



**THE RHODE ISLAND
EMPLOYMENT SECURITY
ADVISORY COUNCIL**

A Standing Committee of the Governor's Workforce Board

**ANNUAL REPORT
2009-2010**

**PREPARED FOR THE
GOVERNOR, GENERAL ASSEMBLY & GOVERNOR'S
WORKFORCE BOARD**

March 31, 2010

The Employment Security Advisory Council

The Employment Security Advisory Council (ESAC) was established for the purpose of providing the Department of Labor and Training and its Director with bi-partisan, outside expertise in the improvement of the state's unemployment insurance system, particularly as it relates to matters of trust fund solvency, benefits and national best practices. Pursuant to R.I.G.L. 28-42-37, the ESAC is created as a standing committee of the Rhode Island Human Resource Investment Council and is comprised of eight members including the Director of DLT, the Executive Director of the state Economic Policy Council, both chairmen of the House and Senate Labor Committees and two representatives each of employers and employees.

Over the past year the state's Unemployment Insurance (UI) Program has been an important part of Rhode Island's economic recovery effort. Since the start of the recession in 2007 \$856.2 million in regular UI benefits have flowed into the local economy, providing support to both out-of-work Rhode Islanders as they adjust to new labor market realities and businesses by propping up the purchasing capacity of their customers. The UI system however is confronting significant challenges as the ranks of the unemployed continue to grow and over-burdened companies struggle to stay in business under the specter of higher employment taxes. An unsustainable rate of benefits paid that exceed state unemployment tax revenues led to the state's UI Trust Fund becoming insolvent in March of 2009. Since that time Rhode Island has had to borrow from the federal unemployment account to meet its benefit obligations. By the end of this year it is estimated that Rhode Island will have borrowed \$233 million and borrowing will increase to \$309 million by April 2011. As a result RI employers are expected to face an additional \$338.7 million in federal and state UI taxes through 2016. Left unaddressed, the ramifications of this indebtedness will reverberate well into the future, cripple our existing economic recovery efforts and impact the prospects of long-term economic growth.

It was against this backdrop that the ESAC, having been inactive for over a decade, renewed its mission. Governor Carcieri appointed members in 2009 and charged the council with undertaking an in-depth analysis of the challenges facing the UI program. Among the major issues addressed by the council were:

- Evaluation of UI "Modernization" incentive options made available under the American Recovery and Reinvestment Act (ARRA).
- Evaluation of options for the payment of interest on Federal Title XII Loans
- Review of UI Trust Fund solvency options proposal

These topics are summarized within this report along with a description of the actions taken by the ESAC relative to them. Further detail regarding specific discussions on these matters and member votes are contained within meeting minutes in the report appendix.

Unemployment Insurance Modernization – American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 provided for \$7 billion as an incentive for states to make changes that would better align their UI programs with the characteristics and challenges of the modern economy. Rhode Island is potentially eligible for up to \$23,460,578 in these so-called “modernization” funds. RI already qualifies for one-third of this amount, \$7,820,193, based on the alternative base period provision in its UI law. In order to qualify for the remaining \$15,640,385, RI must have two of the four qualifying provisions outlined below in its law.

General: If RI law includes two of the following four provisions, the \$15.6 million will be deposited into the RI Employment Security fund. This will reduce the amount of borrowing from the Federal government that the State must do in order to maintain the payment of benefits to UI claimants. The addition of \$15.6 million to the RI Employment Security fund will save the State an estimated \$725,000 per year in interest payments through reducing the amount of our federal loans.

Option 1: Allow part-time workers to qualify for UI benefits when searching for part-time work when unemployed. Currently, all must look for full-time work even if they formerly worked part-time.

Option 2: Provide for a minimum dependent’s allowance of \$15 per dependent. States are permitted to cap the maximum dependents’ allowance at \$50 or 50% of the individual’s weekly benefit rate, whichever is less. **Option 2a.** States are allowed to reduce the total dependent’s allowance for those collecting partial unemployment benefits by the same percentage that their weekly benefit was reduced.

Option 3: Do not disqualify individuals who leave work for compelling family reasons from eligibility for UI benefits are they are able and available for work. Compelling family reasons include: (a) victims of domestic violence, (b) caring for an immediate family member due to illness or disability, and (c) leaving a job to accompany a spouse whose location of employment has changed to a place where it is impractical to commute to the former job.

Option 4: Provide UI benefits for up to 26 additional weeks to individuals who have exhausted their regular benefits but are enrolled in a state-approved training program or in job training authorized under the Workforce Investment Act.

ESAC Action

From October through January the ESAC reviewed the pros and cons of the four options. Upon completion of its analysis, the council recommended Option 2a and 3 to the Director and the Governor. The Governor in turn, included these options within his FY 2011 budget submission to the General Assembly.

Repayment of Interest on Federal Title XII Loans to the UI Trust

As noted above Rhode Island has had to borrow from the federal unemployment account to meet its benefit obligations. By the end of this year it is estimated that Rhode Island will have borrowed \$233 million and borrowing will increase to \$309 million by April 2011.

The federal government requires that interest be paid on all Federal Title XII Loans made to states for the payment of UI benefits. The federal government has suspended the interest assessments on Title XII loans through December 31, 2010. States will be assessed interest on outstanding loans beginning on January 1, 2011. RI's first interest payment of an estimated \$9-\$10 million will be due by September 30, 2011. Federal law prohibits states from paying the interest charge directly or indirectly from their UI Trust Funds or from other Federal Grants (i.e. UI Administrative dollars).

Option 1: State General Revenue – Given the State's budget situation, it is unlikely that this would be a viable option.

Option 2: State Revenue Bond – The State could issue a revenue bond backed by future UI tax receipts for repayment. However, there would still be a need to identify a revenue source to pay the interest on the bond since UI tax receipts cannot be used to repay the interest. One advantage of this option is that the future reductions in Federal employer FUTA tax credits could be avoided by repaying our Federal loans by November 9, 2010.

Option 3: A Separate Employer Tax – Assess a separate employer tax on employers to pay the interest due each September 30th. An add-on to the Job Development Fund assessment could be used with the additional funds being deposited into a separate account for interest payment. Each 0.1% increase in the UI tax would raise approximately \$5.5 million. An exemption from the 10% Indirect Cost Recovery charge should be sought from the General Assembly for the additional funds raised through this mechanism. Otherwise, employers would be paying an extra premium.

Option 4: A Separate Employee Tax – Assess a tax on employees to pay the interest charge. Three States – Alaska, New Jersey and Pennsylvania – have employee taxes for UI purposes. This could be done through the existing Temporary Disability Insurance program. Adding 0.1% to the existing TDI tax would raise an estimated \$13 million per year. This option would avoid the Indirect Cost Recovery charge since TDI is exempt from that charge.

State law could also be changed to allow the interest to be paid out of existing TDI funds. This would avoid a tax increase in 2011, but would result in an automatic increase in the TDI tax rate in 2012. The rationale for this option is that the TDI fund was originally started in 1947-48 with the transfer of almost \$29 million from the UI Trust fund (Federal law authorized this action). At that time, RI assessed an employee tax for UI purposes which was converted into a TDI tax when that program was initiated. The TDI tax rate was recently reduced from 1.5% in 2009 to 1.2% in 2010. The TDI taxable wage base is currently \$57,900.

