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UNEMPLOYMENT INSURANCE
ADVISORY COUNCIL MEETING

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KNEIP BUILDING
700 GOVERNORS DRIVE
PIERRE, SOUTH DAKOTA

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TUESDAY, JUNE 17, 2008

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Reporting
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TUESDAY, JUNE 17, 2008

2

meeting to

CHAIR ROBERTS: We are going to call the

3

you. Can

order. We have David. Hi there, Dave, we can see

4

you hear us?

5

MR. OWEN: I can hear you just fine, ma'am.

6

then we

CHAIR ROBERTS: We have David in Rapid and

7

Mark, are

should have Mark in -- or David in Sioux Falls and

8

you in Rapid?

9

MR. MERCHEN: Yes, I am. I'm here.

10

will have

CHAIR ROBERTS: There you are, hey, Mark. I

11

the secretary call the roll.

12

following

(Whereupon, roll call was taken and the

13

Hinderaker, Rob

members were present: Chair Pam Roberts, Carol

14

Aylward,

Anderson, Homer Harding, Bob Riter, David Owen, Paul

15

and Mark Merchen.)

16

order.

CHAIR ROBERTS: Thank you. So we are to

17

something

Everybody is here but Jason, and we decided to try

short, 18 different because our meeting -- our agenda was pretty
see how 19 to allow them to do it via video conferencing so let's
time. We 20 it works. It will be a little experiment for this
minutes? 21 have minutes. Does everybody have a copy of them?
If 22 MR. HARDING: Move for approval.
23 MR. AYLWARD: Second.
24 CHAIR ROBERTS: Any discussion on the
25 not, all in favor say "aye.

3
1 (Whereupon, the motion passed unanimously.)
2 CHAIR ROBERTS: Opposed, nay. I thought you
said nay.
3 MR. OWEN: No, no, I'm just trying to
participate. No
4 problem.
5 CHAIR ROBERTS: Sounds good. Opening
comments.
6 Again, just a thanks for your patience here. We are
going to
7 try the DDN this time. We just have a director's
report and
8 there are very few public comments possibly. There's
three
9 people from the public here. We are not planning a
real long
10 meeting. Does anybody else have any opening comments?
Is the

to 11 agenda okay with everybody? If so, then we are going
Don 12 proceed to item five, which is the director's report.
13 Kattke.
morning, 14 MR. KATTKE: Thank you, Madam Chair. Good
agenda 15 everyone. 2008 legislation is the first item on that
year for 16 and this also is pretty short. It was a pretty quiet
bill that 17 unemployment insurance. There was actually only one
of a 18 passed, that was House Bill 1002, which was the result
and that 19 summer study for the department in the summer of 2007,
obsolete 20 was really just a cleanup bill to do away with some
any 21 things that passed the House and the Senate without
22 opposing votes.

sort of 23 The only other piece of legislation was one,
federally- 24 an obscure bill, but impacted some employees in
it would 25 operated schools. The department opposed that because
□

4

that died 1 have taken us out of compliance with federal law and
2 in committee, I believe, so that was all that happened

in the

3 legislative arena in 2008.

4
legislation?

CHAIR ROBERTS: Questions on 2008's

5
can be

MR. OWEN: I have a question for Don, if I
6 allowed.

7 CHAIR ROBERTS: Sure.

8
Norman

MR. OWEN: Don, did you talk with, was it Van

9
with

that carried that, that bill? Have you gotten to talk

10
while. Do

proponents? We have seen that come up once in a

11
different

they understand what they are doing? Do they have a

12
expect

interpretation? Where are they with that? Not that I

13
them and

them to be all happy, but what was your exchange with

14 do you think -- do you expect that to come back?

15
coming

CHAIR ROBERTS: I will jump in. I think it's

16
people on his

back. I think it's one of those issues he's got

17
the facts

reservation that are upset and he doesn't care what

18
he's just

are. He doesn't care what the system problems are,

19
think it's a

trying to address his constituent concerns. So I

20
through

political thing we are probably going to have to go

21 year after year.

22 Frankly, Representative Van Norman did not --

I'm going 23 basically was fibbing on a lot of different things,

frustrating 24 to say it publicly, because he was, and it was very

row now, 25 for the department. We have had to, two years in a

□

5

actually 1 establish that the department wasn't lying, we had to

prove it. 2 do verbatim testimony from the last two sessions to

we would 3 He would testify that we were lying about things and

frustrating 4 have to verbatim show our testimony. It's very

going to 5 from the department's perspective, but I think it's

understand, 6 come back year after year, and I think most people

7 but it just takes a lot of time and energy.

black 8 And frankly, I think we get a little bit of a

upsetting to all 9 eye every time he brings that bill up and it's

years in 10 of us. The reason I'm speaking is because he has two

that this 11 a row said that Don Kattke has lied and we all know

12 man does not lie and it's upsetting to me. Moving on.

