

Members



Rep. Douglas Gutwein, Chairperson
Rep. Dan Leonard
Rep. Dennis Tyler
Sen. Brent Waltz
Sen. Phil Boots
Sen. Karen Tallian
Ron Metz
Steve Schrekengast
Pete Rimsans
Dave Fagan
Mark Everson

UNEMPLOYMENT INSURANCE OVERSIGHT COMMITTEE

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 233-0696 Fax: (317) 232-2554

LSA Staff:

Chuck Mayfield, Fiscal Analyst for the Committee
Camille Tesch, Fiscal Analyst for the Committee
Peggy Piety, Attorney for the Committee
Susan Montgomery, Attorney for the Committee

Authority: IC 2-5-30

MEETING MINUTES¹

Meeting Date: October 4, 2011
Meeting Time: 1:30 P.M.
Meeting Place: State House, 200 W. Washington St.,
Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Rep. Douglas Gutwein, Chairperson; Rep. Dan Leonard; Rep. Dennis Tyler; Sen. Brent Waltz; Sen. Phil Boots; Sen. Karen Tallian; Steve Schrekengast; Pete Rimsans; Mark Everson.

Members Absent: Dave Fagan; Ron Metz.

Chairperson Gutwein called the meeting to order at 10:33 A.M. and asked the committee members to introduce themselves.

Chairperson Gutwein called on Mark Everson, Commissioner of the Department of Workforce Development (DWD), to update the committee on the funding status of the Unemployment Insurance Fund. Mr. Everson's slide presentation is attached (see Exhibit A). The number of state unemployment claims is down under 50,000, which is about the number of claims before the current recession, but 68,000 extended benefit claims are being paid by the federal government. The state of Indiana, along with 34 other states, has made the required interest payment, about \$60.4 M, to the federal government. The next payment is due at the end of FY 2012. The surtax on employers to pay the interest generated revenue of about \$68 M. The fund currently has a deficit of about \$1.894 B. During the first nine months of CY 2011, the revenue into the fund has been equivalent to the benefits paid from the fund, but since the major portion of the fund's revenue is received in the first nine months of the calendar year, the deficit will probably grow over the next three months. For the first nine months of the calendar year,

¹ These minutes, exhibits, and other materials referenced in the minutes can be viewed electronically at <http://www.in.gov/legislative>. Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for hard copies.

premium revenue is up about 32% and expenditures are down about 22% compared with the same time period as last year. The current premium and benefit figures are close to what the DWD estimated during the 2011 legislative session. DWD believes that the trust fund will have a positive balance during 2018. In addition to increased state premiums, employers also experienced a reduction in their federal unemployment tax credit. The net increase in unemployment insurance premiums paid by employers is 55% when the loss of the federal credit is included.

The committee asked DWD about the interest deferral option offered by the federal government. DWD responded that the interest deferral option was considered, but the state did not qualify. The committee also asked how the cost to balance the fund was distributed between employers and employees. Mr. Everson responded that about 2/3 of the cost is born by the employer through increased premiums and 1/3 of the cost is born by unemployed workers in the form of plan design changes that start in July 2012. The committee wanted to know the number of unemployed workers that exhaust their unemployment benefits. Mr. Everson stated that it is between 20,000 and 30,000 individuals each year.

The chairperson called on Mr. Everson to discuss the federal report on improper unemployment payments made by DWD. The federal report states Indiana had an improper payment rate of 43.56% over the last three years. Mr. Everson explained that the largest source of the improper payments was due to unemployed workers not filling out their initial application or work search form properly. If the forms were not completely accurate, then it counted as an improper payment. Most of the errors were minor and did not impact the payment of benefits or may have delayed payment until errors were corrected. Some of the errors included leaving part of the form blank or providing the wrong address. Some states do not have a work search requirement. The Department of Labor has another error rate that excludes the work search and Mr. Everson believes it is a better measure of possible overpayments. The national operations overpayment rate is about 5.56%, and Indiana's rate is about 4.9%. There needs to be a balance between having all the correct information and getting the unemployment benefits to unemployed workers. DWD has increased the enforcement staff from 21 to 35 employees.

The committee asked about the new computer system. Mr. Everson said that 70% of employers are reporting new hires within 20 days as required. The system will improve with time and be more effective when it is linked to the federal reporting database. The committee asked about double dipping of benefits. Mr. Everson replied that it is generally due to a lack of understanding by the employee. They start work and may not receive a check for the first two weeks of employment and think they are still eligible to draw unemployment benefits since they have not been paid.

George Raymond, Indiana Chamber of Commerce, was called on to discuss the topic of bonding of the unemployment fund advances. Mr. Raymond stated the experts on the subject were unavailable for the meeting, so the topic was not discussed.