Option 5: Eliminate the 0.3% Solvency Tax & Add 0.3% to the Job Development Assessment

– Under current law, RI employers are to be assessed a 0.3% solvency tax beginning in January 2011. This solvency tax would have taken effect in 2009, but it was postponed until 2011 because the interest on federal loans was waived for 2009 and 2010.

This option would essentially divert the 0.3% solvency tax into a separate account within the Job Development Fund that would be dedicated to paying the interest on our federal loans and repaying the principal if the revenue exceeds our interest cost. It would also allow the funds to be used to repay any state bond that may be issued to repay our federal loans. We would also seek to have the revenue from the 0.3% increase in the Job development Assessment exempted from the State 10% Indirect Cost Recovery assessment (a savings of \$1.8 million per year).

ESAC Action

In March of 2010 the ESAC selected Option 5 as its recommendation to the Director and the Governor. The significance of the ramifications associated with continued taxation of employers to pay for outstanding loan interest led the chair of the council to formally write Rhode Island's congressional delegation requesting their assistance in mitigating the burden at the federal level.

Proposal to Restore UI Trust Fund Solvency

Current UI Trust Fund Situation

From the start of the recession in 2007 through 2009, a total of \$856.2 million in regular UI benefits was paid out of the RI Employment Security fund to unemployed RI workers. At the same time, RI employers paid \$531.2 million in UI taxes into the E.S. Fund. The E.S. Fund, which had a reserve of \$197.9 million at the beginning of 2007, became insolvent in March 2009. Since then and through March 22, 2010, RI has had to borrow \$193.2 million from the federal unemployment account in order to continue paying benefits to its unemployed workers. Total borrowing is expected to reach \$233.3 million the end of 2010 and peak at \$309.2 million at the end of April 2011.

Outlook if No Action is Taken

If no action is taken, the RI Employment Security fund is expected to remain insolvent into calendar year 2016. More importantly, RI employers face an additional increase in their federal and state UI taxes of an estimated \$338.7 million over the 2011 to 2016 period. This estimate includes \$105.5 million assessed through the 0.3% solvency tax, \$44.2 million that would be needed to pay the annual interest on our federal loans and \$189.0 million in additional federal UI taxes that employers would pay to pay down our federal loan balance (see Table 1 in the Statistical Appendix). In addition, the RI Employment Security fund would remain in a precarious position going forward. It would have very little cash reserves and would be unable to build up reserves in advance of the next recession. Future federal loans would likely be needed even in a minor downturn in the economy.

The ESAC considered the following package of UI tax and benefit changes outlined below. These changes if adopted by the state would enable RI to repay its federal UI loans in 2014 through a combination of \$206.0 million in increased federal and state UI taxes and savings of \$157.3 million in benefit reductions. In addition, these changes would allow the RI Employment Security fund to rebuild reserves in preparation for the next recession (see Table 2 in the Statistical Appendix).

Trust Fund Solvency Measures

In order to restore UI Trust Fund solvency, RI must strive to reach two goals:

- (1) Revise our current tax and benefit provisions so that over the long term our average annual tax rate exceeds our average annual benefit cost rate. Over the last twenty years our average annual tax rate (1.47% of total wages) has lagged behind our average annual benefit cost rate (1.69% of total wages); and
- (2) Build up reserves to the point that the UI Trust Fund will have approximately one year's worth of payments at a normal recessionary level (US Department of Labor guidelines define this as the average of the three highest benefit cost years over the last twenty years). For RI, UI Trust Fund reserves would have to be equal to 2.68% of total wages before the next recession hits. Based on 2008 total wages, that represents a Trust Fund balance of some \$385 million.

UI TAX PROPOSALS

- (1) Currently, the RI UI taxable Wage Base is set at \$19,000. Under current law, it will remain at that level until all of our federal UI loans are repaid and the UI Trust Fund has a reserve balance of \$75 million or more.

Proposed Change: Eliminate the current taxable wage base table and replace with the following flexible formula:

- In 2011, set the taxable wage base equal to the higher of \$19,000 or 46% of the statewide average annual wage, rounded to the next higher multiple of \$200.
- In 2012, raise the percentage to 47%;
- In 2013, raise the percentage to 48%;
- In 2014, raise the percentage to 49%; and,
- In 2015, raise the percentage to 50%.

Additional UI Tax Revenue: In 2011 it is expected that there would be no change in the current \$19,000 taxable wage base. The taxable wage base is projected to increase to \$19,800 in 2012. This would raise employer UI contributions by \$4 million for the year. The wage base would then continue to increase along with the average annual wage based on the above formula.

- (2) RI currently has a system of nine tax schedules with the highest rate being 10% in the highest Schedule (Schedule I with rates ranging from 1.9% to 10%).

Proposed Change: Beginning in 2011, raise the taxable wage base for the highest tax rated group (those employers with an Unemployment Insurance tax rate of 10%) to \$3,000 above the taxable wage base for all other employers.

This proposal would raise the amount of taxes paid by the group of employers who have had the greatest negative effect of the UI Trust Fund. The group of employers at the highest tax rate paid in \$29.9 million in taxes in 2008, but their former employees collected \$70.0 million in benefits during that time (see Table 5 in the Statistical Appendix).

Additional revenue: \$3.1 million per year

UI BENEFIT PROPOSALS

- (1) Currently, RI's maximum weekly benefit amount is set equal to 67% of the statewide average weekly wage.

Proposed Change: Beginning on July 1, 2011, freeze the maximum weekly benefit amount at its current level and reduce the percentage used in calculating the amount each year to 57.5% of the statewide average weekly wage.

Savings in UI Benefits: Based on 2004 to 2008 data, this change would reduce benefit costs by an average of 6.1% or \$12.3 million per year when fully implemented.

- (2) Currently, RI's UI benefit formula is designed to replace 60% of an individual's average weekly wage.

Proposed Change: Beginning on January 1, 2011, change the weekly benefit amount calculation to replace 50% of lost wages instead of the current 60% level.

Our current weekly benefit amount formula (4.62% of the highest quarter wages) is designed to replace 60% of an individual's average weekly wage. By changing the formula to 3.85% of the highest quarter wages, RI would replace 50% of an individual's average weekly wage in UI benefits. This change would reduce benefit costs by an estimated 12.3% per year.

Savings in UI Benefits: Based on 2004 to 2008 data this change would reduce benefit costs by an average of \$24.9 million per year when fully implemented.

- (3) Currently, RI uses the claimants highest quarter wages to compute their weekly benefit amount.

Proposed Change: Beginning January 1, 2011, change the calculation of the weekly benefit amount by using the average of the two highest quarters in the base period instead of the highest quarter in the base period.

Savings in UI Benefits: Based on 2004 to 2008 data, this change would reduce benefit costs by an average of \$4.1 million per year.

- (4) Currently, RI allows individuals to collect up to 36% of their total base period wages in benefits subject to the state maximum duration of 26 weeks. The duration is computed by dividing the maximum allowable benefits by the individual's weekly benefit amount (capped at no more than 26 weeks of benefits).

Proposed Change: Beginning on January 1, 2011, reduce the calculation of the maximum amount of benefits an individual could collect from 36% of total base period wages to 33% of base period wages.

Savings in UI Benefits: Based on 2004 to 2008 data, this change would reduce UI benefit costs by an estimated \$2.4 million per year.

- (5) Currently in RI, severance pay received by claimants has no effect on their ability to collect UI benefits.

