

Unemployment Insurance Advisory Council
Meeting Minutes
October 10, 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

Members Not Present

Jason Dilges

Others Present

Don Kattke
Monica Harding
Marcia Hultman
Pauline Heier
Richard Benda
Dr. Ralph Brown
Rep. Deb Peters
Deb Mortensen
Sharon Schnabel
Bob Mercer
Bob Miller
Shawn Lyons
Audrey Ricketts
Thomas Adams

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

Bob Riter MOVED to approve the August 29, 2006, minutes. SECONDED by Robert Anderson. Motion Carried.

Don Kattke gave testimony on proposed legislation by the Department of Labor regarding penalties for late filing. Under current law, a \$5 per month penalty is assessed to employers who fail to file their report on time and/or make the required payment. The Department of Labor recommended that the penalty be increased from \$5 to \$25 per month. The Council members agreed to hold discussion of this issue until after public testimony.

The next order of business was the review of the 2006 Annual Report of the UI Advisory Council. The Council members agreed to hold discussion on the report until after public testimony.

Chairman Roberts asked Dr. Ralph Brown, Emeritus Professor of Economics, University of South Dakota to give an overview of his report on the funding of the Future Fee. Dr. Brown explained the current Future Fee system and the four alternatives he developed. 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 UI wages. UI wages are the amount subject to UI contributions. Alternative 2 also uses a flat future fee rate but with applied to 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 using taxable sales as a base.

At 9:50 A.M. Chairman Roberts opened the floor to public testimony on the future fee funding alternatives and on the proposed legislation to increase the penalty for late filers/payments.

Bob Miller on behalf of the SD Electric Utility Companies testified that he likes the future fund and it plays an important role in South Dakota. He stated his members are willing to pay more, but not the 4,000% increase required in one of the alternative systems. He also noted that increased payments by some employees should increase total future fee payments and enhance the fund rather than reduce the rates of some employers.

Shawn Lyons from the SD Retailer's Association testified that he is not crazy about the idea of a \$25.00 penalty fee as outlined in the proposed legislation. The \$25.00 fee is not much of an incentive in terms of getting employers to submit their reports electronically. In looking at the Future Fee, Lyon suggested it is important that everybody pay their fair share. The system needs to be fair and that means maybe how the future fund is financed and who is eligible to apply for it should be reviewed. Most of the businesses that he represents do not have a direct benefit from the Future Fund but there is an indirect benefit. He recommended the funding of the Future Fee remain in its current form.

Audrey Ricketts on behalf of the SD Rural Electric Association testified that she also hopes the Council recommends the funding of the future fund remain in its current form. REA members have a steady workforce so are at the zero rate for both unemployment insurance and the future fee. Another option might be an additional annual fee for employers who have a zero rate to increase total future fee payments. She does not support any one of the four alternatives.

Deb Mortenson from Associated General Contractors of South Dakota testified in support of the future fund and stated AGC wants to help find an equitable solution. AGC members are not in favor of any of the four alternatives but would like to see more employers contributing to the Future Fund.

Chairman Roberts adjourned the public hearing and opened the floor to discussion among the Council Members. The Council moved into discussion of the Department of Labor's proposal to increase the penalty rate.

Paul Aylward MOVED to support the Department of Labor's effort to raise the penalty for non-filers from \$5 to \$25. SECONDED by Robert Anderson.

Bob Riter made a SUBSTITUTE motion to increase the liability on enforcement for non-filers to \$100 when the Agency is compelled to use outside (third party) assistance.

Homer Harding made a SUBSTITUTE motion to change the penalty rates to \$5 for the first offense; \$25 for the second offense; and \$50 for third offense. SECONDED by Bob Riter. Motion failed on a roll call vote. 3 Yea and 5 Nay (Hinderaker, Anderson, Alyward, Merchen, Roberts)

A roll call vote was taken on the original motion by Paul Alyward to increase the penalty for non-files from \$5 to \$25. Motion Carried. 7 Yea and 1 Nay (Riter)

Bob Riter MOVED to approve the 2006 Report of the Unemployment Insurance Advisory Council. SECONDED by Homer Harding. Motion Carried.

Don Kattke introduced the new Deputy Director of Unemployment Insurance, Sharon Schnabel, to the UI Advisory Council.

The UI Council moved into discussion on the report that will be submitted to the Governor and Legislature by the Department of Labor and Department of Tourism and Economic Development regarding the Future Fee.

Mark Merchen MOVED to recommend the Department of Labor and the Department of Tourism and State Development forward Dr. Brown's study, the UI Council meeting minutes, and the transcript of the public testimony from the October 10, 2006 meeting to the Governor and the Legislature as information with no recommendation regarding funding changes for the future fee. SECONDED by David Owen. Motion Carried.

Carol Hinderaker MOVED to adjourn the meeting at 11:05 a.m. SECONDED by Robert Anderson. Motion Carried.