

2017 Annual Report UNEMPLOYMENT INSURANCE ADVISORY COUNCIL

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 appointed by Governor Dennis Daugaard include Secretary of Labor and Regulation (DLR) Marcia Hultman (chair), Robert Anderson, Tim Fitzgerald, Carol Hinderaker, Don Kattke, Shawn Lyons, David Owen, Douglas Severson, and Kari Karst. The report is available to any interested person or groups and can be found on the DLR website at dlr.sd.gov.

The 2017 legislature passed two bills, which affected the unemployment insurance program. HB 1049 revised one of the good cause provisions for voluntarily leaving employment. This bill allows the acceptance of advice given by a physician's assistant and certified nurse practitioner to the list of healthcare providers who can complete and sign a UI medical statement. HB 1097 revised the unemployment insurance contribution rate table to provide a permanent tax break to employers while ensuring an adequate Trust Fund balance. An alternate tax table for the upcoming year will be used if the June 30 Trust Fund balance has an Average High Cost Multiple (AHCM) of at least 1.6. This means the balance in the Trust Fund is at least 1.6 times what was spent on the highest average annual benefits. HB 1097 also created an administrative fee to address the ongoing shortfall in administrative funding from the US Department of Labor.

Council action for 2017 began with a meeting on June 26, 2017. The Council was provided highlights from the US Department of Labor's FY 2018 budget proposal that impact the unemployment insurance program. One of the proposals would impose a minimum solvency standard. This proposal would require states to maintain a minimum trust fund balance of an AHCM of 0.5 for two consecutive January firsts. States failing to maintain an AHCM of 0.5 would be subject to Federal Unemployment Tax Act (FUTA) tax credit reductions.

The US Department of Labor's FY 2018 budget proposal included a proposal to make the Reemployment Services and Eligibility Assessments (RESEA) program a permanent program that would operate in conjunction with the UI program. Reemployment services have proven to get individuals back to work sooner. In addition to a permanent reemployment program, the proposal also included the establishment of a Federal-state paid parental leave benefit program with the UI program that would begin in 2020. The program would provide six weeks of benefits for mothers, fathers and adoptive parents.

At the October 18, 2017 meeting, the Council was introduced to proposed DLR legislation intended to allow DLR to clean up their records by allowing the cancellation and removal of employer contribution debt for which there is no available means of collecting. The oldest employer debt on file dates to 1941. The Council also reviewed the current UI financial projections (Attachment A) based on the most recent benefit payment and revenue information.

The Council had no recommendations for change to the Governor or the Legislature at the final 2017 Council meeting.

Respectfully submitted on October 18, 2017, by the Unemployment Insurance Advisory Council.

Attachment A
Trust Fund Projections for the October 18, 2017, Council Meeting

UI Financials - Quarterly Summary

(in Millions)

CY 2017	Actual	Actual	Projected	Projected	Total
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Contributions/Interest In	\$4.7	\$16.1	\$10.5	\$7.9	\$39.2
Benefits Paid Out	\$13.5	\$6.2	\$4.5	\$5.8	\$30.0
Trust Fund	\$103.6	\$113.6	\$120.2	\$122.2	\$122.2

CY 2018	Projected	Projected	Projected	Projected	Total
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Contributions/Interest In	\$4.2	\$13.8	\$9.6	\$6.8	\$34.4
Benefits Paid Out	\$13.6	\$6.3	\$4.5	\$6.2	\$30.6
Trust Fund	\$112.9	\$120.4	\$125.4	\$126.0	\$126.0