



JB Pritzker
Governor

Thomas D. Chan
Acting Director

Illinois Employment Security Advisory Board
March 19, 2020

Board Attendees:

Phone: Jim Argionis
Rob Karr
Mark Denzler
John Gedney
David Prosnitz
Joanna Webb-Gauvin
Pat Devaney
John Easton
Mark Grant

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

Agenda:

1. Board member David Prosnitz proposed an amendment to the minutes from December 12, 2019 to better reflect a question he asked regarding proportionate tax revenues. A motion was made to approve the minutes as amended. The motion was seconded, and the amended minutes were approved.
2. Chairman Argionis nominated John Easton for Chairman Pro-Tempore of the ESAB. The motion was seconded, and the nomination was confirmed.
3. Director's Comments (Tom Chan)

We have sent approximately one-quarter of the IDES workforce home in order to limit the spread of COVID-19 among ourselves and those we serve. All those who are able to telework, or employees that aren't immediately needed for the delivery of our UI program were asked to return home on Tuesday afternoon. We will send additional staff home where possible as the Department of Innovation and Technology (DoIT) furthers expands our telework capabilities. While we hope to maintain all of our UI functionality and most of our Workforce Services, there will be necessary lapses in operation in certain departments, namely Audit, Collections, and Benefit Accuracy Management. As Trina and I will explain a bit later, this is going to have a noticeable impact upon our federal performance measurements.

On March 13th, IDES published Emergency Rules to specifically address COVID-19. The rules exempt those whose unemployment is due to a temporary lay-off resulting from COVID-19 from the work search activities normally required for regular UI benefits, such as registering for the Illinois Job Link system, as long as they are prepared to return to their job as soon as their employer reopens. The rules also clarify that a claimant (1) who has been



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diagnosed with COVID-19, (2) who is caring for a child, spouse, or parent who has been diagnosed with COVID-19, or (3) who is unable to work outside their home due to a government quarantine will be considered to have met their work search requirements if they look for work that could be performed from within their home (such as data entry or transcription service) and there is a job market for such work.

On Monday, March 16th, Governor Pritzker issued Executive Order 2020-07, which, among other things not related to Unemployment Insurance, suspends the provision of the UI Act requiring a one-week waiting period for unemployment insurance claims. The result will be that when a claimant certifies for benefits for the first time in a claim, they will be paid for two weeks of benefits instead of one, although the maximum of WBAX26 weeks will still apply for Regular UI benefits. This measure is in effect for the duration of the Gubernatorial Disaster Proclamation. The Proclamation was made on March 9th, and will last 30 days from that date, although there does not appear to be anything prohibiting the issuance of another proclamation.

Claimants with a BYB of March 8 start certifying this coming Monday and will be paid a few days after they certify.

HR 6201, the Families First Coronavirus Response Act, has now passed both the Senate and the House and the President signed. Although it's a step in the right direction, it's not expected to provide much relief to IL with respect to unemployment. The bill does 4 main things:

- 1) It waives interest on federal advances to Trust Funds through the end of this CY;
- 2) Provides \$1B to be divided among the 50 states based on a formula (for what it's worth, IL received \$300m from a \$7B fund in 2008/2009);
- 3) The feds would pick up 100% of most Extended Benefits if IL met certain conditions (EB is not expended to trigger on);
- 4) Hold IL harmless through if we take certain measures in response to COVID-10, such as suspension of the waiting week.

IL is also working on a request to the federal government to take action in a number of additional ways. Of course no one can assure passage of any of these measures but I wanted to let you know what types of requests are out there because the framework we're relying on in our requests is similar to what this state saw in response to the Great Recession.

As I mentioned above, the stimulus legislation enacted in response to the Great Recession made up to \$7B available to state Trust Fund accounts, conditioned on a state's adoption of specified benefit expansions. Illinois' share was approximately \$300M, which delayed but ultimately did not avoid the need for borrowing by Illinois' account.

The second would be another EUC and EB program. After the 2008 recession, the regular UI program, and the EUC and EB programs extended UI in IL up to 99 weeks in some cases.



