

Illinois Employment Security Advisory Board
Video/Teleconference Meeting
March 18, 2021
10:00 A.M.

Board Attendees:

Phone: Jim Argionis
Rob Karr
Mark Grant
Mark Denzler
David Prosnitz
Rick Terven
Pat Devaney
John Gedney
John Easton

With a quorum of the members present, the meeting was called to order by Chairman Argionis.

Agenda:

1. A motion was made to approve the minutes from December 10, 2020. The motion was seconded, and the minutes were approved.
2. Director's Comments (Kristin Richards)

Mr. Chairman and members of the Employment Security Advisory Board, thank you for the introduction. A lot of activity has transpired since our December 10, 2020 meeting, most notably the enactment of two new federal laws – the Continued Assistance Act and the American Rescue Plan Act – that make changes to programs created in response to the Covid-19 pandemic. My colleague Kevin Lovellette will address these in greater detail today.

Notably, these federal laws included the creation and funding through September 4, 2021 of the sixth new federal program that IDES will open in less than a year. The Mixed Earners Unemployment Compensation program provides that beginning with the week ending January 2, 2021, someone who earned a combination of income from a traditional job and had earnings of at least \$5,000 during the applicable period as an independent contractor might be eligible for a \$100 supplemental payment in addition to their regular UI benefit, extended benefits, or Federal Pandemic Unemployment Compensation. The

Department intends to reach out to interested stakeholders with an MEUC implementation status update in the weeks ahead.

My colleagues and I are grateful for the information-sharing offered by Illinois Congressional Delegation staff as the most recent America Rescue Plan Act took shape. As Kevin will highlight shortly, changes made in that Act should benefit the State's Unemployment Trust Fund and provide enhanced funding for reimbursable employers.

Now, one-year into the Covid-19 pandemic, the Department is looking forward with energy and optimism to what lies ahead. Our top priorities for 2021 include:

- Connecting dislocated workers with the workforce.
- Modernizing UI benefit technology, including the continued, persistent push to stop national and, possibly, international bad actors intending to disrupt and criminally access unemployment benefits through use of stolen identities and sharing what we learn with other states and law enforcement.
- Improving the accessibility of IDES communications for employers, claimants, and stakeholders.
- Hiring and training an IDES workforce and developing an agency career-path for new hires.
- Building on labor market insight and outcomes to assist policymakers.

Thank you for your time today, and we look forward to updating you on our progress at the June meeting.

After the Director's remarks, David Prosnitz asked about the "ABC" test which governs independent contractors and their eligibility for unemployment benefits and what plans, if any, there are to incorporate those workers into the regular UI program. Director Richards referred the question to Chief Counsel Kevin Lovellette who explained that the UI Act provides this three-pronged test to classify a worker and determine whether they are eligible for benefits. He explained that the Department will continue to use that test in audits, adjudications, and benefit hearings.

3. Legal and Legislative Update (Kevin Lovellette)

As the Director mentioned, since the Board last met, there have been two significant pieces of federal legislation enacted regarding unemployment benefits. The Continued Assistance Act was signed on December 27, 2020, and the American Rescue Plan Act was signed on March 11, 2021.



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In general, these Acts, read together, provide enhancements and extensions of the CARES Act unemployment programs. We would like to provide the Board with a summary of the more impactful changes made by these Acts.

Pandemic Unemployment Assistance (PUA) provides assistance to individuals who are not traditionally eligible for unemployment benefits, such as independent contractors or the self-employed. PUA was extended to September 4, 2021. There is a requirement that claimants provide documentation within specific time frames of their employment or self-employment for the period of time for which they are collecting PUA. There are also limitations on the dates to which new PUA claims can be backdated.

Pandemic Emergency Unemployment Compensation (PEUC), which provides additional weeks of benefits for claimants who exhaust their regular UI benefits under state law, was extended to September 4, 2021. There are specific coordination rules between PEUC and the other unemployment programs, and limitations on the dates to which new PEUC claims can be backdated.

Federal Pandemic Unemployment Compensation (FPUC) provides a \$300 supplement to the weekly benefit amount for all claimants receiving at least \$1 in federal or state unemployment benefits for a week, and it was extended to September 4, 2021.

The 50% federal relief of unemployment charges for reimbursable employers (those employers that make payments in lieu of contributions) was extended through April 3, 2021. From April 4, 2021 through September 4, 2021, this federal relief increases to 75%.