13 MR. OWEN: I just watched it and there's a

handful of

14 bills that come up. There's only about 100 a year,
but just

15 wanted to know which category it was in. (Laughter)

16 MR. KATTKE: That's my story, David, and I'm
sticking

17 with it on that issue.

18 MR. OWEN: We are all on your side.

19 MR. KATTKE: Thank you.

20 MR. RITER: Yes, we are.

21 MR. KATTKE: Appreciate that.

22 MR. OWEN: The side of righteousness and
justice.

23 CHAIR ROBERTS: Trust fund status. Now I
think we can

24 put our PowerPoint up. You three in the field, let us
know if

25 you cannot see it, but you will not see us, it will be
the
□

6

1 PowerPoint now, but we can hear you if you want to
speak up.

2 Don, go ahead.

3 MR. KATTKE: We can go on to the next slide.
Here is

4 ours, by that I mean Pauline Heier's projections, the
trust

5 fund status through 2008 and into 2009. And I just
need to

6 offer our usual caveat that once we get out 12, 18
months out

7 in the future, these numbers get pretty speculative,
but this
8 is the best we can do right now. But again, we have
talked
9 about this at the last council meeting, I think, is
the trust
10 fund is moving in the direction that everybody hoped
it would
11 be at at about the right pace, maybe going up a little
faster
12 than we thought it would be, but the benefits have
stayed
13 lower, despite the national economic issues. We are
just not
14 seeing that here, so our benefits are staying pretty
flat. So
15 you do not have actual numbers on this screen, but
what we are
16 seeing here is that our revenue this year is going to
be 27.8
17 million, benefits just slightly above 21 million,
leaving the
18 trust fund just slightly over 30 million at the end of
2008.
19 We will come back to this number again in the next --
in
20 another slide.

21 MR. HARDING: Did you happen to see that
national TV
22 news, it showed South Dakota and I think it was six
states
23 where the unemployment trust funds were in jeopardy?

24 MR. KATTKE: Right.

25
this chart.
□

MR. HARDING: Apparently they hadn't seen

7

1
numbers, they

MR. KATTKE: No, they haven't, and those

2
it took

were obviously accurate, but part of the problem was

3
March 30th,

our -- it took the trust fund number at the end of

4
lowest

and I think it was like \$18 million. Well, that's the

5
the

point every year because the revenue is the lowest and

6
about -- I

benefits are the highest. You can see the fund is

7
\$7

think it's about \$25 million right now so it's already

8
at the

million higher than that point. I guess if you look

9
comfortable

pure math, those numbers were right, but I'm pretty

10
up and it

we are where we ought to be, as it is gradually going

11
years,

will get us healthy within two, three years, four

12
something like that.

13
an

MR. HARDING: They are maybe looking back for

14
answer.

15
are

CHAIR ROBERTS: Don said that the benefits

16
the number

remaining stable. We really have seen a decline in

17 of claims and our economy is doing so well, our
unemployment
18 rate is is 2.8, I believe, this last month, and I was
just at a
19 meeting with a bunch my counterparts on Wednesday and
they are
20 talking -- one of the states had a 6.2 percent
unemployment
21 rate. They are seeing lots of problems. There are
six states
22 that are really having problems so we are very
fortunate that
23 our economy is doing so well and that is really
helping our
24 trust fund. If people do become unemployed, they are
getting
25 right back into the work force because there's jobs
out there
□

8

1 for people, so that's good for all of us.
2 MR. KATTKE: To finish this slide, going out
one more
3 year through 2009, income goes up a little bit to 28.3
million,
4 benefits up slightly, and these are really just
inflationary
5 numbers more than any increase in claims. In fact I
know they
6 are. So up to 28.3 million in 2009, taking the trust
fund to
7 35 million at the end of 2009. I think it's maybe
good to just

8 go back and point out when we started these discussions about

9 three years ago, we had quite a bit of talk about what that

10 number should be and the council settled on a solvency target

11 of 45 million, so even at the end of 2009, we are still going

12 to be about \$10 million below of what we think is a fully

13 solvent trust fund. So that's our best estimate on where the

14 fund is going over the next 18 months. Any questions?

15 MR. OWEN: Don, remind me where we are on those step

16 increases in terms of maximum rate and base pay, are we done

17 with that? Do we have a third year of it? That's going to

18 affect that revenue in 08-09, or are we done?

