

Illinois Employment Security Advisory Board
Video/Teleconference Meeting
December 8, 2022
10:00 A.M.

Board Attendees:

WebEx/Phone: Jim Argionis
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 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 PIO, Rebecca Cisco. She can be reached at 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. Minutes from Prior Meeting (Jim Argionis)

A motion was made to approve the minutes from the meeting on September 15, 2022. The motion was seconded, and the minutes were approved.

3. Director's Comments (Kristin Richards)

Good morning, Mr. Chairman and members of the Board.

During his update, the department's Chief Legal Counsel, Kevin Lovellette, will provide information regarding Senate Bills 1698 and 2801, which together represent a truly historic agreement reached by business and labor to fulfill all remaining Title XII advances secured to pay unemployment benefits during the pandemic, and provide greater stability for the state's unemployment trust fund in the years ahead. The



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department is proud to have supported employers and labor in the agreed bill process, and I especially want to thank Kevin Lovellette, George Putnam, and their teams, for all their work.

George will later provide an update on the Unemployment Trust Fund projections. These projections will incorporate the impact of the agreed bill package in its entirety. George will expand further in his presentation.

I'd like to take a few minutes to update members of the board on a project IDES is currently partnering on with the United States Department of Labor. The project, which provides states access to their own tiger team, is focused on three pillars, all intended to improve state UI systems: fraud prevention and detection, equitable access to benefits, and benefit timeliness. IDES Deputy Director for Service Delivery, Mireya Hurtado, is joining us today to take you through a brief presentation about this ongoing project.

[Mireya Hurtado narrates slides]:

The unemployment insurance (UI) system is a cornerstone of our economic infrastructure. It supports workers who have lost their jobs through no fault of their own with critical benefits while stabilizing the economy during crises. The tsunami Illinois experienced in the spring of 2020 came with a nearly instantaneous seven-fold jump in regular UI claims. This graph does not include the spikes from pandemic programs such as EB, PUA, PEUC. Bottom line point is that the pandemic brutally shook state's UI foundations across the country and disinvestment in state systems exposed vulnerabilities. So much so that the Government Accountability Office or GAO designated the UI system as high risk because its administrative and program integrity challenges posed significant risks to service delivery and exposed the system to significant financial losses.

Congress responded by approving \$2 billion to the US Department of Labor for UI modernization. The focus is on helping states address preventing and detecting fraud, promote equitable access, and ensure timely benefits. Illinois is actively taking advantage of these funds and will benefit from nearly \$16M in ARPA funding for Fraud/System Integrity, Tiger Teams, and Equity Grants over the next two years. While separate grants, all three are interrelated under a modernization umbrella and will work to make fortifying improvements to the UI system in Illinois.

This morning we'd like to focus sharing information with you about the Tiger Team initiative. Tiger Teams originated in the military and was made famous when NASA deployed a Tiger Team during the Apollo 13 mission. USDOL knew early in the pandemic that states needed help. Some states were still using green screen/Cobol-based systems

that literally crashed. Luckily that was not the case in Illinois. Some states' procedures and technology hadn't seen updates since the early 2000's, or to put in context - before iPhone and Facebook. USDOL knew just how besieged state UI staff were and knew without targeted specialized help they would not be able to diagnose their own problems and challenges. They launched the Tiger Team initiative as a response and is using tiger teams to help states diagnose and identify 'quick win' continuous improvement opportunities.

Illinois volunteered in April and was in the third cohort. We are routinely in touch with our sister states as we all are learning together and, in some cases, working on similar issues. Illinois' Tiger Team included a project manager (former UI Director from Maryland), a fraud specialist, an equity/customer experience specialist, an Unemployment Insurance (UI) program specialist, a Business Intelligence (BI) analyst, and a computer systems engineer/architect. The engagement began in April 2022 and concluded the interviews, information sharing, data analysis (data-sharing MOU included), and discovery phase in July 2022. More than 18 internal interviews were conducted during the discovery phase.

IDES considers the Tiger Team effort a rare opportunity to work with USDOL and to work internally within IDES' business units to make critical organizational improvements. IDES is proactively and strategically making the best use of the ARPA UI Modernization - once-in-a-era resources - to come out of the pandemic stronger, more efficient, and effective, and simultaneously focused on continuous improvements to system performance and claimant and employer experience.

Thank you for the opportunity to share that information with you.

[Kristin Richards continues]:

Finally, 2022 has been another hectic, yet extremely rewarding year for the Illinois Department of Employment Security. We are dedicating time to winding down activities related to federal pandemic programs, while working with the DOL tiger team to support our regular UI system. Our employment services team is continuing their work to help job seekers and employers connect, with a particular focus on assisting Veterans in their effort to find good jobs. I would like to thank my colleagues at the department for the contributions they've made to employers and job seekers in 2022, and I look forward to a productive 2023.