Proposed Change: Beginning January 1, 2011, allocate severance pay received over a number of weeks using the weekly benefit amount of the individual to delay their eligibility for UI benefits for up to 26 weeks. For example, if their severance pay is equivalent to what they would have collected in UI benefits over 8 weeks, payments on their UI claim would be suspended for the first 8 weeks.

Currently, severance pay has no effect on an individuals UI benefit claim since it is treated as wages on the last day of work. This change would allocate the severance pay over a number of weeks and delay a person's ability to collect UI for that duration for up to 26 weeks. If they are

still unemployed after their severance allocation period is over, they would then collect their normal UI benefits from that week forward.

Savings in UI Benefits: Based on 2008 data, this change would reduce UI benefits by an estimated \$2 million per year.

- (6) Currently, RI pays a maximum of 5% of an individual's weekly benefit amount per dependent for up to 5 dependents.

Proposed Change: Beginning January 1, 2011, reduce the maximum dependent's allowance percentage from 5% per dependent to 3% per dependent.

This change would begin affecting those with a weekly benefit rate of \$204 or more with 5 dependents; for claimants with one dependent it would only affect those with a weekly benefit rate of \$220 or more. Approximately one-third of claimants have at least one dependent. Of those with dependents, just under half have only one dependent, just over a third have 2 dependents, about 12% have three dependents, some 3% have four dependents while less than 1% have the maximum of five dependents.

Savings in UI Benefits: Based on 2004 to 2009 data, this change would reduce the cost of dependents' allowances by an average of 32.6% or \$2.7 million per year.

- (7) Currently, if someone voluntarily quits their job without good cause or is fired for proven misconduct in RI, they are ineligible for UI benefits until they return to work for at least 8 weeks, earn at least 20 times the minimum hourly wage in each of those 8 weeks and are subsequently laid off for non-disqualifying reasons.

Proposed Change: Raise the requalification criteria for Voluntary Quits and Misconduct Discharges to 8 weeks of work with earnings at least equal to the individual's weekly benefit amount in each of those weeks.

This change would affect the higher wage earners who can now requalify for benefits with minimal effort by working part-time at a minimum wage job. Tying the wage requalifying amount to the individual's weekly benefit amount levels the playing field for all claimants. Higher wage earners would need to earn more money than lower wage earners in order to overcome their disqualification.

Cost Savings: Unable to determine, but it would make it more difficult for higher wage earners to overcome a disqualification.

ESAC Action

The proposal outlined above was first presented to the ESAC on March 24th, and further reviewed on March 29th. The Council acknowledged the severity of the solvency problem facing the UI trust fund. The ESAC was reluctant to make recommendations on the proposal without a more thorough analysis and understanding on the part of its members. Upon review, members expressed concerns over specifics within the plan from their varied perspectives; however all acknowledged the need for swift action in order to timely engage the legislative process. Therefore, no vote was taken, but an understanding emerged that it should be made available to the Governor and the General Assembly in order to inform and facilitate the debate.

MEMBERSHIP

The membership of the ESAC is prescribed R.I.G.L. 28-42-37 and consists of a combination of members who serve ex officio or as gubernatorial appointees. No terms are specified; therefore appointees serve at the Governor's pleasure or for the extent of their term in office.

- **William McGowan, Chair**
IBEW, Local 2323
- **Roland Benjamin**
LFI, Inc
- **Senator Paul W. Fogarty**
RI Senate, Committee on Labor
- **Paul McDonald**
Providence Central Federated Council
- **Sandra M. Powell**
RI Department of Labor and Training
- **Nancy Roderick, PHR**
SEA CORP
- **Keith Stokes**
RI Economic Development Corporation
(representing the Economic Policy Council per R.I.G.L. 28-42-37)
- **Representative Anastasia Williams**
RI House of Representatives, Committee on Labor

Ad Hoc Participants

Raymond Filippone, Assistant Director for Income Support, RIDLT
Robert Langlais, Assistant Director for Labor Market Information, RIDLT
Rose Lemoine, Administrator, Unemployment Insurance, RIDLT
Janet Raymond, Greater Providence Chamber of Commerce
Michael Cronan, Governor's Office
John J. O'Hare, Acting Executive Director, Governor's Workforce Board of RI
Donna Murray, Administrator, Labor Market Information, RIDLT
Diane Gagne, Assistant Director, Business Affairs, RIDLT
Michael Hayes, Executive Director, Administrative Services, RIDLT
Barbara D'Amore, USDOL Region 1

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John J. O'Hare
Acting Executive Director

Nancy Olson
Acting Chief

Maureen Mooney
Office Manager

Dan Brown
Chief Implementation Aide

MEETINGS

The ESAC met eight times over the last year through March 2010. Meeting minutes and agenda are attached and are available through the Governor's Workforce Board Rhode Island website.

Dates

- October 6, 2009
- October 20, 2009
- November 3, 2009
- November 24, 2009
- December 9, 2009
- January 19, 2010
- March 24, 2010
- March 29, 2010

**THE RHODE ISLAND
EMPLOYMENT SECURITY
ADVISORY COUNCIL**

**ANNUAL REPORT
2009-2010**

**APPENDIX
Meeting Agenda & Minutes**



RI Department of Labor and Training

**Rhode Island
Employment Security Advisory Council
(ESAC)**

**AGENDA
October 6, 2009**

- **Introduction and Remarks**
- **Expectations of Committee**
- **Unemployment Insurance (UI) Overview**
- **Comparison study with other States**
- **Challenges Facing the UI Program**

Governor's Workforce Board RI
Rhode Island Employment Security Advisory Council (ESAC)
October 6, 2009

Meeting Minutes

Committee Members present: Roland Benjamin, Paul MacDonald, William McGowan, Sandra Powell, Nancy Roderick, J. Michael Saul

Committee Members absent: The Honorable Arthur J. Corvese, The Honorable Paul W. Fogarty

Others Present: Lisa D'Agostino, Michael Cronan, Barbara D'Amore, Raymond Filippone, Diane Gagne, Carol Gibson, Robert Langlais, Rosemarie Lemoine, Valentino Lombardi Esq., Donna Murray, John J. O'Hare, Janet Raymond, David Tremblay, Jason Bliss-Wohlers, Maureen Mooney

Call to Order

Chair McGowan called the meeting to order at 8:05 a.m. and welcomed everyone to the meeting.

Introduction and Remarks

Ray Filippone, Assistant Director of Income Support for the Department of Labor and Training, (DLT) welcomed everyone to the meeting and provided an overview of the agenda. He indicated the purpose of the meeting is to provide an overview of the Unemployment Insurance program and to consider the challenges of the current economic climate. He noted that the committee will be working on improvements for the program and developing recommendations. He stated that one major challenge is the borrowing of \$96m from the U.S. Department of Labor (USDOL) to meet Unemployment Insurance payments. This loan with interest payments is due in September of 2011.

R. Filippone turned the meeting over to William McGowan, recently appointed Chair of the ESAC by Joseph MarcAurele, Chair of the Governor's Workforce Board (GWB). Chair McGowan reported that the ESAC is a committee of the Governor's Workforce Board (GWB) and that he is the Vice Chair.