19 MR. KATTKE: Yes, it is going to, and we would have

20 factored that in, so the wage base this year is 9,000, so

21 there's two -- we have reached the maximum rate, which is 8.5

22 percent, the wage base is 9,000 this year. There's two steps

23 left, 9,500 in 2009, and then 10,000 in 2010, then it's capped

24 at that point going forward.

25 MR. OWEN: We are at the maximum right now?

□

9

1 MR. KATTKE: We are. There was just one jump
in the
2 maximum rate of 7 to 8.5 percent and that happened all
in one
3 year, 2007.

4 (Council member Jason Dilges joined the
meeting in
5 Pierre.)

6 MR. OWEN: Thank you.

7 MR. KATTKE: Any other questions on
projections on the
8 fund?

9 CHAIR ROBERTS: Any comments, any discussion?
I for
10 one am very happy with the way the fix has gone. I
don't think
11 that we overreacted and have gone out and taxed too
high, and I
12 just think the gradual increase is really good. I'm
very happy
13 with the results and I hope the rest of you are.

14 MR. HARDING: Sure haven't had any
complaints, that's
15 a good sign.

16 CHAIR ROBERTS: Just to let Carol and Mark
and David
17 know, they are out in the field, Jason, Jason Dilges
is now in
18 attendance.

19 MR. OWENS: The meeting is official.

20 CHAIR ROBERTS: That's right.

is the 21 MR. KATTKE: The next item on the agenda then
at that 22 Social Security offset implementation, and we can look
this, 23 chart. Again, just by a little bit of background on
24 right now when benefit claims are filed and people are
deducts one 25 receiving Social Security pensions, the department
□

10

benefit 1 half of their Social Security income from their
the 2 payment, and that's based on current law. So one of
million, those 3 changes in 2006 was that when the fund hits \$30
benefit 4 deductions will stop, and the impact will increase our
that will 5 payments by about half a million dollars a year and
Security 6 go to like three or 400 recipients that receive Social
times 7 but continue to work and also get laid off at certain
8 during the year.

by month 9 So this chart then shows our projection month
bring a 10 this year of where that 30 million is, and I didn't
fund is \$30 11 copy of the statute with me, but it reads when the
12 million at the end of any quarter, then that deduction

will

13 stop. So these numbers, they are projections, but
they are

14 very close, close to 30 million I mean. Our
projection is on

15 September 30th the fund will be \$30,287,000, so the
benefit

16 payouts are usually in the range of a couple hundred
thousand

17 dollars a week, so that can easily change.

18 And then the fund continues to go up in
October and

19 November, but again, seasonal factors, the payout
kicks up in

20 December, so Pauline's estimate at the end of December
will be

21 30.5 million. We are just going to have to keep
looking at

22 that and as soon as it hits that 30 million, if it
does in one

23 of those two quarters, what we will do is notify all
the

24 applicants that we are currently paying that your
payment is

25 going up and here is why, because it will affect all
the

□

11

1 current applicants at that point.

2 CHAIR ROBERTS: We also plan to do some press
releases

3 and let the general public know, and if you would like
to do

will let 4 something jointly, we would be happy to do that. We
5 you know.

if those 6 MR. KATTKE: For your future consideration,
7 numbers do not get above 30 million at the end of
September or 8 the end of December, it will probably be June of 2009
before 9 that happens because our payments are the highest in
the first 10 quarter of the year.

that if it 11 MR. HARDING: Did we make a provision there
12 drops below 30 million, that we just keep paying that
from 13 there?

14 MR. KATTKE: Right.

15 MR. HARDING: Once it does it, it's in.

There was 16 CHAIR ROBERTS: That's a good question.
17 discussion about it, but I think we decided that once
we 18 changed the policy, then that would be the policy.

topic before 19 MR. KATTKE: Any other questions on that
20 we go on to the last one?

wilson got 21 MR. OWENS: Just one, I didn't know if Sam
22 a bonus when this timely kicks in or not.

bonus, I 23 CHAIR ROBERTS: He's already gotten that

David, I know 24 think, rightfully so. (Laughter) He's smiling,

25 you can't see him.

12

1 MR. KATTKE: The last item in this section
then is
2 interest charges on negative accounts. Again, this
was part of
3 the solvency package in 2006 to address employers that
have a
4 history of having more benefits paid to their workers
than they
5 pay in unemployment contributions, so this will be
implemented
6 under the current law in February 2009 and the
department will
7 look at the increase in every employer's account, the
increase
8 in their negative balance during 2007 and 2008, and
for the
9 employer to even come into this discussion, their
account
10 balance must be negative all eight quarters of 2007
and 2008.
11 And so if they meet that test, then we can go on to
the next
12 slide, Andy, they will -- these employers will get a
notice
13 from the department that this statute applies to them
and
14 basically what their bill is.