The chairperson called on Representative Ed Delaney to discuss the concept of "work share" from HB 1506 of the 2011 legislative session. Representative Delaney provided a slide presentation to the committee (see Exhibit B). The concept would allow an employer to change the working hours of some or all employees so none would have to be let go. He used the example of an employer with four employees who each work 40 hours per week, 160 hours total, but only 120 hours of work per week are currently needed by the employer. Under the current system, the employer could let one person go and he or she would be eligible for unemployment benefits. Under work share, the employer could reduce the hours of all employees by 10 hours per week and they would each be eligible for some unemployment benefits. The work share program would be voluntary and would have to be approved by DWD. Work share could reduce the cost of hiring new employees when the work load increases and

provide for continuity of employment. Mr. Everson commented that 21 states and the District of Columbia have some form of work-share programs. George Raymond said the Indiana Chamber of Commerce supports the concept and recognizes that hiring and training new employees can be very expensive.

Senator Waltz provided a presentation illustrating that employees would have shared suffering under the work-share program. He also commented that the best employees might leave to take another job instead of having their hours reduced.

Ed Roberts, Indiana Manufactures Association, testified that work share has been around for 25 years. Each state has their own version of work share, and a lot of time is needed to correctly develop the program. The state should not implement a new program like work share while DWD is implementing a new computer system.

Representative Reicken was unavailable to present the Hoosier Works program, so the topic was not discussed.

Mr. Raymond discussed the repeal of IC 22-4-15-1(c)(7). The provision allows a person who leaves employment voluntarily to follow a spouse to another labor market to collect unemployment benefits. The impact on the fund is small, but repealing the provision would be a savings. Mr. Everson stated that about 500 people took advantage of the statute over the last few years. Mr. Roberts stated that the statute is an exception in the disqualification section of the unemployment insurance law.

The committee asked if this section pertained to employees who resign under duress. Mr. Roberts responded that resignation under duress is a different condition and is covered in another part of the law. The committee also asked if an employer is charged if an employee leaves to follow their spouse. The benefits are mutualized, and the charge is spread to all employers.

Next, Mr. Raymond discussed mutualization of benefits for reimbursable employers. Currently, if an employee leaves their job during the base period and is hired by another employer that lets the person go, the previous employer funds their unemployment cost on a reimbursement basis. They are charged for their portion of the unemployment benefits. For employers that are not reimbursable employers, the benefits are mutualized. Mr. Raymond suggested that reimbursable employers should be treated in a similar manner. Mr. Everson said it might be beneficial to reimbursable employers, but then they are not reimbursing their actual costs. The system would then be a hybrid system, and the employer could choose to be a reimbursable employer.

The next topic discussed was the collection of the overpayment of unemployment benefits by reimbursable employers. Mr. Raymond suggested that reimbursable employers could use more methods to collect unemployment benefit overpayments. Currently, they have limited methods to collect the money. Mr. Everson stated that it is fair for reimbursable employers to try to collect since they receive the overpayment instead of the trust fund. DWD focuses on overpayments made from the trust fund and not by reimbursable employers. The committee commented that the small claims court would probably be the method used to collect.

The committee did not discuss the topics of broadening the definition of gross misconduct or employee benefits if an employee is discharged for just cause.

The chairperson asked if there were other topics to be discussed by the committee. The committee discussed the problem of a person being offered a job, but they reject it because they make more collecting unemployment benefits and maybe working jobs on the side where

their income is not reported. There was also some discussion of whether the federal extension of unemployment benefits is a good thing or not.

The chairperson asked if the committee needed the second meeting scheduled for October 17. The committee decided a second meeting was unnecessary.

