

MINUTES OF THE UNEMPLOYMENT INSURANCE BOARD MEETING
APRIL 7, 2008
INDIANA GOVERNMENT CENTER SOUTH
10 N. SENATE AVENUE, ROOM 301 A
INDIANAPOLIS, IN 46204

Members present were Samuel Schlosser, President; Dave Thomas, Vice-President; Barry Baer; Paula Presnoples; Kevin Tully; Joe Evans; Kent Tolliver; Randy Maxwell. It was acknowledged that a quorum was present. Also in attendance were Teresa Voors, Commissioner; Scott Sanders, Chief Financial Officer; John Ruckelshaus, Deputy Commissioner of Governmental Affairs, Joe DiLaura, Press Secretary and Randy Gillespie, Budget Director

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

COMMISSIONERS REPORT:

Commissioner Voors began by discussing the new www.indianacareerconnect.com website that will match employers with job seekers. The Department is planning to launch this site in late summer or early fall with the goal to reach out to Hoosiers to get them connected with careers, not just jobs.

Ms. Voors also mentioned that as we progress to the integrated model in our WorkOne system, she would like the Board to get a first-hand experience in an integrated WorkOne office. Our Fort Wayne office is on the cutting edge and serves as the model for integration. She suggested the Board go on the road for the May meeting to Fort Wayne. She will work with Deputy Commissioner Dale Wengler on a presentation on integration and the new www.indianacareerconnect.com website. Commissioner Voors believes that the Board could be a resource for employer outreach if they have the knowledge as they are employers themselves.

Commissioner Voors also mentioned that she would like them to be aware of an event in May at the Youth Opportunity Center in Muncie. The department has just hired a full time employment specialist to assist the youth in this facility. Mr. Sanders will provide the Board members with more information regarding this grand opening event if they would like to attend.

Ms. Voors also expressed that integrating all WorkOne offices, marketing the new WorkOne system and how the Unemployment Insurance Board can help, and creating a solvency plan for the Unemployment Insurance Trust Fund are the major projects for 2008.

OLD BUSINESS:

Mr. Schlosser asked if everyone had reviewed the previous meeting minutes. Mr. Maxwell made a motion to accept the minutes from March 5, 2008 meeting, which was seconded by Dave Thomas and approved by all Board members.

OPERATIONAL UPDATE

Mr. Schlosser introduced Kathryn Hulsey, DWD's new Executive Administrative Assistant for Scott Sanders, Martin Morrow, and Dustin Stohler. Ms. Hulsey will also replace Brianna Carvin as the new Board Clerk following her departure.

Mr. Sanders began with a review of the Unemployment Insurance Data Summary from March, a copy of which is included in the minutes. He noted that the number of initial claims increased while the continued claims also increased. There were several factors he stated contributed to these increases. These factors include a trickle down affect from GM and the American Axle strike relating to suppliers and slowed production; issues relating to Hurricane Katrina and the manufactured housing decline in production which resulted in an increase in the number of recent lay-offs; and an increase in claims from the temporary services industries.

Mr. Sanders along with Mr. Gillespie continued the discussion together discussing factors related to the Trust Fund balance. The Trust Fund as of last week stood at \$96.3 million which is down from previous week. Mr. Sanders presented a Trust Fund Preliminary Analysis for March 2008, a copy of which is included in the minutes. The analysis showed the balance of the Trust Fund as of March 31, 2008 compared to the balance from February 29, 2008. At the current rate of decline, Mr. Sanders stated the Trust Fund could be as low as \$60-70 million, if no employer contributions are received, by the end of April.

Mr. Sanders speculated that due to the recent weather changes and the American Axle lay-offs, employees are not returning to work as quickly as expected. Due to these recent events, in order to help correct this decrease in the Trust Fund the Board may opt to borrow money from the Penalty and Interest Fund on a short term basis. The plan would be to re-pay the Penalty and Interest Fund when tax funds come in. The stated reason to borrow the funds from the Penalty and Interest Fund would be to prevent a "cash shortfall" on the Trust Fund if it falls below the determined \$35 million dollar floor. To satisfy the Reed Act obligations, \$35 million must remain in the Trust Fund and that level must be reached in order to borrow money from the Federal Government, if needed.

Ms. Presnoples questioned the rules regarding borrowing money. Mr. Sanders continued by ensuring the Board that the Federal Government allows states to borrow money from other sources including bonds, commercial loans, and state entities and that it also would depend on the agreement that is put together on the borrowing of the funds. The Board was also informed by Mr. Stohler that the Penalty and Interest Fund, when repaid, cannot

charge interest and that the State law mirrors the Federal law on the issue. Mr. Sanders stated that the Penalty and Interest Fund does not earn interest.

Mr. Tolliver asked if it was the sole discretion of the UI Board or the Subcommittee to authorize the transfer of funds. Mr. Sanders stated that it would have to be a full Board mandate to take such action. He went on to state that he would like to see the Penalty and Interest Fund be used for training, but the entire Board would need to come to the decision.

Mr. Schlosser made a motion to authorize the transfer of \$20 million of the available \$26 million from the Penalty and Interest (Special Fund) to the Trust Fund. Mr. Thomas reiterated the transfer would be on an “as needed basis” if and only if the Trust Fund falls below the \$35 million floor. The motion was amended to readjust the \$35 million floor on the Trust Fund should any of the Reed Act funds be used to pay bills currently due. Mr. Thomas followed by moving the motion and Ms. Presnoples seconded. There was unanimous approval by all Board Members. Mr. Sanders stated the transfer of dollars from the Penalty and Interest Fund could cover the Trust Fund on a short term basis in the event that the First Quarter tax payments do not come in on a timely manner.