15 If we would have implemented this this year,
the

a 16 interest rate would have been 4.82 percent, and that's
last year, 17 blended rate on what our trust fund receives in the
have 18 so that 4.82 is our 2007 trust fund interest rate. We
will 19 done some projections. These will change some, they
projection is 20 probably go down a little bit, but right now our
total bill 21 this is going to impact 690 employers in 2009. The
one \$11, 22 from those employers will be \$503,000. The smallest
then 23 highest one \$29,580. Big numbers. So these employers
us this 24 impacted will get a notice from us that they will owe
2009. So 25 interest amount payable in quarterly installments in
□

13

1 March 30, June 30 and so on.

little 2 MR. OWEN: I would expect that record of very
3 complaints to come to a crashing end.

down? 4 CHAIR ROBERTS: Would you mind putting that

I'm afraid 5 There we go. Let's have some discussion about it.

down, 6 that there's going to be -- it's going to be crashing

7 too. I don't know -- when we sold this package, this
Page 17

was

8 something that this was part of the package. I don't
know that
9 it had a ton of discussion. Obviously we see the
trends going
10 in the right direction.

11 You know, I frankly think employers -- the
whole
12 council was supportive of this. I remember that Don
and I
13 talked about it and we were a little afraid about it,
when it
14 was going to hit because, guys, if you are going to
get a bill,
15 there's going to be a company, according to our
projections,
16 that's going to get a bill for \$29,000 in March, and
it's going
17 to be a huge impact. And if you council members are
okay with
18 just proceeding along, I'm not sure that the
department is, but
19 we are just going -- we wanted to visit with you about
it.

20 MR. MERCHEN: Madam Chair, Mark Merchen.
what does

21 that one company do to keep that from happening? What
are
22 their remedies?

23 CHAIR ROBERTS: What the company is, Mark,
it's a

24 company that's paying more in benefits than they are
paying

25 into the trust fund, and they are following the letter
Page 18

of the
□

14

have 1 law, they are paying according to the statutes that we
substantially 2 passed. You know, they are already paying a
are 3 higher number of -- amount of taxes, but obviously we
laid off 4 paying more in benefits to their employees that are
5 probably regularly during the year.

to pay 6 MR. MERCHEN: Isn't the remedy then they have
charge? 7 that difference, don't they, to avoid the interest

would 8 CHAIR ROBERTS: The remedy would be that they
9 stop laying off people probably.

think 10 MR. DILGES: Madam Chair, this is Jason. I

were to walk 11 maybe what Mark is alluding to is if this employer

4.82 12 in the door one day and say, I don't want to pay you

balance is, 13 percent, can I lay down whatever their negative

do we have 14 half a million dollars or whatever it ends up being,

15 the legal abilities for them to do that?

16 MR. KATTKE: We do.

whatever 17 MR. DILGES: They could drop down on you

18 their negative is and say I want that to be wiped out?
19 MR. KATTKE: They could. They could make
that single
20 payment and employers do that all the time, basically
buy down
21 a better rate than they have.
22 MR. DILGES: I think that's an important
point.
23 MR. RITER: I do, too.
24 MR. MERCHEN: Then a new eight quarter clock
would
25 start, correct?
□

15

1 MR. DILGES: Yeah, because they wouldn't be
negative.
2 That would trigger a new eight-quarter clock, they
would no
3 longer be negative, correct?
4 MR. KATTKE: Actually, another four-quarter
clock
5 would start because the way the statute is written,
every
6 January the department is going to look at the
employer's
7 account balance and compare it back to their number at
the end
8 of 2006, so we would go through this process in
January 2010
9 again and let's say just for example that this
employer comes
10 in and pays down enough to eliminate their problem

this year,

11 in 2009, then they go through 2009 and have a lot of
layoffs,
12 just like their pattern has been, their position will
be
13 lesser, but they will be in somewhat the same position
in 2010
14 with their account balance being more negative than it
was in
15 2006.

16 CHAIR ROBERTS: Go ahead, Mark.

17 MR. MERCHEN: The other scenario is that
company is
18 \$500,000 in the red and then the next two years they
are
19 another \$500,000, ten years from now that company is
way upside
20 down if they don't basically make a decision now to
start
21 supporting part of their unemployment costs, correct?

22 MR. KATTKE: Yeah, I'd agree with that. I
think the
23 business model of some of these firms is that they lay
off all
24 their employees in the winter time. I expect some of
them have
25 little control over that. In fact we met with one
employer, my
□

16

1 staff in Aberdeen, and their issue was they saw this
coming,
2 what can they do about it. We had a long discussion

and I

about it

business where

to do in

the

the shop

keep

building

they can do

have this

their cost

would wait

about the

they can

deal and

3 don't think we could identify anything they could do

4 because they were in I believe a road building

5 they just laid off people. They had nothing for them

6 the winter. They tried to sort of like work around

7 margins, how many of these people can we have work in

8 and this and that. But they don't have enough work to

9 their entire work force busy when they can't be out

10 roads.

