

# Unemployment Insurance Advisory Council Meeting



April 30, 2012

# Opening Remarks

# UC Integrity Act of 2011

- Mandatory penalty of not less than 15% on fraud claims.
- Reporting of rehired employees to the National Directory of New Hires.
- Prohibit relieving charges to an employer account if an overpayment was due to failure of an employer or its agent to respond to an agency request and the employer or agent has established a pattern of failing to respond or of providing inadequate information.

# Current Claimant Fraud Disqualification

- It is unlawful for a claimant to knowingly give false information or fail to give information to obtain or increase benefits.
  - ✓ SDCL 61-6-24
- Benefits are denied for not less than one week up to 52 weeks from and after the date of discovery.
  - ✓ SDCL 61-6-22
- Four weeks of administrative penalty is imposed for each week of misrepresentation up to 52 weeks.
  - ✓ ARSD 47:06:04:28

# Other States (Current Disqualifications)

|                          | <u>Monetary Assessment</u>  | <u>Administrative Penalty</u>  |
|--------------------------|---|--|
| • <b>South Dakota</b>    | <b>0%</b>   | <b>4 weeks for every 1 week of fraud, not to exceed 52 weeks</b>                               |
| • Colorado               | 50% of OP   | 4 weeks for every 1 week of fraud  |
| • Iowa                   | 0%  | 4 weeks to current BY, increases with each offense   |
| • Minnesota              | 40% of OP   | 13 to 104 weeks, ineligible until OP including penalties are paid in full                      |
| • Montana                | 33% of OP (1 <sup>st</sup> offense)<br>100% of OP (2 <sup>nd</sup> offense) | 1 to 52 weeks, varies by issue   |
| • Nebraska               | 0% (proposing 15%)  | cancellation of wage credits on current & future claims could extend into 2 <sup>nd</sup> year |
| • North Dakota           | 0%  | 1 year from the date of OP determination   |
| • Utah                   | 100% of OP  | 13 to 49 weeks, ineligible until OP is paid  |
| • Wyoming                | 5% of OP every 6 months   | 1 year from date of OP determination   |
| • <b>New Requirement</b> | <b>15% +</b>  |  |

# DLR Recommendation

- Add a monetary penalty of at least 50%.
- Remove the 52 week cap on administrative penalty.

# UI Trust Fund

## 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       |
| 2011 | 48.8         | 38.5     | 36.5       |

# UI Trust Fund Projection – 2012 & 2013

## As of April 18, 2012

### UI Financial Projections - Quarterly Summary (in Millions)

|                           | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | Total  |
|---------------------------|---------|---------|---------|---------|--------|
| <b>2012</b>               |         |         |         |         |        |
| Contributions/Interest In | \$5.2   | \$25.7  | \$13.1  | \$8.0   | \$52.0 |
| Benefits Out              | \$14.7  | \$9.0   | \$5.4   | \$6.2   | \$35.4 |
| Trust Fund                | \$27.9  | \$42.4  | \$49.6  | \$52.0  | \$52.0 |
| <b>2013</b>               |         |         |         |         |        |
| Contributions/Interest In | \$5.4   | \$26.5  | \$13.4  | \$8.5   | \$53.8 |
| Benefits Out              | \$13.7  | \$8.4   | \$4.9   | \$5.5   | \$32.6 |
| Trust Fund                | \$44.8  | \$60.1  | \$67.9  | \$71.9  | \$71.9 |



# Trust Fund Adequacy

- US DOL recommends States have a Trust Fund balance to cover 1 year of benefit payouts. The benefit cost is based on the average 3 highest benefit to total wages ratio.
- South Dakota is on track to reach established Trust Fund target of \$76 million.
- **DLR Recommendation: \$76 million**

# Trends by Industry

## Employer Unemployment Insurance Account Balances by Industry

| NAICS                                  | June 30, 2008   | June 30, 2009   | June 30, 2010   | June 30, 2011   |
|--|-----------------|-----------------|-----------------|-----------------|
|  | Account Balance | Account Balance | Account Balance | Account Balance |
| Construction                           | -\$31,126,576   | -\$38,039,786   | -\$48,773,611   | -\$53,540,877   |
| Public Administration                  | -\$2,753,757    | -\$3,003,924    | -\$3,174,290    | -\$2,855,535    |
| Manufacturing                          | \$5,117,982     | -\$2,490,228    | -\$6,217,104    | -\$1,310,697    |
| Mining                                 | -\$1,795,538    | -\$2,232,046    | -\$2,320,640    | -\$2,585,717    |
| Educational Services                   | \$595,101       | \$542,540       | \$698,625       | \$745,132       |
| Agriculture/Forestry/Fishing/Hunting   | \$831,655       | \$774,481       | \$816,287       | \$950,634       |
| Real Estate/Rental/Leasing             | \$1,108,227     | \$963,611       | \$1,179,628     | \$1,503,508     |
| Utilities                              | \$989,469       | \$968,245       | \$922,641       | \$850,978       |
| Management Of Companies/Enterprises    | \$1,110,952     | \$996,136       | \$989,543       | \$951,001       |
| Arts/Entertainment/Recreation          | \$1,323,748     | \$1,115,075     | \$960,793       | \$1,073,314     |
| Transportation/Warehousing             | \$1,847,502     | \$1,186,082     | \$706,253       | \$903,392       |
| Admin/Supp/Waste Mgmt Remediation Serv | \$2,114,006     | \$1,328,123     | \$611,482       | \$459,092       |
| Professional/Scientific/Technical Serv | \$2,216,926     | \$1,770,325     | \$1,331,072     | \$1,699,140     |
| Information                            | \$2,362,611     | \$2,169,138     | \$2,070,437     | \$2,171,964     |
| Other Services/Exc Public Admin        | \$2,474,626     | \$2,208,894     | \$2,114,975     | \$2,408,482     |
| Wholesale Trade                        | \$3,722,754     | \$3,313,634     | \$4,911,855     | \$5,775,448     |
| Health Care/Social Assistance          | \$5,822,483     | \$5,565,097     | \$5,750,272     | \$6,241,400     |
| Accommodation/Food Services            | \$8,087,686     | \$7,331,166     | \$6,973,941     | \$7,633,253     |
| Finance/Insurance                      | \$9,003,019     | \$8,404,217     | \$8,535,277     | \$8,823,789     |
| Retail Trade                           | \$15,394,352    | \$14,235,287    | \$13,823,445    | \$14,771,234    |

# Employer Surcharge

- Triggers on when Trust Fund drops to \$11 million or less at the end of any calendar quarter.
- Triggers off after 4 consecutive calendar quarters and trust fund is \$16.5 million or higher.
- Surcharge triggered on for the first time in UI history in October 2009 at maximum rate of 1.5 percent.
- Surcharge generated \$27.7 million in revenue to the trust fund.

# DLR Recommendation

- Option 1: Leave as is.
- Option 2: Increase the Trust Fund balance at which the surcharge triggers.

# Extended Training Benefits

- Benefits of 26 additional weeks paid to UI exhaustees participating in state-approved or WIA-funded training programs.
- Implemented July 2010
- Cost incurred 2010: \$135,491
- Cost incurred 2011: \$223,175
- Cost incurred 2012: \$50,059  
(as of April 20, 2012)
- Estimated future annual cost: \$500,000

# Other Items