EMPLOYMENT ADVISORY COUNCIL MEETING
DRAFT MINUTES

DATE AND TIME: Wednesday, January 11, 2012
2:00 p.m.

PLACE: Department of Workforce Services
140 E 300 S
Room 211A
Salt Lake City, UT

MEMBERS PRESENT: Kristen Cox, Chair
Chyleen Arbon
Thomas Bingham
Greg Diven
James Judd
David Davis
Tony Montano
Dan Peay
Dee Rowland
Richard Thorn

MEMBERS EXCUSED: Richard Kingery
John Chindlund
Raylene Ireland
Matt Minkevitch

OTHERS: Bill Starks, Dept of Workforce Services
Bradley Salmond, Dept of Workforce Services
Mike Miller, Dept of Workforce Services
Jody McMillan, Dept of Workforce Services
Dave Lewis, Dept of Workforce Services
Eileen Rivera, Dept of Workforce Services
Michelle Beebe, Dept of Workforce Services
Cathleen McKenzie, Dept of Workforce Services
Rep. Hemingway, Legislature of the State of Utah
Peter Asplund, Legislative Research and General Council
Scott Mecham, Governor's Office of Planning and Budget

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Welcome:
Kristen welcomed the Council and commented on what a valuable resource this group is for new ideas as well as feedback for program and policy changes under consideration.

Approval of Minutes
Kristen Cox called for a motion on the June 1, 2011 minutes.

Motion: Tony Montano made a motion that the minutes be approved as written. Greg Diven seconded the motion, and the motion was approved by unanimous vote.
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Proposed Amendment, Benefits to Military Spouse
Rep. Hemingway presented his legislative proposal to help members of military by offering unemployment insurance (UI) benefits to spouses of military who must quit a job when the military member is transferred. Utah is one of 10 states that does not allow this benefit to military spouses. Currently, Utah does not allow for UI benefits for any spouse that quits to accompany a transferred spouse. The legislation would create an exception for military spouses and allow benefits when a military spouse is transferred to a new assignment lasting 180 days or longer. If this policy had been in place last year, it would have affected 29 claimants at a cost of $107,000 had those claimants remained on UI for the average duration. Had the claimants remained on UI for the maximum duration, it would have cost $182,000. The costs would have been socialized.

Greg Diven asked if extending this benefit to military spouses would create precedent and open the flood gates to extending this to all who quit to accompany a spouse. He was concerned about the cost potential. Dee Rowland inquired about the experience of the other states offering this benefit. Rep. Hemingway explained that in the 40 other states offering this UI benefit to military spouses, the benefit has not been extended to the general population. Dave Davis asked for clarification if the benefits would only if quitting to accompany the spouse, as opposed to quitting and moving where other family may live. Rep. Hemingway clarified that the language in the bill is specific to accompanying the spouse. Further clarification was offered on consideration of an overseas transfer. Military spouses accompanying transferred military members overseas to countries other than Canada would not be eligible for benefits due to other, overriding UI regulations.

Motion: Tom Bingham made a motion to support the proposal as presented. Jim Thorn seconded the motion, and the motion was approved by unanimous vote.

Update on UI Special Administrative Act & Reed Act Fund
Kristen Cox summarized the appropriation requests on funds from the "Special Administrative Expense Account" and the "Reed Act Distribution." In accordance with guidance provided by the Council in October, 2009, the FY 2011 request to the "Special Administative Expense Account" included $2 million for workforce development and labor exchange activities. Programs developed in partnership with the Governor's Office of Economic Development resulted in generating 237

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jobs, $17.5 million in wages, and over $59 million in total output to Utah's economy. The FY 2012 request built on the successes of the Economic Service Area projects of the previous year and was for $6 million. This request also included funding for the Utah Cluster Acceleration Partnership ($541,000), a deposit into the UI Trust Fund ($800,000), and funding for an actuarial shortfall in the Met Life retirment system liability ($1.5 million). Additional requests totaling $8.3 million will be made for FY 2013. This request includes $6.5 million for "DWS Employer Demand Driven" projects as well as $1.5 million to fund actuary shortfall in Met Life retirement system liability.

Kristen commented that a federal law (Public Law 112-40) which becomes effective October, 2013, mandates that 15% of all UI fraud overpayment penalties be deposited into the UI Trust Fund. State legislation will be required in 2013.