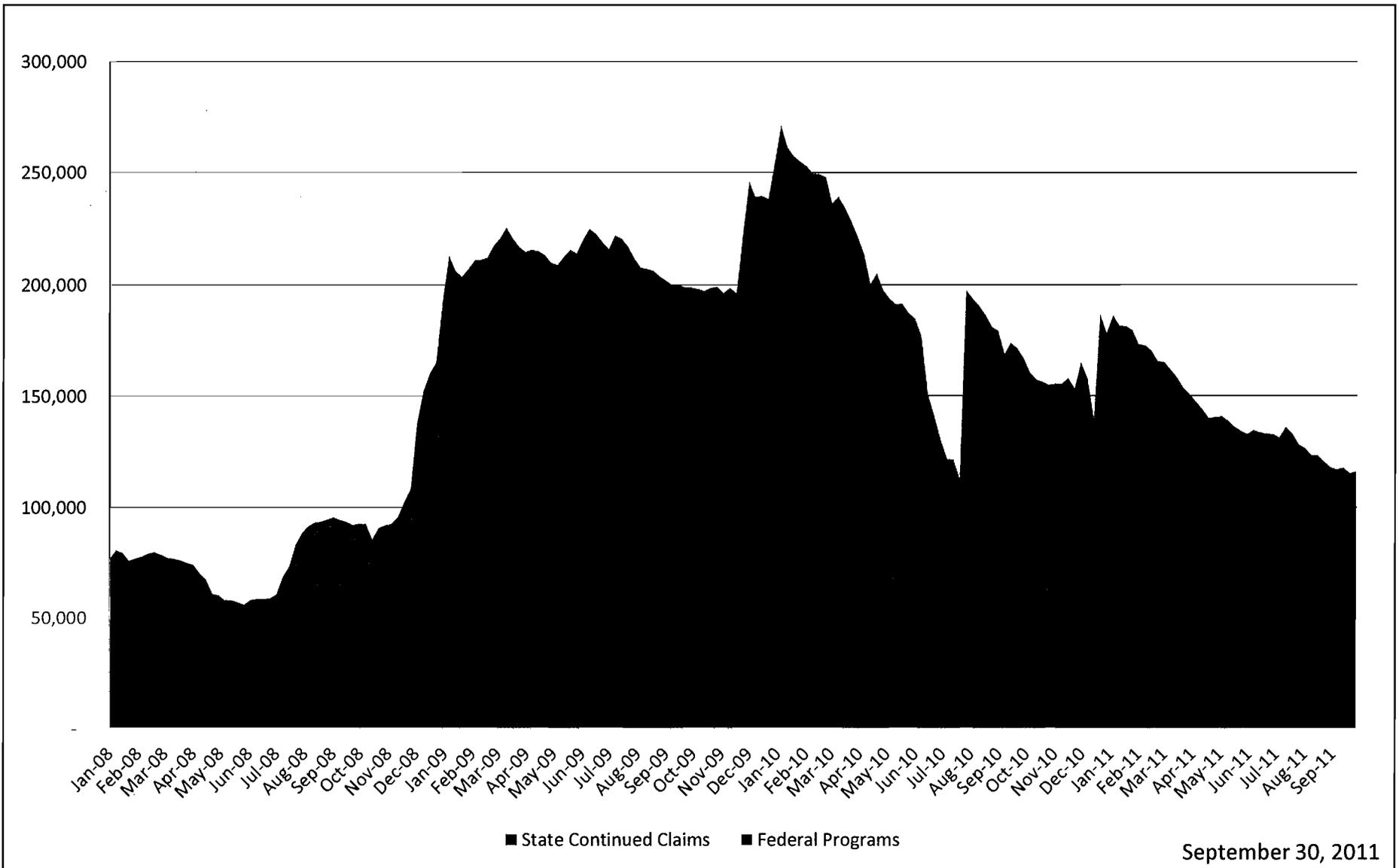
The meeting was adjourned at 3:26 P.M.

Unemployment Insurance Oversight Committee

Indiana Department of Workforce Development

Mark W. Everson, Commissioner

Unemployment Insurance Claims 2008-2011



Indiana's Unemployment Insurance Trust Fund Update

- Implementation of legislation has gone smoothly.
- \$60.4M interest payment made September 30th.
- Premiums in-line with benefits during the first 9 months of the year.
- Trust Fund balance today is \$1.894B vs \$1.822B one year ago.

Indiana Workshare

Representative Mary Ann Sullivan
House District 97

Workshare Facts

- At least 18 other states offer a workshare program
- In 2009, Missouri Division of Employment Security paid \$12.4 million in benefits to participants
- If the employees had been laid-off, Missouri would have paid \$46 million in benefits
- The program also saved 37,000 jobs

Workshare Facts (continued)

- Governor Rell (R-CT) credited the program with saving jobs in 2009
- “It’s a win-win situation when workers can continue to bring home a paycheck and employers know their highly skilled-and highly valued-employees will be ready to go when the economy rebounds.” (*Press Release*, 3/15/09)

Program Overview

- If a company anticipates layoffs and is enrolled in the program, workers qualify for a partial unemployment benefit for a reduction in hours
- Workers still keep benefits associated with their employment
- Collective Bargaining agreements are still in effect

HB 1506 (2011 Session)

- A Workshare plan must be submitted to the Indiana Department of Workforce Development (DWD) by the company for approval
- The plan must apply to at least 10% of employees in the impacted unit or at least 20 employees
- The reduction in hours must be between 10% to 50%

HB 1506 (continued)

- Fringe benefits (i.e. health insurance) must be continued
- Collective bargaining agreements must remain in place
- Seasonal workers are excluded from participation
- A partial unemployment benefit will be given to an employee

HB 1506 (continued)

- The formula for determining benefits
- Limited to 52 weeks of receiving benefits
- Employees cannot receive more than 90% of their regular salary
- Businesses may voluntarily enroll in the program to prevent layoffs

Program Structure

- Many variables for this program
- For instance, states vary on the number of employees that must be impacted
- Also on the percentage of hours reduced
- Nearly every state keeps collective bargaining agreements in place
- Costs the state nothing unless Indiana opts into the plan

Benefits

- Companies get to retain their employees, saving in training new employees
- The state saves in unemployment benefits
- Businesses remain open and ready to resume full production when the economy improves
- The employees keep their jobs and benefits

Questions?

State Representative Mary Ann Sullivan