Paul MacDonald was acknowledged as a GWB board member also asked to serve on this committee. Chair McGowan noted that by statute, representatives from the General Assembly are members of this committee and include Senator Fogarty, Chair of Senate Labor and Dr. Corvese, Chair of House Labor. It was noted that Robert Kalakowski was in attendance as an observer for Senator Fogarty. Chair McGowan noted the importance of communicating with the legislature of the council's charge and to assist the DLT in improving the state's Unemployment Insurance system as it relates to matters of the trust fund solvency and benefits. He also noted the timeliness and significance of the GWB Strategic Workforce Plan for Rhode Island 2009-2014 in assisting in making the state more attractive to grow jobs and to attract business.

Expectations of Committee

Chair McGowan mentioned the proposed meeting schedule available to members in the meeting binders and noted there was a request to change the starting time. He indicated this issue would be discussed at the end of the meeting. He commented on the important work before the committee and asked members to participate fully as their schedules allow. He asked committee members to introduce themselves and provide some background information.

Director Powell noted the importance of the council's charge which is to assist the DLT in

improving the state's Unemployment Insurance (UI) system, particularly as it relates to matters of trust funds solvency, benefits and national best practices. She indicated that the committee will take a look at the historical data, and develop an understanding of how the UI system works in order to discuss recommendations for legislation. She noted that legislative changes will be required in order to receive the \$23.5 million in stimulus funds.

Unemployment Insurance (UI) Overview

R. Filippone provided each committee member with a binder which included several resources and a detailed House/Senate Finance Committee Report for the benefit periods of 1/28/09 – 9/30/09. He reviewed the materials contained in the binder with committee members. A binder is on file as part of the meeting record.

R. Filippone gave a PowerPoint presentation entitled "Federal and State Unemployment Compensation Overview" which covered such topics such as: UI Program Origins, Federal and State Partnerships and Responsibilities, Current UI Programs in RI, RI UI Benefit Eligibility Criteria, UI Base Period Information, Weekly and State Benefits Amounts and Duration, Federal and State Emergency, and Extended Benefits and Federal UI Taxes. Due to time constraints, the entire presentation was not reviewed and will be addressed at the next meeting on October 20, 2009. A copy of the PowerPoint presentation is available in the meeting binder.

R. Filippone indicated that a booklet entitled: Highlights of State Unemployment Compensation Law was ordered and will be available to committee members at the October 20, 2009 meeting.

Throughout the presentation many questions and comments regarding UI were raised and addressed. R. Filippone offered to bring a glossary of terminology to the next meeting for committee members to use. Chair McGowan commented that in future meetings, the impact of UI compensation will be related to the employer. There was a brief discussion of changing the meeting time but nothing was resolved. Chair McGowan indicated he would discuss the meeting schedule with R. Filippone and notify committee members in advance of the next meeting.

Comparison Study with Other States

This information is available in the binder but was not discussed due to time constraints.

Challenges Facing the UI Program

As mentioned in his introductory remarks, R. Filippone noted the primary challenge is the repayment of funds from the Federal Department of Labor. Other challenges were not specifically stated during this meeting but will continue to be addressed in subsequent committee meetings.

Adjournment

Chair McGowan asked for a motion to adjourn the meeting.

VOTE: S. Powell moved to approve. N. Roderick seconded the motion.
The vote was unanimous, the motion passed.

The meeting adjourned at 9:50 a.m.

Respectfully submitted,

Maureen Mooney



RI Department of Labor and Training

Rhode Island Employment Security Advisory Council (ESAC)

Date: October 20, 2009

Time: 8:30 a.m.

Location: RI Dept. of Labor and Training
Conference Room 73-2

Chair: William McGowan

Meeting Agenda

- | | | |
|-----------|---|-------------|
| A. | Call to Order | |
| B. | Approval of 10-6-09 Meeting Minutes | Vote |
| C. | Taxable Wage Base and Tax Schedule Information | Information |
| D. | UI Modernization | Information |
| E. | Trust Fund Loans and Interest Options Information | Information |
| F. | Other Business | |
| G. | Adjournment | |

Governor's Workforce Board RI
Rhode Island Employment Security Advisory Council (ESAC)
October 20, 2009

Meeting Minutes

Committee Members present: Roland Benjamin, Paul MacDonald, William McGowan, Sandra Powell, Nancy Roderick

Committee Members absent: The Honorable Arthur J. Corvese, The Honorable Paul W. Fogarty, J. Michael Saul

Others Present: Lisa D'Agostino, Phil D'Ambra, Barbara D'Amore, Raymond Filippone, Diane Gagne, Robert Langlais, Rosemarie Lemoine, Valentino Lombardi Esq., Donna Murray, Lori Norris, Janet Raymond, David Tremblay, Laura Hart, Michael Hayes, Maureen Mooney

Call to Order

Chair McGowan called the meeting to order at 8:40 a.m. and welcomed everyone to the meeting.

Minutes of ESAC meeting

Chair McGowan asked for a review of the meeting minutes of the 10/6/09 ESAC. He asked for a motion to approve the meeting minutes.

Vote: P. MacDonald motioned to approve the minutes of the 10/6/09 ESAC meeting as presented. N. Roderick seconded the motion. The vote was unanimous; the motion passed.

Taxable Wage Base and Tax Schedule Information

Robert Langlais, Assistant Director of Labor Market Information for the RI Department of Labor & Training (RIDLT), presented information on the RI Unemployment Insurance Financing System. He reviewed several topics including 1998 changes to the State taxable wage base, a comparison of the wage base to average annual wages, and a graphical representation of the RI Unemployment Insurance (UI) Fund activity from 1980 – 2008. This included a projection for the current year 2009.

Additionally, R. Langlais provided an overview of State tax schedules (9 in total) and noted Tax Schedule I was in effect for 2009. A comprehensive list of RI UI tax schedules was provided to committee members. An explanation of how an individual employer's tax rate is determined was provided as well as statistics on the state average tax rate on total wages, the state maximum UI tax rates and the State UI taxable wage bases.

Unemployment Insurance (UI) Modernization

Ray Filippone, Assistant Director of Income Support for the RIDLT, presented information on UI modernization incentive payments and reported that the American Recovery and Reinvestment Act (ARRA) of 2009 authorized a special transfer of \$7 billion to states if they met certain conditions. He noted that RI is potentially eligible for up to \$23.5 million through ARRA and explained that the distribution of these funds was a 2 part process. He reported that RI has not yet applied for the first portion, is eligible, and that the deadline to apply is August 22, 2011.

R. Filippone explained that in order to qualify for the 2nd distribution of funds (\$15.6m) that State law must include 2 of 4 provisions. He reviewed those provisions with committee members and

indicated that they must decide which 2 criteria (if any) are best for the State. He also indicated that the legislation on this issue needs to be passed by 2011.

Trust Fund Loans and Interest Options Information

R. Langlais provided an overview of Federal UI Title XII loans explaining these loans originate from the Federal Unemployment Account which is available to states if their trust fund is insufficient to pay UI benefits. He noted that the Director of RIDLT has the authority to request loans on behalf of the Governor. R. Langlais provided further details on RI's current and future loan borrowing and explained possible options for the repayment of loans and interest payments. He indicated that the ESAC is charged with making decisions on this and that legislation needs to be passed in the 2010 General Assembly session to support these decisions.

Janet Raymond requested that the two pieces of legislation referenced as part of the presentation be available for committee members and attendees to review.

A copy of the PowerPoint presentation is available in the meeting binder.

