

Illinois Employment Security Advisory Board
Video/Teleconference Meeting
June 16, 2022
10:00 A.M.

Board Attendees:

WebEx/Phone: Jim Argionis
Joanna Webb-Gauvin
John Easton
Mark Denzler
John Gedney
David Prosnitz
Rick Terven
Pat Devaney

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

1. Introductions (Jim Argionis)

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 interim PIO, Jack Cann. He can be reached at jack.cann@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 March Meeting

A motion was made to approve the minutes from March 17, 2022. The motion was seconded, and the minutes were approved.

3. Scheduling of FY 2023 ESAB Meetings (Jim Argionis)

Per operating resolution number one, the Board must determine the meeting dates for the next fiscal year. For the past few years, we have had them on the third Thursday of the last month of each calendar quarter, save the fourth quarter where it is the second Thursday of the month to accommodate Winter holidays.

If there are no objections, I would like to motion that we keep the same practice for fiscal year 2023 and schedule the next four meetings as September 15th, 2022; December 8th, 2022; March 16th, 2023; and June 15th, 2023.

A motion was made to adopt those dates, was seconded, and the Board approved the dates by roll call vote unanimously.

4. Director's Comments (Kristin Richards)

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

Since our March meeting, Illinois has experienced continued job growth (an average of nearly 17,000 new jobs per month), increased labor force participation, and declining unemployment rates. This is good news for Illinois employers and workers. In his presentation today, George Putnam will present an update on the state's Unemployment Trust Fund. Regarding future quarterly projections, the department will continue to closely track economic headwinds states across the country may be facing due to geopolitical factors including continued supply chain disruptions.

As you all know, action taken by Governor Pritzker and the Illinois General Assembly resulted in a historic contribution from outside sources to address the outstanding Title XII loan. Senate Bill 2803 was signed into law on March 25th and provided \$2.7 billion to assist the state's unemployment insurance trust fund. I want to thank the Governor and members of the state legislature for taking this monumental step.

I also want to update you on a program that we have not discussed in this forum during my tenure with the department. In the Spring of 2021, IDES was one of 12 states awarded a special grant from US DOL to modernize the Work Opportunity Tax Credit program.

On background, WOTC tax credits were created at the federal level to incentivize employers to hire individuals who might face unique challenges in finding employment. There are nine categories of individuals that the tax credit applies to. While employers apply for WOTC tax credits in their tax returns with the IRS, they first submit paperwork to IDES to certify that the individuals fall into the correct category. For the past several years employers have been able to submit their paperwork for only three categories through an online system. All other certification requests had to be sent via US Mail. In addition, IDES receives requests from other states' WOTC programs to verify Illinois-specific information.

Through the special DOL grant, IDES focused on expanding the online portal to make the submission process easier on employers. In less than one year, IDES addressed nearly all outstanding WOTC reviews and starting in late June, employers will be able to submit all certification requests through the online system that is set up to verify information. While employers and their representatives will still be able to submit certification requests via US mail should they choose to do so, we anticipate that many certification requests will go through the online system. The WOTC unit will be reaching out to employers they

typically work with to ensure this information is shared, and if members of ESAB are interested in learning more about the WOTC program, please let me know.

Thank you again Mr. Chairman and members of the Board.

At the conclusion of the Director's comments, Mark Denzler asked whether, after the infusion of \$2.7 billion in American Rescue Plan Act (ARPA) funds left a \$1.8 billion deficit in the UI Trust Fund, had the Federal government announced any change to the interest rate that Illinois would need to pay on outstanding debt. Director Richards replied that the interest rate on Trust Fund loans is set by the U.S. Treasury on or around the first of every calendar year, and that IDES does not anticipate any changes prior to next year.

5. Legal and Legislative Update (Kevin Lovellette)

Good morning and thank you Chairman.

As the Director mentioned, on March 25, 2022, a state appropriation of \$2.7 billion was enacted to reduce the amount of Title XII advances.

Additionally, on April 19, 2022, legislation was enacted that moved the previously-set rest stops/speed bumps to begin on January 1, 2023 instead of July 3, 2022. I would like to note that Dr. Putnam's presentation later in the meeting incorporates these rest stops into the projections he will be sharing.

The April legislation also amended the UI Act to provide for a 5-year time frame (instead of 3 years) to determine whether an individual misstated their earnings for any week beginning on or after March 15, 2020.

The UI Act was also amended to allow for funds to be transferred to the UTF from any source, and to provide for the transfer of funds from another state account to the UTF to repay Title XII advances, in consideration of the \$2.7 billion appropriation.

On May 13, 2022, legislation was enacted which amended the confidentiality portion of the UI Act to allow the Department to provide unemployment insurance information to the Illinois Department of Insurance for purposes of verifying Workers' Compensation insurance coverage. This occurred because the duty to verify work comp insurance coverage was transferred by prior legislation from the Workers' Compensation Commission to the Department of Insurance.

Finally, on May 27, 2022, legislation was enacted which amended the UI Act, and many other Illinois statutes, to replace the word "alien" with "noncitizen."

I am happy to answer any questions the members may have.

6. Trust Fund Update (Isaac Burrows)

As I reported at the last quarterly meeting in March, 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. 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.

I would also like to take this opportunity to share with you that on or about March 31, 2022, 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.

Unless there are any questions, I will turn it over to George to expand on the current deficit and trust fund projections in his economic outlook comments.

7. 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 -\$1.09B, a slight positive balance \$0.10B in 2023 and to close with a positive balance of \$0.49B 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.

John Easton asked whether the Department of Labor had any guidelines on the size of the UI Trust Fund balance relative to the population of the State. George Putnam explained that the USDOL sets an Average High Cost Multiplier (AHCM), which is what the surplus in the UI Trust Fund would need to be in order to fund the average amount of benefits paid during the three previous recessions in the State.

Pat Devaney asked what the UI Trust Fund target balance was which determines whether employer contributions go up or down in Illinois each year. Kevin Lovellette stated that under the UI Act, there is an Adjusted State Experience Factor which is part of the determination of employer contribution rates and changes yearly based in part on the target balance of the UI Trust Fund, which is \$1 billion under current Illinois law.



JB Pritzker
Governor

Kristin A. Richards
Director

Mr. Devaney then asked what the USDOL AHCM was the last time it was produced for Illinois. Mr. Putnam replied that he did not have the numbers in front of him but would provide them as soon as possible. On June 21st, 2022 an email was sent to all Board members which showed the Illinois AHCM as determined by USDOL for the years 2004 through 2022.

8. Open Discussion

9. Adjournment

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