Full federal funding of the first week of benefits was extended for as long as the waiting week is waived, or September 4, 2021, whichever date is earlier. The American Rescue Plan Act retroactively changed the Continued Assistance Act to allow for full federal funding of this week, instead of the 50% funding provided for originally in the Continued Assistance Act.

The waiver of interest for Title XII advances to the Unemployment Trust Fund was extended to September 6, 2021.

The flexibility in hiring non-merit staff and full funding of Extended Benefits (EB) was extended through September 4, 2021.



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Also, as the Director mentioned earlier, the Mixed Earner Unemployment Compensation program was created by the Continued Assistance Act and extended by the American Rescue Plan Act through September 4, 2021. This program provides for a \$100 supplement to a claimant's weekly benefit amount if they are receiving UI benefits and have at least \$5,000 in net self-employment income. The Act requires documentation to be provided and a determination to be made before the supplement can be applied. This program is not available to PUA claimants under the requirements of the Act.

The Continued Assistance Act also provided for case-by-case waiver of recovery of PUA overpayments if the overpayment occurred through "no fault" of the claimant and it would be against equity and good conscience to recover the overpayment.

Finally, the American Rescue Plan Act provides for grants to the states for implementation of new requirements and continued administration of benefits.

Ethics Remarks

There are also a couple of notes from Gina Wilson, the IDES Ethics Officer, that I would like to share with you.

The filing period for the Statement of Economic Interest with the Secretary of State and the Supplemental Statement of Economic Interest with the Executive Ethics Commission began March 15 and runs through May 17. Both Statements need to be completed. Please be on the lookout for instructional letters from these agencies. Feel free to contact Gina with any questions.

IDES' annual Ethics Training period runs from April 1 through April 30 this year. Gina will again be working with the Department's Training Team and DoIT to provide you with notice and instructions for completing the training online through OneNet. Although the training period ends April 30, it is available on OneNet now and can be completed any time before then.

I appreciate your time and would be happy to answer any questions the Board members may have.

Mark Denzler asked for additional detail on claimants not having to repay the PUA overpayments. Kevin explained that the Department has reached out to all claimants that



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have non-fraud overpayments and have requested information related to the two factors that would allow waiver of overpayments. These factors are that the overpayment is of no fault of the claimant and that collection of the overpayment must not offend equity and good conscience, meaning that it would be an economic hardship for the individual to repay the benefits.

Pat Devaney followed up with a question asking Kevin to explain the status of the UI Act as it relates to the waiver of regular UI overpayments. Kevin explained that the UI Act as currently written does not contain a provision for waiving regular UI overpayments, other than the ability to modify the recoupment of future UI benefits under certain circumstances.

Rob Karr asked for the extent of the UI and PUA overpayments. Kevin responded that he did not have that information but would provide it in the future.

4. Service Delivery Update (Trina Taylor)

One year into the response to the Covid-19 pandemic, the service delivery team continues to deliver programs and services at record-breaking levels. Today, I would like to take the opportunity to recap some of the many steps service delivery has taken since March of 2020, including standing-up five new federal programs throughout the course of the last 12 months.

On March 27, 2020, the CARES Act passed, setting in motion a series of program implementations, application modifications and staff trainings, in response. On April 8th, Illinois was among the first states to begin paying the \$600 Federal Pandemic Unemployment Compensation wage supplement. On April 22nd, Illinois began making Pandemic Emergency Unemployment Compensation payments to claimants who had exhausted regular UI. And on May 11th, Illinois opened the Pandemic Unemployment Assistance for enrollment, providing a new, federally-funded unemployment compensation program to support individuals who are not traditionally eligible for unemployment benefits, such as independent contractors.

On June 29th, Illinois triggered on to extended benefits, and on September 5th, Illinois began administering payments under the Federal Emergency Management Agency Lost Wages Assistance program, which provided a temporary \$300 wage supplement for eligible claimants.



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On December 27th, the Continued Assistance Act became law, and the Department was again among the first states to pay the FPUC benefit when it was reinstated at a \$300 level. In the intervening weeks, IDES has continued to rollout programmatic changes required by the Continued Assistance Act. Finally, on March 11th, with the enactment of the American Rescue Plan Act, IDES has moved to add benefit weeks to claimant accounts in accordance with federal programs being extended to September 4, 2021.