Kristen noted that the department requested $1.7 million from the "Reed Act Distribution Account" in FY 2011 to help the unemployed get re-employed through the Back to Work Program and other re-employment initiatives. Every average week on UI saved is worth $20 million in savings to the UI Trust Fund. The requested funding for FY 2012 ($6.6 million) invests further into the successes of these programs ($2 million) as well as $4.6 million (a supplement for Wagner Peyser grant) to employ additional employment counseling. The department has an ambitious goal of moving 10% off of public assistance during FY 2012. The increased funding for counseling staff reflects the department's focus on achieving this goal. The FY 2013 Appropriation request for $7.7 million includes funding for Utah Back to Work Program ($2 million), the UI Re-employment and Eligibility Assessment (REA) program ($1.1 million-- if the REA grant is not awarded in 2013), as well as the supplement for Wagner Peyser grant ($4.6 million) to fund additional employment counseling staff.

The department continues to refine measuremnts for program impact. While investments in integrity programs generally yield a $5 return for every$1 invested, the return on re-employment programs, though fuzzier to measure, seem greater. The average claim duration dropped by more than one week last year; this drop translates into a $20+ million dollar savings for the UI Trust Fund. The drop in the average claim duration may be attributable, though, to multiple factors, including an improving economy, and not just to re-employment programs.

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<u>Update on UI Trust Fund & 2012 Tax Rates</u>

Additional hand-out: Charts of Modified Reserve Factor Calculation vs. Reserve Factor Calculation. Bill Starks offered these charts to show where the reserve factor would have gone (1.5) had the department not taken steps to redress insolvency and modify the reserve factor which now stands at 1.3. The effective management of the Fund leaves it with a current balance of about $350 million and a trend line of continued improvement.
The UI Trust Fund Balance Projectons are based on current UI tax rates. Should the legislature amend the rates and cap the maximum at 7% (plus social costs), the amendment will cost the Trust Fund ($20 million) initially, but become revenue neutral over time.

Update on Current Legislative Amendments

The "Amendments to Minimum and Maximum Unemployment Insurance Contribution Rates" are sponsored by Sen. Bramble and Rep. Bird. Rep. Peterson is no longer the House sponsor. The department hopes the legislation will pass quickly as tax reports will be prepared and sent to employers in March. It would be confusing for employers to receive amended reports reflecting newly adopted tax rates. Pending legislation, if passed, will be retroactive to January 1sr.

The "Amendment to Centralized New Hire Registry Act" will bring state statute in line with new federal laws (P.L. 111-291 and P.L. 112-40) which require employers to report the date of hire and rehire. Seventy perceont of Utah employers have provided this information voluntarily. The proposed legislation will make this mandatory reporting. The Employment Advisory Council unanimously endorsed the statutory change on June 1, 2011, to ensure compliance with federal law.

The "Amendments to Employment Security Act Special Administrative Expense Account" clarifies to the legislature that legislative appropriation is not needed to direct funds from this account to non-UI programs/activities.

Item for discussion—Employers File for Wage Data

Researchers who develop models which project job trends and related educational demands request that employers include a working title when reporting wage data. The Council wondered how useful the data would be if employers were allowed to input their own job titles, and how onerous the wage entry task would become if employers had to choose occupation from a menu. If implemented, the new requirements would require guidance. Kristen Cox suggested that the employer representatives sitting on the Council should meet with her separately and share their thoughts and concerns. She will bring those thoughts back to the entire group for consideration.

The Council noted that often times demand is regional. Bill Starks noted that this type of reporting has been considered previously. Anecdotally, Alaska adopted these reporting requirements and has struggled. When employers were allowed to input their own job titles, the state had a raw, unusable data. Alaska moved to coding which employers had to learn.

The Council is interested in learning about and speaking to training gaps that exist. The Council sees this topic as related to the discussion of unemployment insurance.

Item for discussion—"Offer in Compromise" considered by Sen. Bramble

Bill Starks informed the Council that Sen. Bramble recently mentioned his interest in attaching "Offer in Compromise" legislation to one of the pending pieces of UI legislation. "Offer in Compromise" would allow the department to write down debt. The department could work with employers, and, potentially those with benefit overpayments as well, to reduce amount owed. Currently, the department is only able to write off penalties and interest. The idea is that more money could be collected if an employer was heading toward bankruptcy. Bill Starks indicated that he would be disinclined to allow cases of fraud to be eligible for this type of program. He noted that the Utah Tax Commission as well as the State of Washington have "Offer in Compromise" policies and that he is looking into both. The Council expressed concern over cost and how much is unkown

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about the implications of such a program. They encouraged further research and hoped that this proposal would neither be attached to nor slow down any pending legislation.

The meeting adjourned at 3:25 p.m.

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