I hope all of you have a safe and happy holiday season. And with that, I will send it over to Kevin for his presentation.

4. Legal and Legislative Update (Kevin Lovellette)

Thank you, Chairman, and good morning.

On December 1, 2022, an agreed bill was passed by the Illinois House and Senate, SB 1698. The bill contains what is essentially a contingency. If funds are appropriated to pay all outstanding federal Title XII advances prior to January 31, 2023, then the legislation:

- Moves the rest stops/speed bumps from January 1, 2023, to January 1, 2025, and recalculates them to total \$1b with a 50/50 split between business and labor;
- It sets the taxable wage base at a specific amount for 2023, increasing by 2.4% for 5 years through 2027, and then remaining at the 2027 amount for future years;
- It increases the annual target amount for the unemployment insurance trust fund from \$1b to \$1.75b, and increases the solvency adjustments for the fund builder rate and dependency allowances accordingly; and
- It provides for an annual 3-point increase in the ASEF to pay back a \$450m loan from the State treasury, if and only if such a loan is appropriated in CY 2023. The repayment of the loan is targeted at 10 years, but if the net trust fund balance is below \$1.2b on June 1 of any year, the repayment will not be made that year, which will extend the number of years for which repayments will need to be made.

If funds to pay the outstanding Title XII advances are not appropriated prior to January 31, 2023, then the amendments just discussed are not operative, and the legislation moves the rest stops/speed bumps from January 1, 2023, to January 1, **2024**, and recalculates them to total \$1b with a 50/50 split between business and labor but makes no further amendments to the UI Act.

The effective date of the bill is January 1, 2023.

In addition, the Senate passed SB 2801 which appropriates \$1.37b to the trust fund to pay the outstanding Title XII advances, and it also appropriates the loan of \$450m to the trust fund to be repaid as described before. The House has not yet taken up this bill.

I am happy to answer any questions from the Board.

5. Title XII Advances and Balance Update (Isaac Burrows)

As reported at the last quarterly meeting in September, the Trust Fund entered a deficit position on June 23, 2020 as a direct result of the COVID-19 labor market disruption that



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began in March 2020. As of December 8, 2021, the agency incurred slightly over \$4.5 billion in Title XII advances. The Trust Fund has not received any additional advances since our last ESAB meeting and we are not projecting a need for any additional advances in the near term.

Over the course of this calendar year historic steps have been taken to reduce the Title XII federal debt and restore the solvency of the Illinois Unemployment Trust Fund. As a recap:

- On March 31, the department received authority to use \$2.7 billion of ARPA funds to help pay down the \$4.5 billion principal on the Title XII advances; and
- On September 27, the department made another \$450 million payment on the Title XII advances;

As our Director and Chief Legal Counsel reported, there is legislation pending to resolve the remaining \$1.36 billion outstanding Title XII balance and build-up cash reserves for the future.

On September 30, 2022, the department made the required \$58 million interest payment on Title XII advances using state funds appropriated for this purpose. Interest will be due on outstanding advances October 1, 2023, through to the date all advances are paid off. The department will continue to communicate the interest liability to all stakeholders in anticipation of requiring an appropriation to make the payment.

Unless there are any questions, I will turn it over to George for his economic outlook comments.

6. Quarterly Financials Presentation (George Putnam)

The state's UTF account ended the 4th quarter of 2021 with a negative balance of -\$4.1B. As the projections provided today indicate, the account is expected to run a revenue surplus in each of the years 2022 to 2024 and a slight revenue deficit in 2025. With regard to the final net trust fund balance, under the baseline projection, the 2022 year-end balance is projected to be negative -\$0.62B, a positive balance \$1.58B in 2023, and to close with a positive balance of \$1.71B in 2025 – the extent of the forecast horizon. These projections use current data and implement the portions of the agreed bill regarding taxable wage base increases, and the UTF target balance and solvency adjustment increases. They also include the prospective appropriation to pay the Title XII

advances in full, and the prospective appropriation to provide a \$450M loan to the UTF that will be repaid from the UTF. These projections do not include rest stops.

7. Open Discussion

Rob Karr commented that Director Richardson and her team deserve an extraordinary amount of credit for the work that they performed during the Agreed Bill negotiations. He stated that the scenarios they generated, the advice they lent to both business and labor, and the trust and confidence all sides had in their expertise was instrumental in getting things accomplished. Pat Devaney echoed Mr. Karr's comments and stated IDES should be commended for their confidence and impartiality in assisting negotiations.

8. Adjournment

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