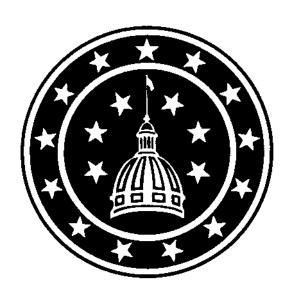ANNUAL REPORT
OF THE
UNEMPLOYMENT INSURANCE OVERSIGHT COMMITTEE

Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana   46204

October, 2013

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2013

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UNEMPLOYMENT INSURANCE OVERSIGHT COMMITTEE

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A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at http://www.state.in.us/legislative/.

NOTE: The Unemployment Insurance Oversight Committee (Committee) is not required by statute (IC 2-5-30) to submit a final report, and this report was not officially adopted by the Committee. This report was prepared by the Legislative Services Agency to:

> (1) comply with the statutory directive that the Committee report annually to the Legislative Council concerning the solvency of the unemployment insurance benefit fund established by IC 22-4-26-1 (fund)(IC 2-5-30-4(6)); and
> (2) summarize the Committee's activities during the 2013 interim.

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Indiana General Assembly enacted legislation (IC 2-5-30-4) directing the Committee to do the following:

> (1) Oversee the implementation of unemployment insurance legislation enacted by the General Assembly in 2009.
> (2) Oversee the administration of the unemployment insurance system by the Department of Workforce Development.
> (3) Make recommendations to improve the following:
>> (A) The proper collection of employer contributions and reimbursements.
>> (B) The determination of eligibility for and the payment of benefits.
> (4) Monitor the solvency of the fund.
> (5) Make recommendations to improve the solvency of the fund.
> (6) Make a report annually to the Legislative Council concerning the solvency of the fund. The report must be in an electronic format under IC 5-14-6.
> (7) Study and make recommendations concerning approaches taken by other states to improve the solvency of unemployment insurance benefit trust funds, including the indexing of:
>> (A) unemployment benefits; and
>> (B) the taxable wage base.

The Legislative Council assigned the following additional topics to the Committee for study during the 2013 interim:

> (1) The use of debit cards to pay unemployment insurance benefits.
> (2) The direct deposit of unemployment insurance benefits to a claimant's own checking or savings account.

II. SUMMARY OF WORK PROGRAM

The Committee met on September 30, 2013, to receive a report from Mr. Scott Sanders, Commissioner of the Department of Workforce Development (DWD), concerning the fund and Indiana's unemployment insurance program. The Committee also heard testimony concerning: (1) the use of debit cards and electronic direct deposits to pay unemployment insurance benefits; and (2) a work sharing benefit.

III. SUMMARY OF TESTIMONY

A more detailed summary of the testimony may be found in the meeting minutes, which may be accessed from the General Assembly's homepage at www.in.gov/legislative.

A. Unemployment Insurance Program and Repayment of Federal Loans Used to   Pay Benefits

The Committee heard testimony from Mr. Sanders, who updated the Committee as to the fund's balance and other topics of interest.

Mr. Sanders reported Indiana's August 2013 unemployment rate was 8.1% and that August was the twenty-sixth month in a row that Indiana's unemployment rate has exceeded the national unemployment rate.

Mr. Sanders then described the history of Indiana's borrowing from the federal government to pay unemployment benefits and provided the following information concerning the repayment of Indiana's federal loans:

> (1) The 2013 federal interest rate on loan balances was 2.57%, and the employer surcharge assessed to pay the interest was 7%.
> (2) Indiana employers paid an extra $63 per employee in federal unemployment taxes (FUTA) this year and will pay an additional $84 per employee next year because of the state's outstanding loan.
> (3) Indiana has applied for a waiver and substitution from an additional FUTA tax credit reduction that the federal government might impose on Indiana employers. DWD expects to receive a decision on the waiver from the United States Department of Labor by November 15th.
> (4) Indiana is on target to finish repaying the federal government in 2017, a year ahead of schedule.

Mr. Sanders reported that initial claims for unemployment benefits have fallen below 2005 and 2006 levels, and weekly unemployment benefits paid are below 2007 levels. All federally extended benefits are set to expire December 31, 2013.

B. Other DWD Programs

Mr. Sanders updated the Committee concerning JOBS for Hoosiers and the Workforce Development System. In response to a question, he described the recent relocation of a few WorkOne offices that were underused or did not provide full services.

C. Use of Debit Cards and Electronic Direct Deposit to Pay Unemployment Benefits

Mr. Sanders discussed unemployment benefit payment options and described the history of, rationale for, and usage of the debit cards used to provide unemployment insurance benefits. Mr. Sanders noted that in early 2014 direct deposit of benefits will be available to unemployment recipients. The State's debit card contract is being put
out to bid, and the bid specifications require that a benefit recipient have the option to receive a State payment by direct deposit into a savings or checking account.

D. Work Sharing Unemployment Benefit

Derek Thomas, Senior Policy Analyst for the Indiana Institute for Working Families, provided information about a work sharing unemployment benefit. Work sharing is a voluntary option used in about half of the states as an alternative to traditional layoffs and allows an employer to reduce the hours and wages of all employees in a particular group or location instead of laying off some of the employees as a response to reduced demand. Employees receive wages for hours actually worked, plus a partial unemployment benefit that typically equals half of the lost wages.

Mr. Thomas said that work sharing is particularly beneficial to employers in the manufacturing sector. Work sharing also enables employers to keep experienced workers at a reduced cost and avoid costs involved with employee turnover.

Nancy Guyott, president of the Indiana State AFL-CIO, and Michael Ripley, representing the Indiana Chamber of Commerce, testified in support of the work sharing concept.

Connie Vickery, representing the Indiana Restaurant and Lodging Association, expressed concerns about a work sharing benefit.

IV. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee made no findings or recommendations.

<u>W I T N E S S   L I S T</u>

Nancy Guyott, President, Indiana State AFL-CIO
Michael Ripley, Indiana State Chamber of Commerce
Scott Sanders, Commissioner, Indiana Department of Workforce Development
Derek Thomas, Senior Policy Analyst, Indiana Institute for Working Families
Connie Vickery, Indiana Restaurant and Lodging Association