he believed there was a 16% cap year-to-year on increases to that factor which should put the ASEF at 127%. Mr. Putnam replied that he was correct, the 16% cap was met due to statutory requirements, but the aforementioned “rest stops” added a 16% increase over and above that change.

Mr. Shattuck asked for clarity on the loss of employer credits under FUTA. Director Richards explained that if Title XII advances are not paid by November 10<sup>th</sup> of 2022, then employers would face a FUTA credit loss of 0.3% for tax year 2023. Each year the advances are not paid in full then there would be an additive 0.3% credit loss.

David Prosnitz again asked about the Auditor General’s report and whether the Department could explain how they were addressing the findings of the audit. Director Richards reiterated that the PUA program and the audit findings surrounding it were not relevant to the administration of the UI trust fund, which was the focus of this board meeting, but that IDES had submitted its responses to the findings and would be working with the Illinois Legislative Audit Commission to further detail that response. John Easton asked whether that response would be a future agenda item for a board meeting and Director Richards replied that IDES would determine that through internal discussions in advance of the next meeting

## 8. Adjournment

A motion was made to adjourn the meeting. The motion was seconded, and the meeting adjourned.