

**South Dakota Department of Labor and Regulation
Unemployment Insurance Advisory Council
2011 Annual Report**

This document serves as the report of meetings, discussions, and recommendations of the Unemployment Insurance (UI) Advisory Council, pursuant to SDCL 61-2-7.1.

Council members prior to August 2011 included Jason Dilges, Homer Harding, Mark Merchen, Pam Roberts, Robert Anderson, Paul Aylward, Carol Hinderaker, David Owen, and Bob Riter, Jr. Current council members appointed by Governor Daugaard include Secretary of Labor and Regulation (DLR) Pam Roberts (chair), Robert Anderson, Paul Aylward, Tim Fitzgerald, Carol Hinderaker, Don Kattke, Shawn Lyons, and David Owen. The report is available to any interested person or groups and can be found on the DLR website at www.sdjobs.org.

Council action for 2011 began with a meeting on January 13, 2011. The Council was given an update on the financial status of the State UI Trust Fund and was apprised of several UI bills that would be introduced during the 2011 legislative session.

The 2011 Legislature passed three bills which affected the Division of Unemployment Insurance:

- SB 125 revised the time period for computing UI tax rate notices. The timing of annual employer tax rate notices was changed from December 31 to June 30. This change provides employers with their upcoming tax rates before the start of each year.
- SB 64 provided credit to employers' experience rating accounts for interest paid on their negative account balance. Employers with a negative account balance for two consecutive years pay an interest charge on the negative balance. Prior to SB 64, these interest payments were credited to the Trust Fund but were not considered a usable factor to determine an employer's reserve ratio.
- SB 86 revised the investment fee rate for certain employers. The maximum investment fee rate dropped from .55 percent to .53 percent for employers eligible for experience rating.

Legislation was passed in 2006 to end the reduction of UI benefits by one-half of the applicant's social security payment when the Trust Fund reached a \$30 million balance at the end of a calendar quarter. On September 30, 2011, the Council was informed the Trust Fund balance exceeded the \$30 million mark.

Since 2004, the Council has recommended several comprehensive solvency packages in an attempt to improve the health of the Trust Fund. However, in late 2008 the last recession arrived in full force. Weekly benefit payments from the Trust Fund were unprecedented (Attachment A). By the end of 2009, the Trust Fund became insolvent (Attachment B), and federal loan monies were requested for benefit payments.

Emergency legislation was proposed during the 2010 legislative session. The bill implemented an incremental increase in the taxable wage through 2015, temporarily reduced the employer surcharge for 2010 and 2011, established higher tax rates for employers with negative account balances and raised the maximum tax rate to 9.5 percent. By June 2010, South Dakota was able to repay the federal loan of \$24 million and begin rebuilding the Trust Fund.

At the October 12, 2011, meeting, the Council received Trust Fund financial projections (Attachment C) based on the most recent benefit payment and revenue information. The projections are consistent with earlier estimates that the UI Trust Fund would remain solvent and continue to gradually build. In 2010, the Council had adopted the U.S. Department of Labor's recommendation of maintaining a Trust Fund balance of \$76 million to cover one year of benefit payments.

The Council had no recommendations for change to the Governor or Legislature.

Respectfully submitted on October 27, 2011, by the Unemployment Insurance Advisory Council.

Attachment B

Unemployment Insurance Totals
(in millions)

YEAR	Total Income	Benefits	Trust Fund
2000	17.5	15.2	51.1
2001	16.9	22.8	45.1
2002	17.0	29.8	51.2
2003	17.5	31.0	37.4
2004	18.0	28.1	27.3
2005	18.9	25.8	20.4
2006	19.5	20.8	19.3
2007	26.3	20.8	24.1
2008	26.5	25.1	25.5
2009	31.6	63.6	-7.7
2010	84.0	49.7	26.1

Attachment C – 2011 projections for the October 12, 2011 Council Meeting

UI Financial Projections - Quarterly Summary
(in Millions)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2011					
Contributions/Interest In	\$4.8	\$24.1	\$12.2	\$7.1	\$48.2
Benefits Out	\$16.4	\$10.1	\$6.4	\$9.5	\$42.4
Trust Fund	\$15.2	\$28.2	\$35.5	\$33.1	\$33.1