11 MR. MERCHEN: Correct, but the only thing

12 is actually meet that negative balance so they don't

13 ongoing interest charge and that basically adds to

14 of employment.

15 CHAIR ROBERTS: Right, and let's just not --

16 MR. MERCHEN: The concern I have is they

17 ten years and all of a sudden be very, very upset

18 problem that they are in, because that's the only way

19 fix it.

20 MR. DILGES: They can do a public awareness

21 say here is your opportunity to fix this if you want
to.

22 CHAIR ROBERTS: Yes. Before we get talking
about how

23 we are going to do a public awareness campaign, I have
a couple

24 comments. First of all, unless we get all green and
fuzzy

25 about how they can come and plunk down a check, in
this

□

17

1 scenario, if they are paying \$29,000 in interest, it's
probably

2 a half a million bucks that they are going to be
having to go

3 plunk down, and the interest rate of 4.82 percent is
much

4 better than you can go to a bank and borrow. From a
business

5 standpoint, I can't imagine that they would do that.

6 The second thing, Mark, just to kind of
continue the

7 discussion, I'm not trying to override anything, I
want a lot

8 of discussion on this. But you know you are talking
from the

9 perspective that this company is going to be owing all
this

10 money. We have got to remember we have a system, it's
an

11 unemployment insurance system, and this company is
using their

12 insurance system more than another company is, so when
Page 23

you talk

13 about -- if you go back to just like an insurance,
talking
14 about any type of an insurance plan, some companies
get hit
15 more and people -- yeah, their rates go up, and we
have already
16 adjusted rates three years ago on these people, but
you don't
17 then go make them pay for their losses that they have
had in
18 past years.

19 Am I making any sense there? I'm talking
about we
20 have an unemployment system, some people never lay off
people,
21 some people lay off a lot of people. The system in
every state
22 in the union is based that way and it's to take care
of all the
23 employers in South Dakota, not just those that use it
or don't
24 use it. So I have a little problem, Mark, talking
about how
25 this company is building up all this excess. That's
not the
□

18

1 way the system was built. As a matter of fact, this
is the
2 first time we have ever gone back and tried to get
them for bad
3 usage in the past. The system has always been built
that you

rate is 4 pay your tax, we have equitably decided what their tax
employees 5 as a state, and then we pay the benefits to their
whole. 6 when they are laid off, and it works and the system is

wondering 7 It's getting better as we go along and now I'm just
companies, 8 about this penalty we are going to be doing to some
9 some good companies in South Dakota. Jason.

balance 10 MR. DILGES: I gotta have a quarterly average
interest 11 of like \$613,000 negative to accrue that kind of an
had, and 12 rate. But what I remember from the discussions we
out, but 13 they were lengthy at the time, on how this would play
opportunity 14 I thought I remembered not necessarily talking about
their 15 penalizing, but I thought we discussed this as an
16 benefit for the system that was lost as a result of
the trust 17 negative balance, i.e., if this \$613,000 would be in
federal 18 fund, it could earn the rate of interest that the
19 government would pay to the state.

20 CHAIR ROBERTS: Absolutely.

necessarily 21 MR. DILGES: It wasn't, in my mind,
22 penalizing the companies, although it's likely to be

perceived

23 that way, I think, but I think more so it was designed
that all
24 of the participants in the system ought to be able to
have the
25 benefit of that balance in the trust fund earning its
interest,
□

19

1 so the lack of that ability to earn its interest
resulted in a
2 negative charge to those employer accounts.

3 CHAIR ROBERTS: That is absolutely my
recollection. I
4 don't know about the rest of you, but yes.

5 MR. DILGES: I see it as maybe a little more
positive
6 than negative.

7 CHAIR ROBERTS: Which is why we are having
this
8 discussion. David.

9 MR. OWEN: A comment from Sioux Falls. You
know, this
10 is coming up after a protracted period of time because
we
11 didn't apply this to balances. These are negative
balances

12 that started since our reforms. We need to
communicate to
13 people, we ought to keep the surprise to a minimum,
but what we
14 carefully have tried to balance is those companies
that are

15 chronically negative by having them carry an
additional burden

16 so that that burden doesn't get spread to everyone
else.

