

MINUTES OF THE UNEMPLOYMENT INSURANCE BOARD MEETING  
FEBRUARY 6, 2008  
INDIANA GOVERNMENT CENTER SOUTH  
10 N. SENATE AVENUE, ROOM 301A  
INDIANAPOLIS, IN 46204

Members present were Samuel Schlosser, President; Dave Thomas, Vice-President; Barry Baer (via phone), Tom Hargrove (via phone), Joe Evans, Randy Maxwell, Kevin Tully and Paula Presnoples. It was acknowledged that there was a quorum present. Also in attendance were Teresa Voors, Commissioner; Scott Sanders, Chief Financial Officer; Dustin Stohler, Chief Counsel; John Ruckelshaus, Deputy Commissioner of Governmental Affairs.

The meeting was called to order by Sam Schlosser at 10:03 am.

Mr. Schlosser welcomed the following guests, Brian Burton, IMA; Larry Temple, Executive Director of Texas Workforce Commission; Ron Lehman, Commissioner; and Steve Riley, Tax Department. They are here to give information on how they handled their Trust Fund. Scott Sanders added there is a correlation of Indiana and Texas and look forward to hearing from them. Other guests are Joe DiLaura, Press Secretary; and Randy Gillespie, Director of Budget and Accounting.

**OLD BUSINESS:**

Mr. Schlosser asked if everyone had reviewed the prior 2 meetings minutes and a motion was made by Mr. Thomas to accept the minutes from the January 2 and 9, 2008 meetings, which was seconded by Mr. Tully and unanimously approved.

Mr. Sanders began with operational update and said he wants to talk briefly about the labor market and Trust Fund and then let Larry Temple speak. In addition, he will discuss the special committee in terms of what are the associated costs and what are the views in the marketplace. Mr. Sanders went through the UI Data Summary, a copy of which is attached to these minutes. Then he went through the Trust Fund handout, a copy of which is attached to these minutes, and what are the things we can adjust to help the Trust Fund. Claims are running steadily higher over last year and claims staff is working to clean outstanding issues. The staff is working 45 hours a work week to process claims information. The Trust Fund at the end of January was \$236 million, and with the recent \$12 million in payments from the fourth quarter, will be north of \$250 million. Mr. Sanders told the board he asked Mr. Gillespie to attend because he is working on a weekly forecast model. To help determine metrics, \$150 million would be the trigger level for board to reconvene in a special session. We could send out weekly emails. Mr. Sanders asked if there were any questions regarding the Trust Fund Balance and there were none.

Mr. Sanders reported on the Penalty and Interest Fund, the balance is \$26 million available for board to use at its discretion. There is a proposed bill that takes \$5 million from Penalty and Interest Fund, a piece goes to Vincennes and Ivy Tech each year. The annual contributions to the Penalty and Interest Fund have been running \$6 - \$7 million. Once we collect all monies, Penalty and Interest contributions would decline. Mr. Sanders then covered the labor market information, as well as the attached Press Release sent out by Joe DiLaura regarding issues going on around the state.

Mr. Sanders also reviewed a map of the United States, showing the unemployment rate for Indiana and the surrounding states, a copy of which is attached. Michigan has tapped into borrowing federal funds to pay unemployment benefits and is up to \$250 million. Ohio still has money in their Trust Fund, but is having problems. Mr. Sanders moved on to a handout of Indiana's Unemployment Insurance Trust Fund dated February 2008, a copy of which is attached. Some discussion regarding the handout ensued regarding specifics of borrowing from the federal government and paying back in time to avoid interest.

Mr. Sanders had prepared a Resolution which Mr. Schlosser read to the board for their consideration. A copy of which is attached to these minutes. Then Mr. Schlosser opened the floor to questions. Mr. Baer posed three questions. Would it be a sub-committee or an advocacy panel; have a cap to start; and is it legally clear. Mr. Stohler responded it should be a sub-committee and will consist of individuals on the board which can get advice from outside the board. Mr. Sanders added the expense limit can be set by the board. It could be \$50,000 - \$100,000 depending on the amount of work that is done. The members of the committee would be able to be reimbursed for their expenses. Mr. Baer asked if the board is legally responsible for the solvency and Mr. Sanders stated the statute and explained this is where the language for the resolution was derived. Mrs. Voors stated that we could create a committee rather than a council. Mr. Stohler would make that change. Mr. Baer recommended an expense cap of \$50,000 for the process. With those changes Mr. Baer moved that said Resolution be adopted. It was seconded by Mr. Thomas.

Mr. Schlosser then asked Mr. Baer if he would chair the sub-committee and asked for potential members. Mr. Thomas, as Vice-President, will serve on the committee. One other person was needed and Ms. Presnoples agreed to fill it. Mr. Sanders and Mr. Gillespie and anyone else on DWD staff will be made available for the sub-committee. Mr. Schlosser gave another instruction for sub-committee and asked Mr. Sanders to put together a list of issues that need to be addressed. Mr. Baer will get with Mr. Sanders and put together a timeline to work through a checklist so the sub-committee will know what issues they need to review and what resources they need. Mr. Schlosser added that we have a fair amount of specialties in the state, including the Indiana Manufacturer's Associated and the Indiana Chamber of Commerce. The meetings are subject to the open door law. Mrs. Voors stated DWD would take care of all the postings and such for these meetings. Mr. Baer asked to look at calendar for 3<sup>rd</sup> - 5<sup>th</sup> of March to meet so they can meet prior to the next board meeting.

Mr. Schlosser asked if there is any other board discussion regarding the Trust Fund at this time. There was not so they moved on to New Business.