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In 2009, there was another smaller federal program which added \$25 to each claimant's weekly benefit amount, paid by the federal government.

Finally, there are going to be unemployed individuals who are ineligible under the state's UI program. Right now, this would include exhaustees, individuals who are not monetarily eligible, sole-proprietors, and independent contractors and the self-employed. Senator Durbin is co-sponsoring legislation to create a federally funded emergency unemployment program to support individuals who are affected by COVID-19 but who are determined ineligible under the state's regular unemployment program. This would essentially be a Disaster Unemployment Assistance program (or DUA).

4. Integrity Update (Trina Taylor/Tom Chan)

As of March 1st, 2020, the year to date amount of potential improper payments prevented equals \$12.4 million (12,423,423.24); we have identified over \$500 thousand (\$594,048.60) in overpayments and recovered \$2.6 million (\$2,688,874.10).

As far as our UI performance measures, Illinois continues to meet the majority of our core measures. While we did fall slightly below the acceptable level of performance in our nonmonetary determination quality percentage for separation issues in 3Q last year due to a system outage we experienced, we have recovered and are back on track. Our overpayment detection and recovery measures also failed to reach the acceptable level of performance during this reporting quarter.

Late last year, we were visited by the UI Integrity team from the National Association of State Workforce Agencies who provided a list of recommendations to assist in improving our improper payment measure and the process currently used by our BAM unit. IDES UI, Quality and Benefit Payment Control management team met and developed a plan on and reducing the response times for benefit year earning detection. While we are confident that these measures will improve our overpayment detection and recovery compared to current practices, we must be honest in appraising these core measures under the present circumstances. With the massive staff drawdown implemented in the wake of the COVID-19 outbreak, and the expanded eligibility for those impacted, we will likely see failures in these categories, and perhaps others.

On the Revenue side, at the December meeting and throughout last year, IDES was projecting that although it would be close, we had been expecting to meet USDOL's-required audit standards for 2019. As a reminder, in 2018, IDES failed the federal performance standards because it did not meet two of the four required metrics: (1) auditing 1% of all contributory employers and (2) auditing at least 1% of total wages. To meet the minimum audit figure for calendar year 2019, IDES needed to complete 3,300 audits or about 275 audits per month. Thanks primarily to some new hires, additional training, and lots of overtime, we ended with a total of 3,332 audits. I'm very pleased with our Revenue division,

specifically our audit division, for getting to a place where it could meet the DLA in 2019, they had a lot to overcome after transitioning to a new computer system and trying to replace nearly half of the audit staff lost to retirements and attrition.

It is worth noting that the manager of the audit division has announced she will be retiring within the month, which means we do not have the luxury of resting on our laurels and assuming our recent successes will continue.

In addition, audit functions are not operating as usual because of COVID-19, and so we are likely to fail for 2020.

5. Special Administrative Account (Isaac Burrows)

The Special Administrative Account (SAA) contains penalty and interest monies collected from delinquent or fraudulent employers. Money is accumulated in the SAA for the purpose authorized in Section 2101 of the Unemployment Insurance Act, primarily for the proper administration of the Act in the event of insufficient federal funds. Expenditures include quarterly transfers to Fund 0052 (Title III).

- 2019 State Fiscal Year Revenue = \$17.2M
- 2019 State Fiscal Year Expenditures (including lapse period) = \$18.9M
- 2019 End of State Fiscal Year Cash Balance \$5.1M

6. Quarterly Financials Presentation (George Putnam)

The state's UTF account ended the 2018 calendar year with a positive balance of \$1.92B and 2019 with a balance of \$1.95B. Under the baseline projection, year-end balances are projected to remain positive through 2023 – the extent of the forecast horizon – which is expected to close with a balance of \$200M. However, the account is expected to run annual deficits in each year through the end of the horizon. Finally, IDES is developing a solvency forecast scenario based on Covid-19 impacts.

7. Open Discussion

Director Chan mentioned that ethics-related requirements such as trainings and the filing of the Supplemental Economic Interest Statement with the Secretary of State that are typically announced and require completion around this time of year have been postponed. Gina will send an email regarding the annual requirements when more information is available.

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