Other Business

There was a general discussion initiated by Director Powell on the important connection between UI issues and workforce development, noting the importance of the culture of work. She indicated this could be a topic at a subsequent meeting.

Adjournment

Chair McGowan asked for a motion to adjourn the meeting.

VOTE: N. Roderick moved to approve. P. MacDonald seconded the motion.
The vote was unanimous, the motion passed.

The meeting adjourned at 10:00 a.m.

Respectfully submitted,

Maureen Mooney



RI Department of Labor and Training

Rhode Island Employment Security Advisory Council (ESAC)

Date: November 3, 2009
Time: 8:30 a.m.
Location: RI Dept. of Labor and Training
Conference Room 73-1
Chair: William McGowan

Meeting Agenda

- A. Call to Order**
- B. Approval of 10-20-09 Meeting Minutes** **Vote**
- C. Recap of Title XII Loans and Interest Payments** **Information**
- D. Discussion/Decision on Interest Payment Options** **Discussion/Vote**
- E. UI Modernization** **Discussion/Vote**
- F. Other Business**
- G. Adjournment**

Governor's Workforce Board RI
Rhode Island Employment Security Advisory Council (ESAC)
November 3, 2009

Meeting Minutes

Committee Members present: Roland Benjamin, Paul MacDonald, William McGowan, Sandra Powell, Nancy Roderick

Committee Members absent: The Honorable Arthur J. Corvese, The Honorable Paul W. Fogarty, J. Michael Saul

Others Present: Lisa D'Agostino, Michael Cronan, Phil D'Ambra, Raymond Filippone, Carol Gibson, Robert Langlais, Rosemarie Lemoine, Donna Murray, Lori Norris, Janet Raymond, David Tremblay, Laura Hart, Jason Bliss-Wohlers, Paul Harden, Rachel Flum, Robert Bromley, Maureen Mooney

Call to Order

Chair McGowan called the meeting to order at 8:40 a.m. and welcomed everyone to the meeting.

Minutes of ESAC meeting

Chair McGowan asked for a review of the meeting minutes of the 10/20/09 ESAC. He asked for a motion to approve the meeting minutes.

Vote: P. MacDonald motioned to approve the minutes of the 10/20/09 ESAC meeting as presented. S. Powell seconded the motion. The vote was unanimous; the motion passed.

Unemployment Insurance (UI) Modernization

Ray Filippone, Assistant Director of Income Support for the RIDLT, reviewed key information presented at the October 20th ESAC meeting regarding UI Modernization Incentive Payments. He indicated that Rhode Island has the alternative base period in its law and is therefore eligible for the first 1/3 of funds of its allotment which is \$7.8 million. He noted that RI has not yet applied for this portion and that the deadline to apply is August 22, 2011.

R. Filippone reiterated that in order to qualify for the 2nd distribution of funds that State law must include 2 of 4 provisions:

1. Allow workers seeking part-time work to collect UI benefits if they were working part-time when they became unemployed.
2. Provide for a minimum dependents' allowance of \$15 per dependent.
3. Allow individuals who leave work for compelling family reasons to collect UI benefits.
4. Provide individuals in approved training with up to 26 weeks of additional UI benefits.

R. Filippone reported that the deadline to apply for the 2/3 allocation totaling \$15.6 million is August 22, 2011. He indicated that legislation needs to be passed in 2011 or earlier.

There was a general discussion and further information provided about each of the criteria including estimated cost, legislative action introduced and resulting implications if enacted.

R. Filippone commented that the committee is charged with selecting a minimum of 2 of the 4 criteria. Chair McGowan asked if there was any consensus on the criteria and if

committeemembers felt comfortable in making a recommendation. After further questions and discussion, it was suggested that committee members take additional time to consider the criteria presented. Chair McGowan indicated he would ask for a recommendation at the November 24th ESAC meeting.

Copies of legislation introduced in the general assembly in 2009 were handed out to committee members and included **2009 –H 5383** and **2009 – S 0807** which relate to labor and labor relations – Employment Security Benefits. P. MacDonald inquired if there was a companion bill in the Senate. It was determined there was not. J. Raymond suggested inviting members of the congressional delegation to a future meeting to inform them of the decision process of the committee. Director Powell and Michael Cronan, from the Governor's office, indicated outreach efforts were made to Senator Fogarty, Representative Corvese and others in the legislature to keep them informed and to ask for their support for the recommendations of the committee.

Recap of Title XII Loans and Interest Payments

Robert Langlais, Assistant Director of Labor Market Information for the RI Department of Labor & Training (RIDLT), provided an overview of Federal UI Title XII loans and interest assessment. He reported that the first interest payment for RI will be due on September 30, 2011 and that the interest due is estimated at \$9-\$10 million. He outlined requirements relating to interest payments, provided information on repayment options which included an example of an interest charge assessment. R. Langlais noted that the ESAC is charged with making decisions on interest payments and that legislation needs to be introduced in the 2010 General Assembly session to support committee decisions. The hand-out and PowerPoint presentation are available in the meeting binder.

Other Business

There was a discussion regarding the current meeting time of the committee, suggesting that it may be difficult for the council members from the legislature to attend due to their work commitments. It

was noted by other council members that it was preferable to their schedules to meet first thing in the morning or after 3:00 p.m. The Honorable Arthur J. Corvese and Paul W. Fogarty will be contacted about the meeting schedule.

Chair McGowan mentioned that Roland Benjamin, ESAC committee member, would be providing a 20 minute presentation at the next meeting on November 24, 2009. Chair McGowan indicated that agenda items will include further discussion and a recommendation regarding UI Modernization criteria. It was noted that the UI Modernization Dependent Allowance (DA) cap provision should also be considered.

Director Powell mentioned that discussion of a specific timeline for committee actions should be considered and discussed at the next meeting, noting that the rebalance of the UI system is crucial given the difficult economic times.

Adjournment

Chair McGowan asked for a motion to adjourn the meeting.

VOTE: S. Powell moved to approve. N. Roderick seconded the motion.
The vote was unanimous, the motion passed.

The meeting adjourned at 10:00 a.m.

Respectfully submitted,
Maureen Mooney



RI Department of Labor and Training

Rhode Island Employment Security Advisory Council (ESAC)

Date: November 24, 2009
Time: 8:30 a.m.
Location: RI Dept. of Labor and Training
Conference Room 73-2
Chair: William McGowan

Meeting Agenda

- A. Call to Order
- B. Approval of 11-3-09 Meeting Minutes Vote
- C. Unemployment Insurance Information
Statute, Policy and an Employer Perspective
- Roland Benjamin
- D. Discussion/Decision - UI Modernization Options
Information/Vote
- E. Discussion/Decision - Interest Payment Options
Information/Vote
- F. Other Business
- G. Adjournment

Governor's Workforce Board RI

Rhode Island Employment Security Advisory Council (ESAC) November 24, 2009

Meeting Minutes

Committee Members present: Roland Benjamin, Paul MacDonald, William McGowan, Sandra Powell, Nancy Roderick

Committee Members absent: The Honorable Arthur J. Corvese, The Honorable Paul W. Fogarty, J. Michael Saul

Others Present: Michael Cronan, Phil D'Ambra, Raymond Filippone, Robert Langlais, Rosemarie Lemoine, Valentino Lombardi, John O'Hare, Donna Murray, Lori Norris, Janet Raymond, Laura Hart, Jason Bliss-Wohlers, Paul Harden, Russ Danecker, Michael Hayes, Diane Gagne, Fred Sneesby, Robert Kalaskowski, Representative from Ocean State Policy Research Institute, Maureen Mooney

Call to Order

Chair McGowan called the meeting to order at 8:35 a.m. and welcomed everyone to the meeting.