17 If I'm right, if this company goes bankrupt,
they

18 don't have to fill in this, they walk away from it
because they

19 are following a social safety network. So we have
given them a

20 lot of time. This is actually new negative balances
that we

21 are applying this to, not the old ones. And if we
haven't

22 been, like Don has, we haven't been telling them this
is the

23 wall you are heading towards, when they hit it, I
don't expect

24 them to send any thank you cards, but on the other
hand, this

25 is the situation and if they don't pick up this
burden, all the

□

20

1 rest of the employers are going to get hit by it, and
that was

2 the balancing point. I'll stand by it all day long.

3 MR. HARDING: I agree with David, we gave
them that

4 grace period in there to get in line with it on past
dues, so

5 to speak. If we were starting it with new past dues,
so I

6 agree with Dave, I think it's kind of a benefit.

7 CHAIR ROBERTS: Further comments.

8 MR. RITER: I agree with Homer and Dave. My
9 perspective of it is that this was one way to not have

to

10 increase the rates that these types of employers might

be

11 paying. We are going to keep the rates as reasonable

as we

12 can, but if that does occur and we have got the

negative

13 balance, this is an appropriate methodology to use to

at least

14 get back in. And Jason explained some of the

interest. But

15 back to what Jason was saying, it seems to me that you

sure

16 gotta let them know, be ready because this is what's

going to

17 be happening, and maybe you already have, Don. But to

let them

18 know this is how it works, obviously, and you have got

to be

19 ready come next spring.

20 CHAIR ROBERTS: That's a good comment. How

about if

21 we do this? I want a lot of discussion, I want to

hear from

22 others if anybody else has discussion. But it sounds

like we

23 are kind of building a consensus that we are fine and

we are

24 going to proceed, and with that, then, we will come

back at the

will
[] 25 next meeting, at our second meeting of the year and we

21

businesses 1 give you our plan on how we are going to notify
and 2 ask for your assistance, you business folks, on how we
get the 3 word out to people that will be impacted and just get
your 4 input to make sure that we are doing all we can to
make sure 5 there's no surprises here.

They were 6 MR. HARDING: We haven't changed it, Pam.

7 notified at that time, we are giving you this
opportunity to 8 get in line, knowing that down the road this is going
to 9 happen, so prepare yourselves.

10 CHAIR ROBERTS: Yeah, you know, and I've been
because I 11 basically playing the devil's advocate a little here

and I 12 wanted to get the side out we are going to be hearing

because we 13 wanted to make sure you folks were all in lock step

it was 14 need to be. And it was unanimous out of this council,

think 15 one nay vote on both sides of the legislature, and I

explained it 16 you -- you guys were involved in selling this. We

a 17 during our testimony and I don't think there should be
18 surprise, but you know how it is when something is
implemented,
19 I'm afraid that there will be backlash. But anyway.

could 20 MR. ANDERSON: It would be different if you
21 develop this type of negative balance because of one
business 22 unfortunate event. These are developed because of a
23 practice and that's an entirely different situation.

24 CHAIR ROBERTS: That's true.

25 MS. HINDERAKER: This is Carol in Watertown.

□

22

1 CHAIR ROBERTS: Carol and then Paul.

want to 2 MS. HINDERAKER: Just for the record, I, too,
that you 3 support the decision of the council and the discussion
4 are having.

5 CHAIR ROBERTS: Thank you, Carol. Paul.

as Jason 6 MR. AYLRWARD: Well, I remember this exactly
other 7 said, it's not really a penalty, it's just so that the
was lost 8 business owners don't have to pick up the money that
business. 9 because of the way that these companies do their
And

10 I don't know that, like Don said, if you met with

them, I don't

11 know that there's anything they can do to change their
12 business. If there's no work, there's no work. They
need
13 those people back again in the spring when the work --
they
14 don't want them going someplace else because those are
their
15 experienced people that they need when the work starts
again.
16 So I don't know that there's anything you can do about
that
17 particular type of business.

18 companies have

19 talked to me about how they are trying to spread out
their work
20 load and maybe keep them on doing maintenance, I don't
know,
21 doing some things during the year.

22 MR. AYLRWARD: There's some you can do.

23 them to

CHAIR ROBERTS: This would be incentive for
24 continue to do that.

-- I
□

25 MR. AYLRWARD: I think we also discussed that

23

and

1 presume that a lot of these are construction companies

did, it

2 this -- by delaying it the two or three years that we

their
do
on
because
guy, the
penalty.
put it in
this
sizable
backhoe, so my
operations,
going to

3 allows them to make sure that they can build that into
4 bidding process, they can plan for it, so I hope they
5 remember that this is coming.

6 MR. OWEN: I guess I would have two comments
7 perspective. First of all, just to react to Paul,
8 that's what I'm supposed to do as the state chamber
9 guy writing the \$29,000 check will think this is a
10 he going to see the advantage of it at all? But to
11 perspective, if he's managed in two years to get into
12 situation, he's got -- that's got to be a fairly
13 operation. This isn't a guy with a Bobcat and a
14 guess is if we put it in the scale of his business
15 it fits as part of what the decision is that they are
16 make and is in scale, probably doable.

