Unemployment Insurance Advisory Council
Meeting Minutes
August 29, 2006
Kneip Building, Conference Room #3
700 Governors Drive
Pierre SD

Members Present
Pam Roberts, Chair
Carol Hinderaker
Robert Anderson
Homer Harding
Bob Riter, Jr.
David Owen
Paul Aylward
Mark Merchen
Jason Dilges

Others Present
Don Kattke
Monica Harding
Marcia Hultman
Pauline Heier
Richard Benda
Dr. Ralph Brown
Bob Merchen
Deb Mortensen
Larry Zikmund
Mike Kelley
Curt Everson
Shawn Lyons
Michael Youngberg

Chairman Roberts called the meeting to order and roll call was taken by Pauline Heier. A quorum was present.

Jason Dilges MOVED to approve the November 18, 2005, minutes. SECONDED by Robert Anderson. Motion Carried.

Chairman Roberts introduced Secretary of Tourism and State Development, Richard Benda to the UI Advisory Council.

Don Kattke gave an overview of the 2006 UI legislation. The four bills which passed and were effective July 1, 2006 include: HB1027, an Act to change the unemployment insurance wage base and contribution rates and to assess interest on negative employer accounts under certain circumstances; SB108, an Act to revise certain provisions defining employer contributions that are not deemed as wages; HB1197, an Act to revise certain provisions regarding the reduction of unemployment benefits; and HB1177, an Act to limit the amount in the Employer's Investment in South Dakota Future Fund. A summary of each Bill will be in the 2006 Annual Report.

Don Kattke gave a presentation on the current Unemployment Insurance projections and on the current financial status of the State Unemployment Insurance Fund.

Chairman Roberts introduced Dr. Ralph Brown, Emeritus Professor of Economics, University of South Dakota. Dr. Brown was contracted by the Department of Labor to review the current Investment in South Dakota's Future Fee (Future Fee) system and analyze alternative funding methods.

Dr. Brown gave a presentation on the current Future Fee system and on four alternatives. The current system parallels the UI contribution rates. Future fee rates range from 0.0% to 0.7 percent. Alternative 1 uses a flat future fee rate applied to the UI wages. UI wages are the amount subject to the UI contribution. Alternative 2 also uses a flat future fee rate but with total wages instead of UI wages. Alternative 3 uses a flat rate with total employment as a base instead of wages. Alternative 4 uses a flat rate with taxable sales as a base. Dr. Brown followed his presentation with a synopsis of the stability, equity and fairness of the Future Fee program.

Chairman Roberts opened the floor to discussion among the Council members. The purpose for discussion was to address Section 2 of HB1177. This section directs that the Department of Labor and the Department of Tourism and State Development shall study and make recommendations regarding the broadening of the base of payers into the Employer's Investment in South Dakota's Future Fund. A report shall be made to the Governor and the Legislature by November 15, 2006.

Carol Hinderaker asked for additional information on the percent of total Future Fee payments from each industry and the percent of total employment in each industry. This alternate table will be added to Dr. Brown's report for the next meeting.

Homer Harding MOVED to eliminate Alternative 3 and 4 from discussion. David Owen made a SUBSTITUTE motion to just eliminate Alternative 4. SECONDED by Carol Hinderaker. Motion failed on a roll call vote. 4 Yea and 5 Nay (Anderson, Riter, Aylward, Dilges and Merchen)..

David Owen made another substitute motion that the Council consider all Alternatives but clarify that Alternative 4 would be a low priority and for discussion only. SECONDED by Bob Riter. Motion carried on a roll call vote. 8 Yea and 1 Nay (Dilges).

It was the consensus of the Council that public testimony would be received regarding all four Alternatives, maintaining the current system and any other suggested Alternatives at their next meeting.

Jason Dilges MOVED to adjourn the meeting at 12:30 p.m. SECONDED by David Owen. Motion Carried.