Minutes of ESAC meeting

Chair McGowan asked for a review of the meeting minutes of the 11/3/09 ESAC. He asked for a motion to approve the meeting minutes.

Vote: N. Roderick motioned to approve the minutes of the 11/3/09 ESAC meeting as presented. S. Powell seconded the motion. The vote was unanimous; the motion passed.

Unemployment Insurance (UI) Presentation

Council member Roland Benjamin presented information on Unemployment Insurance: Statute, Policy and an Employer Perspective. His presentation focused on the impact of UI insurance claims and taxes on the employer and his view on how both affect the Employment Security Trust Fund balance. He offered that new hiring is deterred by the current UI structure and further inhibits an increase in receipts to balance the Trust Fund. He suggested that a plan to focus on claims policy rather than tax policy would be beneficial and that the Council would be able to respond more quickly to the claims side of the Trust Fund equation. He proposed that a sole focus on the tax side could have an offsetting job loss cost which could possibly exceed any receipt increase and may drive the "jobless recovery".

Chair McGowan acknowledged the important perspective provided by R. Benjamin and thanked him for his work on the presentation. A discussion followed. Director Powell commented that initially the focus for the ESAC has been on UI taxes and benefits, interest payments and loans. She acknowledged the importance of reviewing the claim side as well and indicated it could an item of discussion at a future ESAC meeting. She pointed out that there is an enormous pressure on the Department to serve those in need due to the unprecedented economic times. She also addressed the claims process and the complexity of the UI system. Several Federal and State statutory requirements were mentioned. Director Powell acknowledged the importance of the presentation and noted that it raised other issues that could possibly be addressed in the upcoming legislative session.

UI Modernization Options

R. Langlais provided a copy of the handout: *UI Modernization Incentive Payments – Approved Applications* to attendees. This handout provides information on the various states that have approved applications for UI Modernization Incentive Payments and the provisions that will be included in state law.

A handout entitled: “Comparison of Dependents’ Allowances at Various Weekly Benefit Amounts” was provided to attendees. This handout provides a comparison of the Current Dependent Allowance Law vs. a Proposed Dependent Allowance.

Chair McGowan noted that this agenda item will be discussed further at the next ESAC meeting and that no vote would be taken at the meeting today.

Interest Payment Options

Chair McGowan noted that this agenda item will be discussed further at the next ESAC meeting and that no vote would be taken at the meeting today.

Other Business

Director Powell mentioned that it has been difficult for two members of the Council to attend, specifically the two members who are in the State Legislature. She indicated that it is planned to have a meeting at the State House after hours to include Dr. Corvese and Senator Fogarty in ESAC business, noting it is important to have their input before any vote is taken.

Chair McGowan noted that at the next ESAC meeting on December 8, 2009 a specific date will be offered.

Adjournment

With no further business Chair McGowan asked for a motion to adjourn the meeting.

VOTE: N. Roderick moved to approve. S. Powell seconded the motion.
The vote was unanimous, the motion passed.

The meeting adjourned at 10:00 a.m.

Respectfully submitted,

Maureen Mooney



RI Department of Labor and Training

Rhode Island Employment Security Advisory Council (ESAC)

Date: December 9, 2009

Time: 4:00 p.m.

Location: State House
Room 211

Chair: William McGowan

Meeting Agenda

- A. Call to Order**
- B. Approval of 11-24-09 Meeting Minutes** **Vote**
- C. Discussion/Decision - UI Modernization Options** **Information/Vote**
- D. Discussion - Interest Payment Options** **Information**
- E. Discussion - Recommendations for Legislation** **Information**
- F. Other Business**
- G. Adjournment**

Governor's Workforce Board RI
Rhode Island Employment Security Advisory Council (ESAC)
December 9, 2009

Meeting Minutes

Committee Members present: Roland Benjamin, William McGowan, Sandra Powell, Nancy Roderick, The Honorable Arthur J. Corvese

Committee Members absent: The Honorable Paul W. Fogarty, J. Michael Saul, Paul MacDonald

Others Present: Phil D'Ambra, Raymond Filippone, Robert Langlais, Janet Raymond, Paul Harden, Russ Dannecker, Michael Hayes, Diane Gagne, Robert C. Bromley, David Tremblay, Lisa D'Agostino, Neil Downing

Call to Order

Chair McGowan called the meeting to order at 4:05 p.m. and welcomed everyone to the meeting. He mentioned that this meeting is being held at the State House in order to accommodate the schedules of the council members in the legislature. Chair McGowan emphasized the importance of the work of the ESAC and welcomed Representative Corvese.

Representative Corvese inquired if a member of the House Finance Committee participated in the ESAC and about the role of the Council.

Director Powell responded that the Council's membership is prescribed by law to include Labor Committee chairs and reported that she has briefed Michael O'Keefe and Senate President Teresa Paiva-Weed of the work of the Council.

Minutes of ESAC meeting

Chair McGowan asked for a review of the meeting minutes of the 11/24/09 ESAC. He asked for a motion to approve the meeting minutes.

Vote: R. Benjamin motioned to approve the minutes of the 11/24/09 ESAC meeting as presented. N. Roderick seconded the motion. The vote was unanimous; the motion passed.

UI Modernization Options

Ray Filippone provided a review of the UI Modernization incentive payments noting that the American Recovery and Reinvestment Act (ARRA) of 2009 authorized a special transfer of \$7 billion to states if certain conditions were met. He indicated that the money would come from the Federal Unemployment Account and that RI could be eligible for up to \$23.5 million. R. Filippone noted the distribution and eligibility requirements for incentive payments and reviewed the provisions needed for RI to qualify. (These items are noted in the booklet previously distributed to Council members at the October 20, 2009 meeting. The Booklet is entitled: ESAC UI Modernization Incentive Payments).

Interest Payment Options

Ray Filippone and Robert Langlais provided an overview of the Federal UI Title XII Loans, balances of these loans and the interest payment options available. It was noted that RI's first interest payment is due on September 30, 2011 and that the interest due is estimated at \$9-\$10 million. It was noted that interest repayment options include a new interest assessment tax, state

general revenues, other non-federal sources or a combination of these. It was also noted legislation needs to be passed in the General Assembly session to address the source of interest payments.

Representative Corvese asked if the RI Congressional delegation was actively aware of these issues. R. Filippone indicated that the Department of Labor and Training (DLT) has a strong relationship with Senator Reed's Office and that he is kept well informed.

Recommendations for Legislation

Chair McGowan asked for any questions or comments regarding recommendations for legislation. Representative Corvese asked if there were any commonalities or specific areas from the last 4 meetings that the Council wants addressed by legislation, specifically those items that have no controversy or need further analysis.

Chair McGowan proposed that the Council needs to become more familiar with the issues before making any recommendations for legislation.

Other Business

Director Powell reported on the impact of recently passed legislation for the extension of federal Unemployment Insurance benefits and its impact on DLT Call Center activity.

Adjournment

With no further business Chair McGowan asked for a motion to adjourn the meeting.