17 CHAIR ROBERTS: Good point.

18 MR. OWEN: Not fun.

19 CHAIR ROBERTS: Any further discussion? I
20 have built
21 that item?

think we
have built
that item?

22 Anything else, Don, that you have to share?

23 MR. KATTKE: Nope, thank you.

-- did
our
□
24 CHAIR ROBERTS: So then the next agenda item
25 anybody have any other questions or discussion from

24

1 director of UI on anything dealing with the system?

that.
2 MR. RITER: Good thing you limited it to

3 CHAIR ROBERTS: How is your golf game, Don?

4 MR. KATTKE: Could be better. (Laughter)

I'd like to
hearing
they would
suggestions,
discuss with
there
to come
don't think
in Sioux
15 CHAIR ROBERTS: If not, at this point then
6 close our committee meeting and just go into a public
7 and see if anybody in the audience here has anything
8 like to bring to the council, positive, negative,
9 recommendations, whatever anybody would like to
10 the council on the unemployment insurance system. Is
11 anybody in the audience here in Pierre that would like
12 forward and give any public testimony? If not, I
13 that there's anybody in -- doesn't look like anybody
14 Falls; is that correct, David?

15 MR. OWEN: Me and all my friends.

16 CHAIR ROBERTS: Carol, you are alone in
Watertown.

17 MS. HINDERAKER: I am.

18 CHAIR ROBERTS: Mark, you are alone in Rapid.

19 MR. MERCHEN: Yes, I am.

20 CHAIR ROBERTS: Frankly, because of the
public

21 hearing, we did not -- we just have our members on, we
did not

22 ask public testimony to go to those sites because for
this time

23 we thought we would do it here. That's something that
we as a

24 committee need to maybe discuss. would we at our next
-- I

25 don't know that we will take public testimony at our
next
□

25

1 meeting, we typically don't at the second meeting, but
in the

2 future would we want to allow public testimony at the
RDT

3 sites? It gets a little confusing with people talking
there,

4 but it might be easier for people that have testimony
to not

5 travel. Paul.

6 MR. AYLRWARD: I think it would -- we should
at least

7 give them the opportunity. There may be people out

there that

8 are having problems with the unemployment system and
they
9 definitely probably can't afford to drive here to
testify,
10 where if they lived in Sioux Falls, Rapid or Watertown
or I
11 don't know if there's other sites, but at least that
would give
12 them an opportunity to bring problems to our
attention.

13 CHAIR ROBERTS: Sounds good. Any further
discussion?

14 If not, we will just as a staff -- I'll have Monica
make a note
15 of that and we will make sure next time we have a
public
16 hearing, which I'm assuming it will be about a year
from now,
17 if that's okay with everybody, we will allow that
public
18 testimony, then, over the RDT site, the DDN site I
guess it's
19 called. Well, if there's nothing from the public at
this time,
20 then I will close the public meeting.

21 We will move on to agenda item number seven,
which is
22 discussion and recommendation on the advisory council
report.
23 Typically what we do is just I would have Don draft up
a report
24 and get it out to you. Would that be acceptable to
all of you

similar to 25 again this year? Basically just giving an overview
□

26

interest thing 1 what he did today. And we will talk about the

signed and 2 and again that report then, as you know, will be

Governor. 3 sent to the legislature, legislators and also to the

report at 4 MR. HARDING: We will be able to adjust that

5 that meeting?

is send 6 CHAIR ROBERTS: Absolutely. What we will do

ask for 7 the draft out to you and at our next meeting we will

acceptable. 8 comments and maybe finalize that report, if that's

then, on 9 No big surprises in the report. Any more discussion,

meeting is 10 our advisory council report? As you know, our next

opportunity to 11 set for August 19th, and so that would be our

-- 12 finalize our report and then that's right in line with

by 13 typically the Governor has asked we have our report in

that 14 October 1, so that will give us plenty of time to get

15 finalized and in.

else they 16 Other issues? Does anybody have anything

you, 17 would like to bring up to the council? If not, thank
was 18 everybody. I really appreciate the discussion. It
that 19 something I really wanted all your input on as far as
you not, 20 interest charge, and I feel much more comfortable, do
21 Don?

22 MR. KATTKE: Very much.

members. 23 CHAIR ROBERTS: Thank you very much, council

to go 24 Any other agenda items? Homer, you are going to get

adjourn. 25 golfing here soon. If not, I'd accept a motion to
□

27

1 MR. DILGES: So moved.

2 MR. AYLWARD: Second.

in favor 3 CHAIR ROBERTS: Any discussion? If not, all

4 say "aye.

