

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, Sharon Reynolds Ferland, 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