VOTE: S. Powell moved to approve. N. Roderick seconded the motion.
The vote was unanimous, the motion passed.

The meeting adjourned at 5:30 p.m.

Respectfully submitted,

Maureen Mooney



RI Department of Labor and Training

Rhode Island Employment Security Advisory Council (ESAC)

Date: January 19, 2010

Time: 8:30 a.m.

Location: RI Dept. of Labor and Training
Conference Room 73-1

Chair: William McGowan

Meeting Agenda

A. Call to Order

B. Approval of 12-9-09 Meeting Minutes

Vote

C. UI Modernization Options

Vote

D. Discussion/Presentation - Interest Payment Options

Information

E. Other Business

F. Adjournment

Governor's Workforce Board RI
Rhode Island Employment Security Advisory Council (ESAC)
January 19, 2010

Meeting Minutes

Committee Members present: Roland Benjamin, William McGowan, Sandra Powell, Nancy Roderick, Paul MacDonald

Committee Members absent: The Honorable Paul W. Fogarty, The Honorable Arthur J. Corvese, J. Michael Saul

Others Present: Phil D'Ambra, Raymond Filippone, Robert Langlais, Janet Raymond, Paul Harden, Michael Hayes, Diane Gagne, David Tremblay, Neil Downing, Barbara D'Amore, Lori Norris, Stephanie Perreault, Valentino Lombardi, John O'Hare, Rose Lemoine, Donna Murray, Maureen Mooney

Call to Order

Chair McGowan called the meeting to order at 8:40 a.m. and welcomed everyone to the meeting. He explained that the ESAC is an advisory council and its role is to make recommendations to the Director of the RI Department of Labor and Training (RIDLT) on Unemployment Insurance issues. He noted that the Director is responsible for presenting these recommendations to the RI General Assembly and the Governor's Office. Chair McGowan indicated his willingness to testify on any of the recommendations of the committee.

Minutes of ESAC meeting

Chair McGowan asked for a review of the meeting minutes of the 12/9/09 ESAC. He asked for a motion to approve the meeting minutes.

Vote: S. Powell motioned to approve the minutes of the 12/9/09 ESAC meeting as presented. R. Benjamin seconded the motion. The vote was unanimous; the motion passed.

Unemployment Insurance (UI) Modernization Options

Chair McGowan noted that a review of the UI modernization options has been on the ESAC agenda for the last few meetings and indicated that a vote will be taken today. He referred to the handout on the UI Modernization Options authored by Robert Langlais which provides an explanation of the qualifications required for RI to receive \$15,640,385 in UI modernization funds. He pointed out that RI already qualifies for \$7,820,193 based on the alternative base period provision in its UI law. Chair McGowan explained that in order to qualify for the funds RI must have two of the four qualifying provisions outlined in its laws.

Chair McGowan asked Ray Filippone and Robert Langlais to review the four options, which are outlined in a 3 page handout and are part of the meeting packet. He noted that each option has a section detailing the pros and cons. It was explained that receipt of modernization funds will reduce the amount of borrowing from the Federal government that the state must incur in order to maintain the payment of benefits to UI claimants. R. Langlais noted that that the addition of this \$15.6 million to the RI Employment Security fund will save the State of RI an estimated \$725,000 per year in interest payments through reducing the amount of the federal loans.

There was a general discussion and question and answer period for each option. Chair McGowan presented each option individually to the committee.

Chair McGowan asked if there was a motion for **Option 1**: Allow part-time workers to qualify for UI benefits when searching for part-time work when unemployed. (Currently, all must look for full-time work even if they formerly worked part-time).

There was no motion offered by committee members.

Chair McGowan asked if there was a motion for **Option 2**: Provide for a minimum dependent's allowance of \$15 per dependent. States are permitted to cap the maximum dependents allowance at \$50 or 50% of the individual's weekly benefit rate, whichever is less.

He noted **Option 2a**: States are allowed to reduce the total dependent's allowance for those collecting partial unemployment benefits by the same percentage that their weekly benefit was reduced.

Vote: P. MacDonald motioned to approve **Option 2** as presented. N. Roderick seconded the motion. Director Powell abstained from the vote. The motion passed.

N. Roderick motioned to approve **Option 2a**. Chair McGowan asked V. Lombardi, Esq. and RIDLT Legal Counsel, for a legal opinion on this motion. V. Lombardi indicated that a motion to approve Option 2a changes the original motion noting that Option 2a states that those collecting partial unemployment benefits would have their total dependent's allowance prorated.

Vote: N. Roderick motioned to amend the motion just passed with **Option 2a**. R. Benjamin seconded the motion. P. MacDonald opposed. Director Powell abstained. The motion passed.

Chair McGowan asked if there was a motion for **Option 3**: Do not disqualify individuals who leave work for compelling family reasons from eligibility for UI benefits if they are able and available for work. Compelling family reasons include: (a) victims of domestic violence, (b) caring for an immediate family member due to illness or disability, and (c) leaving a job to accompany a spouse whose location of employment has changed to a place where it is impractical to commute to the former job.

Vote: P. MacDonald motioned to approve **Option 3** as presented. N. Roderick seconded the motion. Director Powell abstained. The motion passed.

Chair McGowan asked if there was a motion for **Option 4**: Provide UI benefits for up to 26 additional weeks to individuals who have exhausted their regular benefits but are enrolled in a state-approved training program or in job training authorized under the Workforce Investment Act.

Vote: P. MacDonald motioned to approved **Option 4** as presented. There was not a second. Motion did not pass.

Chair McGowan commented that the ESAC has made its recommendations and approved 2 of the 4 provisions for the UI Modernization Options which will qualify the State of RI for \$15,640,385 added to the RI Employment Security fund. He noted that if approved the by RI General Assembly this would save the State an estimated \$725,000 per year in interest payments. He thanked committee members for their work on this issue.

Interest Payment Options

Chair McGowan asked R. Langlais to provide further information on options available for the payment of interest on Federal Title XII Loans. A handout describing these options and a handout detailing monthly employment security activity from October 2008 – December 2011 was given to meeting attendees. R. Langlais provided a review of each.

Regarding the payment of interest on federal loans, R. Langlais mentioned possible options for the repayment of the loans which included state general revenue, state revenue bonds, and a separate employer or employee tax. He noted that the federal government suspended the interest assessments on Title XII loans through December 31, 2010 and that states will be assessed interest on outstanding loans beginning on January 1, 2011. RI's first interest payment of an estimated \$9-\$10 million is due by September 30, 2011.

Chair McGowan asked if committee members would support sending a letter from the ESAC to the RI Congressional delegation asking them to support legislation waiving interest payments on the federal loans. R. Benjamin suggested that the language should include asking them for additional recommendations to ensure that the trust fund is solvent.

Chair McGowan asked for a motion to approve sending a request to the RI Congressional delegation to support legislation to waive interest payments on the Federal Title XII Loans.

Vote: N. Roderick moved to approve. S. Powell seconded the motion.
The motion passed.

Other Business

Chair McGowan indicated that additional meetings for ESAC would be scheduled.

Adjournment

With no further business Chair McGowan asked for a motion to adjourn the meeting.

VOTE: N. Roderick moved to approve. R. Benjamin seconded the motion.
The motion passed.

The meeting was adjourned at 9:50 a.m.