5 (Whereupon, the motion passed unanimously.)

6 CHAIR ROBERTS: Motion carries.

10:38 7 (Whereupon, the proceedings were concluded at

8 a.m.)

9

10

9 testimony and evidence in the above-entitled cause;

10 I further certify that the foregoing pages
of this

11 transcript represents a true and accurate
transcription of my

12 stenotype notes.

13 Dated this 25th day of June 2008.

14

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17

18 Carla A. Bachand, RMR, CRR
19 Freelance Court Reporter

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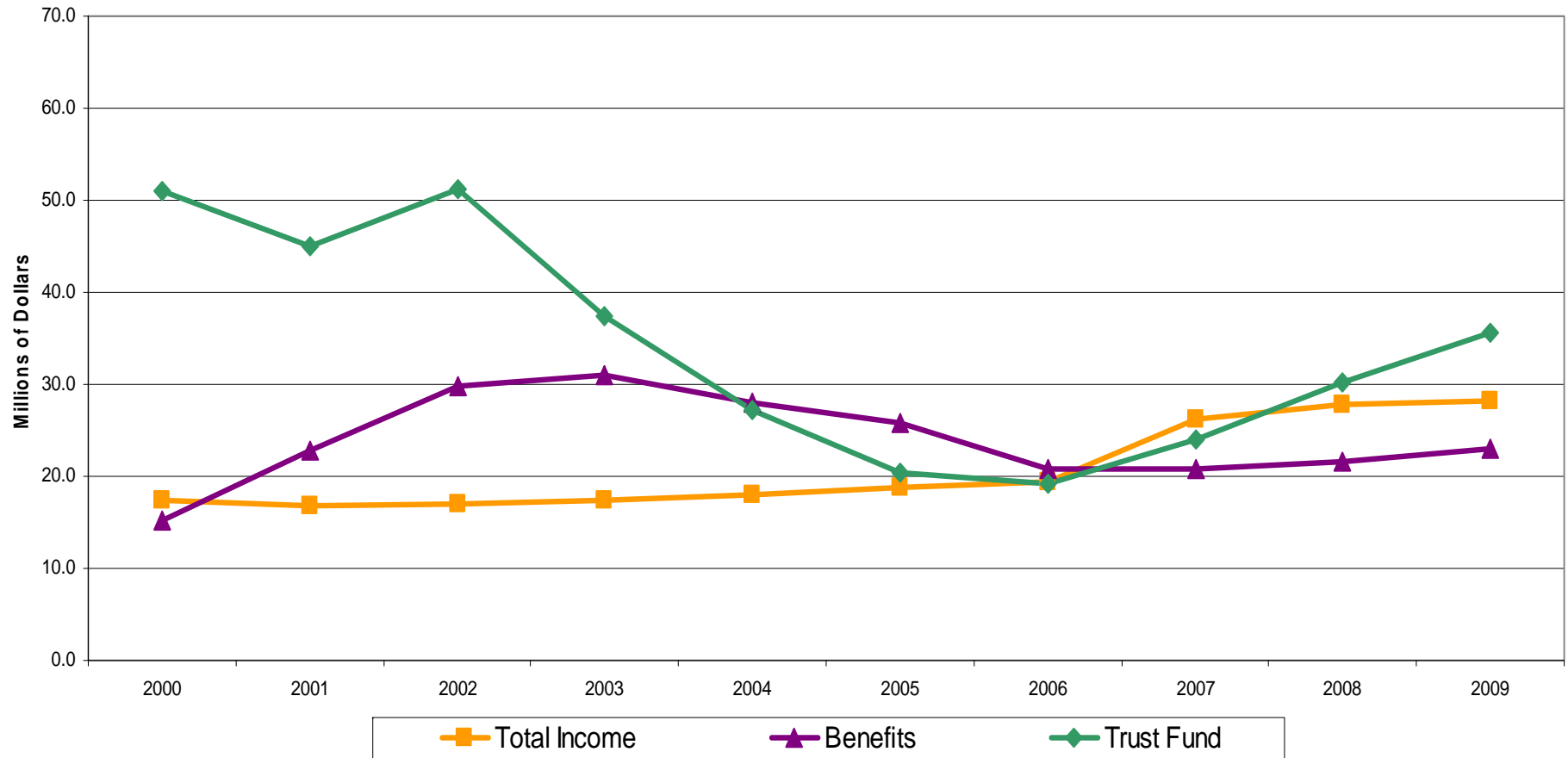
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□

Unemployment Insurance Trust Fund

Unemployment Insurance Projections



Trust Fund Balance by Month

Trust Fund Balance by Month