As we move into week 52 of the pandemic-related response, claimants will begin to exhaust their benefit years and much like the response to the 2008 Great Recession, we know this can create confusion among the claimant population. We are working with claimant populations with a goal to communicate a transition path and next steps. Thank you.

5. Revenue Update and Special Administrative Account Report (Isaac Burrows)

IDES Trust Fund Update

As I reported at the last quarterly meeting in December, the Trust Fund entered a deficit position on June 23, 2020 as a direct result of the COVID-19 dislocation that began in March 2020. As of March 16, 2020, the agency has incurred slightly over \$4 billion in Title XII Loan Advances. While we are performing ongoing analyses and monitoring the Trust Fund on a regular basis, current conditions suggest that it is reasonable to think that we will continue to be in a borrowing position in 2021 as well. We are currently projecting that we will secure an additional \$1.5 to \$2.0 billion in federal loan advances from April 2021 through June 2021.

I also would like to take this opportunity to share with you our projections on the associated interest cost on the federal loan advances. As Kevin explained, interest was waived on all federal borrowing through September 6, 2020. Based on our actual and forecasted Trust Fund loan advances needs, we are projecting that we will incur approximately \$10.1 million in interest through September 30, 2021 or \$52.4 million through December 2021. These are significant reductions compared to our previously projections of \$97.5M to \$145M, respectively, which were based on the interest waiver through December 2020. Please keep in mind that the decision on how to address the repayment of principal is a discussion to be had among agreed bill stakeholders.



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Special Administrative Account

The Special Administrative Account (SAA) contains penalty and interest monies collected from delinquent or fraudulent employers. Money is accumulated in the SAA for the purpose authorized in Section 2101 of the Unemployment Insurance Act, primarily for the proper administration of the Act in the event of insufficient federal funds. Expenditures include quarterly transfers to Fund 0052 (Title III).

- 2020 State Fiscal Year Revenue = \$13.4M
- 2020 State Fiscal Year Expenditures (including lapse period) = \$17.7M
- 2020 End of State Fiscal Year Cash Balance \$0.8M

The 2020 End of State Fiscal Year Cash Balance decrease was driven primarily from the \$3.8M decrease in employer tax collections resulting from the COVID pandemic.

Revenue Audit Integrity Update

During our December meeting, I had indicated that our goal was to restore our revenue integrity efforts to pre-COVID-19 levels by the end of the calendar year. The pandemic had forced a suspension of audit functions beginning last March, which limited much of our work through June. Our audit division ramped up activity beginning in September and adopted a number of creative strategies to communicate with and examine businesses, many of which had closed to the public, making traditional audit functions impossible.

As you can see from the PDF titled "Revenue Integrity," the audit division closed Fiscal Year 2020 with numbers exceeding FY 2019 in every category. The year-to-date numbers displayed under FY 2021 are encouraging, showing that we are on pace to maintain these levels, once again achieving remarkable performance when measured against our fellow State Workforce Agencies in Region 5.

Unless there are any questions, I will turn it over to George to expand on the current deficit and trust fund projections in his economic outlook comments.

6. 2020 UI Trust Fund Summary and Quarterly Financials Presentation (George Putnam)

The state's UTF account ended the 2020 calendar year with a negative balance of - \$3.13B. Under the baseline projection, the 2021 year-end balance is projected to be negative -\$4.99B and to remain negative through 2024 – the extent of the forecast



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horizon – and close with a balance of -\$4.01B. The account is expected to run annual deficits from 2021 to 2022 and a slight surplus in 2023 (\$0.36B) and 2024 (\$0.78). Per current state and federal legislation, these projections include the projected benefits paid to non-academic professional staff, the revenue impact of non-charging experience-rated employers through January 2, 2021, for COVID-19 related charges, and the continuation of federal funding for both Extended Benefits and the waiting week.

Pat Devaney asked George about the prospects for Federal assistance to shore up the Trust Fund. George referred the question to the Director, who stated that the Department was in the process of ensuring that members of the Illinois congressional delegation were going to be briefed on the information that George provided regarding the existing Trust Fund deficit and projections concerning the interest rate increases for Federal borrowing after September 21st of 2021.

7. Open Discussion
8. Adjournment