Respectfully submitted,

Maureen Mooney



RI Department of Labor and Training

Rhode Island Employment Security Advisory Council (ESAC)

Date: March 24, 2010

Time: 8:30 a.m.

Location: RI Dept. of Labor and Training
Conference Room 73-2

Chair: William McGowan

Meeting Agenda

- | | |
|--|--------------------|
| A. Call to Order | |
| B. Approval of 1-19-10 Meeting Minutes | Vote |
| C. Annual Report to Legislature | Information |
| D. Interest Payment Options | Vote |
| E. Restructuring for UI Trust Fund Solvency | Information |
| F. Other Business | |
| G. Adjournment | |

Governor's Workforce Board RI
Rhode Island Employment Security Advisory Council (ESAC)
March 24, 2010

Meeting Minutes

Committee Members present: William McGowan, Sandra Powell, The Honorable Anastasia Williams, Nancy Roderick, Roland Benjamin, Keith Stokes

Committee Members absent: The Honorable Paul W. Fogarty, Paul MacDonald

Others Present: Raymond Filippone, Robert Langlais, Janet Raymond, Robert Bromley, Stephanie Perreault, Barbara D'Amore, Neil Downing, Rachel Flum, Michael Hayes, Diane Gagne, David Tremblay, Mary Ellen McQueeney-Lally, Laura Hart, Maureen Mooney

Call to Order

Chair McGowan called the meeting to order at 8:40 a.m. and welcomed everyone to the meeting. He welcomed new members: The Honorable Anastasia Williams, Chairwoman of the House Labor Committee and Keith Stokes, Director, RI Economic Development Corporation.

ESAC Update

Chair McGowan provided a recap of the 7 ESAC meetings to date for new committee members. He reported that the meetings began in October of last year noting that the ESAC was created through RI general laws to formulate policies and to solve problems relating to unemployment insurance benefits in RI. He explained that the ESAC is an advisory council and its role is to make recommendations to the Director of the RI Department of Labor and Training (RIDLT) on Unemployment Insurance issues. He noted that the Director is responsible for presenting these recommendations to the Governor who brings them to the RI General Assembly.

Chair McGowan reported that at the last meeting, the ESAC recommended several Unemployment Insurance (UI) modernization proposals which would allow an infusion of federal government funds into the RI UI trust fund. Director Powell has presented these recommendations to Governor Carcieri, and they are contained in budget article 27 for the 2011 state budget. Chair McGowan noted that hearings will be held in the House and Senate and that as of yet no action has been taken on the budget article.

Minutes of ESAC meeting

Chair McGowan asked for a review of the meeting minutes of the 1-19-10 ESAC. He asked for a motion to approve the meeting minutes.

Vote: N. Roderick motioned to approve the minutes of the 1/19/10 ESAC meeting as presented. S. Powell seconded the motion. The vote was unanimous; the motion passed.

Annual Report to the Legislature

Chair McGowan reported that by statute the ESAC must report to the Governor and Legislature by March 31st through an annual report. Ray Filippone reported that the annual report will include a summary of the meetings that have occurred to date, including today's meeting. He indicated that the report will provide information on the UI modernization options that were recommended and submitted to the legislature. Chair McGowan noted that ESAC members will receive a copy of the report.

Interest Payment Options

Chair McGowan provided background information on the issue of the payment of interest on Federal Title XII Loans. He noted that RI has borrowed \$186.6 million from the federal government as of March 16, 2010 in order to continue to make Unemployment Insurance (UI) payments. He indicated that the federal government requires that this interest be paid and that federal law prohibits states from paying the interest charge from UI trust funds. He acknowledged the delicate balance required to address this situation noting the struggles of small business and the challenging times for unemployed workers.

Chair McGowan reported that he and Director Powell have reached out to the congressional delegation by sending each a letter requesting their help in waiving the federal interest due on the federal funds borrowed for the payment of unemployment benefits. He noted the estimated interest payment due 9/30/11 is approximately \$9M. He indicated he received a call from Senator Reed's office and they are working out details to meet on this issue.

Chair McGowan indicated that although a request has been made to the congressional delegation to assist in the process of waiving the interest payments due, that the committee must recommend another option should the waiver not come through.

Director Powell indicated that an additional option for interest repayment, beyond what was previously discussed at ESAC meetings, has been suggested and will be discussed.

Chair McGowan asked R. Filippone to review the Options for Payment of Interest on Federal Title XII Loans (revised March 16, 2010).

R. Filippone reviewed the 5 options for repayment including Option 1: state general revenue; Option 2: state revenue bond; Option 3: a separate employer tax; Option 4: a separate employee tax and Option 5: the elimination of the 0.3% solvency tax and addition of 0.3% job development assessment. Option 5 was the additional option referred to earlier by Director Powell. A more detailed description of these options is available in the handout entitled: *Options for the Payment of Interest on Federal Title XII Loans Rev. March 16, 2010*.

After a discussion of these options, a motion was made to recommend Option 5: Eliminate the 0.3% Solvency Tax & add 0.3% to the Job Development Assessment.

Vote: N. Roderick motioned to approve. K. Stokes seconded the motion. Director Powell recused herself from the vote. Representative Anastasia Williams recused herself from the vote. All others in favor. The motion passed.

Restructuring for UI Trust Fund Solvency

Chair McGowan asked Director Powell to review information on the proposal to restore UI trust fund solvency. She referred to the handout: *Proposal to Restore Unemployment Insurance Trust Fund Solvency* and provided an overview of the current trust fund situation beginning with the start of the recession in 2007. She also referenced the *Statistical Appendix*, a separate handout, detailing key information relating to UI taxes and benefits. Director Powell reviewed possible outcomes resulting from the UI trust fund insolvency if no action is taken. She indicated that the next ESAC meeting scheduled for March 29th, would require a vote on the restructuring proposals. She asked R. Langlais and R. Filippone to review both the UI tax proposals and the UI benefit proposals outlined in the handout.

After the review and discussion, it was suggested by K. Stokes that in the realignment process, it is important to convey that the recommended proposals be fair and equitable to both business and to those who are unemployed. He acknowledged the priority of resolving issues with the solvency of

the trust fund and of noting the further burden if not resolved. He suggested that we should be watching what other states are doing, surmising that each state is probably following suit.

R. Benjamin suggested, as he had in earlier meetings, that a review of claims being paid could create substantial savings if it is determined there are claims that are not warranted.

R. Filippone acknowledged the exceptional leadership of Director Powell with the current UI situation as well as the support of the US DOL. Chair McGowan acknowledged the hard work of the employees of the UI section during these difficult economic times.

Adjournment

With no further business Chair McGowan asked for a motion to adjourn the meeting.

VOTE: S. Powell moved to approve. K. Stokes seconded the motion.
The motion passed.

The meeting was adjourned at 10:20 a.m.

Respectfully submitted,

Maureen Mooney



RI Department of Labor and Training

Rhode Island Employment Security Advisory Council (ESAC)

Date: March 29, 2010

Time: 8:30 a.m.

Location: State House
Room 203

Chair: William McGowan

Meeting Agenda

- A. Call to Order
- B. Approval of 3-24-10 Meeting Minutes Vote
- C. Draft Annual Report Information
- D. Restructuring for UI Trust Fund Solvency Vote
- E. Other Business
- F. Adjournment

MINUTES

The minutes for the March 29, 2010 meeting will be added to this report upon their approval by the council.