Mr. Sanders made mention that the Department will be spending some of the Reed Act monies in the next few weeks. Ms. Voors commented that it will be due to obligations for the Unemployment Insurance Modernization project due to contract payments that are expected. Discussion regarding the balance of the Trust Fund and the Reed Act payment obligations ensued.

Ms. Presnoples questioned weather the increase in Unemployment Insurance claims affected customer service timeliness and staffing in the call centers. Mr. Sanders responded that employees normally work 37.5 hours per work week and their hours can be adjusted to 40-45 hours when there is a steady increase in claims. The daily goal for employees handling non-monetary determinations in a timely manner is currently set at 80% though due to the large number of claims they are operating at 50%. Ms Presnoples questioned when we would be operating at the set federal Standard. Mr. Sanders stated the target date would be by the end of the 2nd quarter. He stated that adjudicators are currently involved in training initiatives to help with consistent adjudication and that has slowed the adjudication rate to some degree.

Mr. Ruckelshaus stated that the main influx in claims was a result of the American Axle Strike which added 35,000 calls. Mr. Sanders stated that to handle the increase in calls, the call center is planning to higher 10 new employees. Also Mr. Sanders stated that because the call centers are the first point of entry for claimants that more training needs to be implemented to keep the processing of claims consistent. Mr. Ruckelshaus stated the call center typically gets 10-12 thousand calls a week and last week had 30,000 calls. Mr. Sanders comented that claimants with claim calls don't fully understand the process. Mr. Sanders stated that a goal needs to be set to better educate the public regarding unemployment claim processes.

Mr. Sanders stated that when dealing with massive layoffs it is not always possible to plan and anticipate a large influx in initial claims and it is difficult to increase staffing in the call centers on a short term basis although due to July's expectation to be a busy month, there are plans to increase staff accordingly.

Mr. Sanders continued discussion with Labor Market information. He presented the February 2008 Indiana Employment Report Press Release which discussed Indiana as holding the lowest unemployment rate in the Midwest region covering six states at a rate of 4.6 percent; a copy of which is included in these minutes. Mr. Sanders also presented a regional map from the Department of Labor comparing the unemployment rates in the Midwest, as of February 2008, which illustrates Indiana as an "island of growth" in the six state region; a copy which is included in the minutes. He noted that the unemployment rate will begin to reflect many of the airline closures, including ATA which lost their governmental contract.

Mr. Sanders then discussed the American Institute for Full Employment proposal which he will present to the Subcommittee in a later meeting. This firm may help the subcommittee analyze the structural imbalance on the Trust Fund.

Mr. Ruckelshaus then discussed House Bill 1219, a copy of which is included in the minutes. He stated that there are three main components in the final version of the bill. The first is related to language and determinations of unemployment insurance as it relates to buyouts. The second is the dissemination of training funds to Ivy Tech and Vincennes University. The UI Board is charged with dispersing the funds on an annual basis by majority vote from the Penalty and Interest Fund. The last component of the bill is the ability to collect money from delinquent employers, allowing the Department to partner with a third party for the collections effort.

Mr. Schlosser questioned the fiscal impact on the Trust Fund. Mr. Stohler explained the impact on the buyout and unemployment insurance as it relates to the increase in benefits paid. Mr. Tolliver inquired about changes made in the eligibility for unemployment insurance and how it is related to severance. Ms. Voors explained the eligibility rules for unemployment insurance. Mr. Sanders continued the explanation on the Fiscal impact of the Trust Fund.

Mr. Stohler reported on the Collections Contract Update. He informed the Board that we are partnering with the Department of Revenue for information on data collection and working with them to levy employer accounts when they have not paid their unemployment taxes. The contract is not yet signed and is waiting on approval from other state agencies. Mr. Stohler stated that he hopes to have more information or a signed contract by the next Board meeting. Some discussion ensued.

Mr. Stohler also reported on Director and Officer Insurance that the Board inquired about. He stated that this is protection afforded to the Board in case of any legal action taken against them, but it would take a motion made by the Board for the Department to

begin taking action on this matter. Mr. Baer noted that it would be a good idea for the Board to consider because we would defend them in a case of liability.

Mr. Baer made a motion to investigate and procure Director and Officer Insurance for the UI Board members, which was seconded by Mr. Tolliver and Mr. Thomas. The motion is approved. Mr. Sanders stated that he would begin researching quotes and get back to the Board at the May meeting.

Mr. Schlosser asked the Board to review the Annual Report prepared by Brianna Carvin. Mr. Sanders suggested that the Board members provide comments to both Ms. Carvin and Mr. Sanders within two weeks time for any revisions to be made. This report should be completed and filed by May, which we will do electronically. Mr. Baer gave one suggestion regarding definition of Reed Act funds.

NEW BUSINESS:

Mr. Schlosser asked if there was any new business the Board would like to discuss. Ms. Voors again suggested that the Board members consider traveling to Fort Wayne for the May meeting, to which all Board members agreed. Efforts to coordinate this meeting will be completed by Board Clerk Kate Hulsey. Mr. Baer expressed that a meeting in Indianapolis would be more convenient for his travel schedule.

PRIVILEGE OF THE FLOOR:

Mr. Baer took this time to thank Mr. Sanders, Mr. Gillespie, Mr. Ruckelshaus, Commissioner Voors, and Brianna Carvin for their help in keeping the UI Board members informed.

ADJOURNMENT: Mr. Schlosser moved to adjourn at 10:55 am, and it was approved.