

MINUTES OF THE UNEMPLOYMENT INSURANCE BOARD MEETING
APRIL 15, 2009
INDIANA GOVERNMENT CENTER SOUTH
10 N. SENATE AVENUE – ROOM 301A
INDIANAPOLIS, IN 46204

Members present were Samuel Schlosser, President; David Collins; Joe Evans; Kent Tolliver; Randy Maxwell; and Paula Presnoples (via phone). Also in attendance from the Indiana Department of Workforce Development were Scott Sanders, Chief Financial Officer; Mary Johnson, Deputy Commissioner of Unemployment; Michelle Marshel, Deputy Commissioner of Communications; and Karen Weber, Director of Legal.

The meeting was called to order by Mr. Schlosser at 10:04 am.

Mr. Schlosser welcomes guest George Raymond from the Chamber of Commerce, Brian Burton from the Indiana Manufacturers Association and Ken Kusmer, from the Associated Press.

COMMISSIONER'S REPORT:

Mr. Sanders reported Commissioner Voors was attending a conference today in regards to the labor market so he will be reporting on her behalf. Mr. Sanders referenced a handout regarding the State of Indiana Comprehensive Review from DOL. The review period was October 27, 2008 through December 4, 2008. DOL visited various regions and visited Indianapolis to discuss Workforce Investment Act programs, which are handled by the State Workforce Innovation Council, and met with Agency staff on unemployment insurance issues. There was an exit meeting where DOL stated they would be back in January, 2009 to review their findings. They had 41 findings and we never had a meeting before they issued their report on March 9, 2009. The Agency has 45 days to respond to the Report which is April 23 and some of the Agency Representatives are going up on April 20 to Chicago to go over these with DOL.

Mr. Sanders reported there are some items of their findings we disagree with. One item referred to the \$7M contract with Ivy Tech. We believe we followed state laws regarding the contract value of \$7M. This amount was never given to Ivy Tech. The actual amount spent was approximately \$300,000. At the request of DOL we pulled back this contract and issued the dollars to the regions to be used for training, which is what Ivy Tech was using the dollars for.

Mr. Sanders explained another finding was on the "Buy Indiana Clause" as to whether it violates federal law. Mr. Schlosser asked if this Clause is a statewide issue and Mr. Sanders confirmed it to be a statewide issue for all agencies. Ms. Presnoples asked when DOL does a review like this, is it usual for the number of findings? Mr. Sanders responded this review was very typical and we have spoken with Nick Lammers and the challenge for Indiana is the system was changed in 2005 and 2006 and that Indiana was the first state they reviewed last year. A copy of said UI findings was distributed and discussion ensued, a copy of which is attached.

Mr. Sanders reported the state has implemented the State Extended Benefits Program and have been processing those claims; approximately 5,000-6,000 letters have gone out. The extended benefits come on the tail end of the benefits. This money is covered by the federal government as a result of the stimulus plan. Mr. Tolliver asked what the maximum period is for receiving benefits. Mr. Sanders responded it is 72 weeks. Some discussion followed.

OLD BUSINESS:

Mr. Schlosser asked if all Board members had reviewed the previous meetings minutes. A motion was made by Mr. Collins to accept the March 18, 2009 minutes, which was seconded by Mr. Tolliver and unanimously approved.

OPERATIONAL UPDATE:

Mr. Sanders referred to the handout of the U.S. map showing 9.4% unemployment rate in Indiana for February, 2009. This 9.4% represents approximately 300,000 Hoosiers. A copy of said map is attached.

Mr. Sanders directed everyone's attention to the handout titled Indiana Claims January 2008 to March 2009 which was reviewed and is attached hereto. He added that the \$25 added payout has been added to claimants. The preliminary data for April looks like the number of state UI will decline by approximately 10,000. Individuals on the construction side are going back to work. Mr. Sanders asked for questions, and there were none.

Mr. Sanders moved on to the Trust Fund update stating at the last board meeting they had reviewed Senate Amendment #5 to HB 1379. At this point, the passed Senate Bill is in Conference Committee. The Conference Committee includes Representative Niezgodski and Senator Kruse who continue to work with the Agency to answer questions or assistance in providing data.

Mr. Sanders moved on to the handout Impact of Outstanding Advances on FUTA tax credits, a copy of which is attached. This answers the question of what happens if the General Assembly chooses to do nothing on the Trust Fund. If Indiana has an outstanding loan balance on two consecutive January's, first being 2009 and second being 2010, and no solution exists to repay the loan in full by November 10th, the first FUTA credit reduction kicks in. Mr. Sanders explained that this issue will hit Michigan this year. As of November 2009, Michigan's FUTA tax credit will be reduced for 2009. Ms. Presnoples added that we have a grace period on the interest but it isn't as positive as it might be because employers would get hit by this increased tax. Mr. Sanders agreed that employers would be looking at a tax increase, as a result of the reduction, in 2010.

Mr. Sanders discussed the next handout titled Trust Fund Loans. This document shows outstanding loans from the federal unemployment accounts for several states and their balances as of April 9, 2009, a copy of which is attached. Mr. Raymond asked how this amount borrowed from the federal government goes down. Mr. Sanders explained if we bring in dollars it would offset the balance of the loan as it is a Sweep Account. We will continue to borrow as we receive payments. We will still have a balance through the end of the year unless there is something that comes out of the General Assembly that addresses the Trust Fund. Mr. Schlosser added that it would behoove the legislators to

have a way to take care of this by November 10, 2010. Mr. Sanders added that DOL is trying to keep in step with what is going on in Indiana. He said there was \$10.6M awarded to the state as part of the stimulus bill that was put into the Trust Fund for administrative uses or improvements to the system and we are looking into spending options. The monthly Trust Fund Report shows \$23M which covers the balance due on Unemployment Insurance Modernization computer project amount. Mr. Schlosser asked if there were any comments on the Special Fund. Mr. Sanders added the Special Penalty and Interest Fund continues to increase. The available fund balance is \$5.2M. A copy of said Cash Report is attached. Mr. Sanders reported we need \$5.5M by July 1 to meet the obligations of HB 1219. The agency is going back and reviewing outstanding programs to see if we can rescind any resolutions to make money available. Mr. Schlosser asked for questions and there were none.

NEW BUSINESS:

At this time, Mr. Schlosser opened the floor to new business.

Mr. Sanders referred to the issue of misclassified workers. He explained employers having individuals listed as consultants and should be classed as employees. Mr. Sanders passed out a handout titled Audit Performance for Calendar Year Ending December 31, 2008, a copy of which is attached. The Agency found 10,000 workers that needed to be reclassified. DOL was appreciative of the Agency's efforts. This will continue to be done on a normal basis. Mr. Collins asked what industries were found with misclassifications and Mr. Sanders said he would get more industry specific information for the next meeting. Mr. Schlosser opened the floor for questions and there were none.

PRIVILEGE OF THE FLOOR:

Mr. Schlosser asked if the Annual Report has been distributed and Mr. Sanders responded that it had been at the February meeting and we are working on the report for 2008 on a calendar year basis.

Mr. Schlosser made the observation that it seems like a number of issues will be resolved when UIM gets fully launched. Mr. Sanders agreed and added on April 6, 2009, we launched new pieces on the employer side. Mr. Stohler, General Counsel, is traveling around the state talking to employers about the process to ease the burden on the employers. Mr. Schlosser asked if the Agency was beholding to any contractors and Mr. Sanders responded that Haverstick is the contractor on UIM and they will not receive final payment until the project is complete.

The next board meeting will be May 20, 2009.

ADJOURNMENT: Mr. Schlosser moved to adjourn at 10:50 am and it was approved.