## **NEW BUSINESS:**

Mr. Schlosser turned the floor over to Mr. Temple, who presides over the Texas Workforce System and Unemployment Insurance programs. Mr. Temple passed out information regarding Texas Unemployment Insurance, Trust Fund, Claims and Appeals Process, and the Texas Workforce Commission. A copy of all materials is attached to these minutes. Mr. Temple turned it over to Ron Lehman, Commissioner Representing Employers. The Texas workforce group has 275 workforce systems and 28 programs. These took shape in the 1990's about a year before WIA at the federal level. Texas put in place service of activity to written log between workforce system and UI system. By improving controls, it has enhanced knowledge of employers that had job openings and needs. Texas put in place measures of the workforce system to help people decrease the amount of time they are unemployed. Texas' goal is 10 weeks. This saves UI cost with replaced money to claimants. Texas looked at the system between workforce and UI, integrity improvements in the Agency, then sought a provision from their legislature to borrow money from external sources to help fund their Trust Fund issues. Texas borrowed for 7 years and paid back the loan in 5 years. Employers have also improved with eligible people getting benefits.

Mr. Steve Riley, Deputy Director of Customer Service and UI Operations passed out a Texas UI handout, a copy of which is attached to these minutes. Mr. Temple explained Texas has decided to keep the money and the employers rather than the system. Keep tax as low as possible. Mr. Riley interjected he made a list of their taxing structure. Texas has a really low tax base. For new employers it is 2.7%. The duration for entry level rate is 1.5 years rather than 3 years. Basic tax rating structure in Texas: 1) general rate based on employees claims and tax based on 3 years expenses. Benefit ratio state, only use 3 years expenses. 2) Replenishment rate we use to recoup socialized costs. Benefits paid out to individuals we did not tax employers for. Have 6.0 maximum tax rates in Texas. They determine if the amount in the UI Trust Fund on October 1 will be below the Trust Fund floor, they transfer the amount in the Holding Fund equal to the amount below, to bring the balance in the UI Trust Fund back up to the floor. Mr. Temple explained they have 3 different levels. When over they give back to employers, which is consistent. Texas has an incumbent worker training program that works with Economic Development within the Governor's office and receives \$25M a year. The rest of the money goes to enterprise funds. If the Trust Fund balance is above 2% they issue surplus credits. Mr. Sanders asked if the surplus credits were done on accounts or if a check was issued. Mr. Temple responded that checks were issued. He also stated the math on savings in bonds or 2.6% from federal government; they saved employers in excess of \$3M. There was further discussion on this.

Mr. Lehman went on to say in 2003 the Texas UI Trust Fund became insolvent and they secured bonding for funding and with the proceeds were able to pay off the federal loan and place the remaining funds in their Trust Fund. Mr. Temple said the tax structure was scrutinized. Mrs. Voors said that may not be quite as friendly for us because we are not self-correcting. Mr. Baer asked if they were revenue bonds. Mr. Lehman said revenue bonds in the sense as how they were used.

Mrs. Voors asked Mr. Lehman to explain floor and ceiling. Mr. Lehman said taxable wages are \$92 billion annually. The floor is about \$912 million, the ceiling is 2% of taxable wages. Mr. Roberts asked would you have several tax schedules or all off one schedule. Mr. Temple answered one schedule with correcting measures if you fall below the floor.

Mr. Lehman explained prior to 2005 Texas had a SUTA dumping issue and they identified 25 accounts that attributed. They passed a strong SUTA dumping law in Texas. The annual loss was well over \$100M. Mrs. Voors added SUTA is employers opening up an account under a new name to receive the lower tax rate. Indiana also passed a SUTA dumping law in 2005.

Mr. Temple said North Carolina provided the software that Texas uses for SUTA dumping. Mr. Riley added some of the other things they did were associated with workers compensation. Texas had claimants double-dipping, while receiving workers compensation, were also receiving UI benefits. Texas needed to put as much integrity in the whole system. Mr. Riley added they are into automated systems (such as IVR) as well with electronic filing and appeals and are working on a project for next year as integration of UI filing and job applications filing. So when a claimant comes in to make initial claim they also have a job posting within their system. Better resumes are on file for job match. Reduce number of appeals because they did not register. This will positively affect Trust Fund. Mrs. Voors explained to the board members that we are 100% internet for filling initial claims. We do not have Call Center on initial claims.

Mr. Temple said regarding the UI issue, when Texas looked at their system, 65% of people in the system were UI claims. The WIB's did not deal with these. They put measures on WIB to increase the time they filed. Every night they receive an electronic file of who filed that day. Mrs. Voors interjected that she and Mr. Temple have talked over the last 6 months to provide these same types of services. Texas put in job search rules and gave to local boards. They put in 3 as number for work search and gave local WIB's ability to set rule for different areas. Generally they are between 3 and 5 a week and they enforce that. They have to have services at a local level if they are requesting Boards to enforce this. Mr. Lehman added in 2001 they could not have done this, they only have 18,000 customers. They start with employers' pool and then find individuals that are correct for the jobs. This is based on making the right fit between employers and employees. It has a lot to do with the economy of Texas and the health of the Trust Fund. Mr. Temple brought a book of the Texas UI Measures and was leaving it for anyone to review. Mrs. Voors added that Indiana's Regional Workforce Boards are working on programs and metrics like these.

Mr. Schlosser thanked Mr. Temple, Mr. Lehman and Mr. Riley for coming and sharing their information with the board.

**PRIVILEGE OF THE FLOOR:**

Mr. Schlosser opened this as an opportunity for all the board members to make comments or ask questions. Mr. Ruckelshaus told the board to contact him with any type of constituent issues they come across. Mr. Baer added he would be in touch with sub-committee.

The next board meeting will be March 5, 2008.

**ADJOURNMENT:** Mr. Schlosser moved to adjourn at 11:41 am and it was approved.