

THE 2009 REPORT

Unemployment Insurance
Minnesota

Mission: Enhance workforce development and economic strength of Minnesota by providing unemployment insurance for individuals and employers.

Vision: To make the Unemployment Insurance program work for Minnesota.

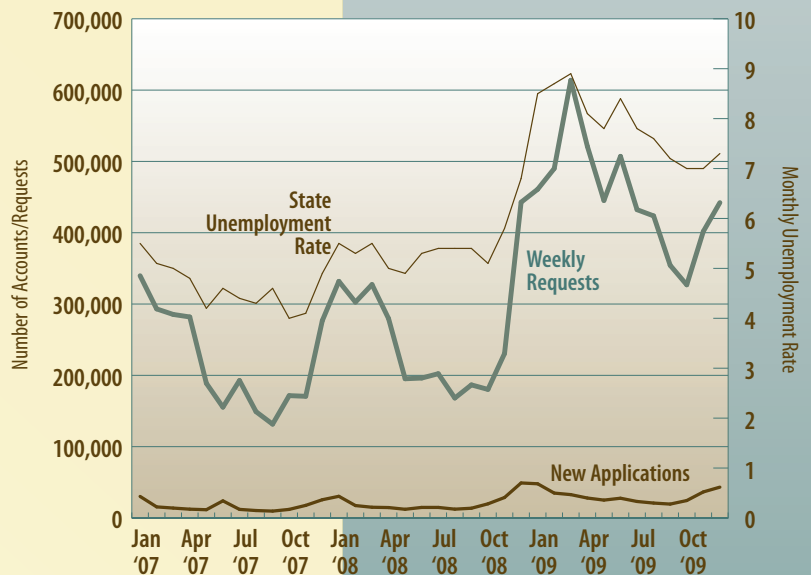
2009 saw a continuation of the historically high levels of unemployment that began in 2008. In 2009, there were 363,000 new applications for unemployment benefits; up 50% over 2008. In addition, the number of weekly requests for benefits rose even higher signifying that workers were remaining unemployed longer.

In 2009, Minnesota's Unemployment Insurance (UI) Program paid \$2.8 billion in benefits. The majority of this (\$1.7 billion) was in regular state benefits from the State UI Trust Fund, while the remainder was in extended benefits and a federally funded program that provided \$25-per-week additional compensation to applicants' weekly benefit. Economists say that every dollar of unemployment benefits adds an average of \$2.15¹ to the economy. Because Minnesota was able to pay all new programs as soon as the law allowed, the UI Program fulfilled its broader stabilizing role in the statewide economy.

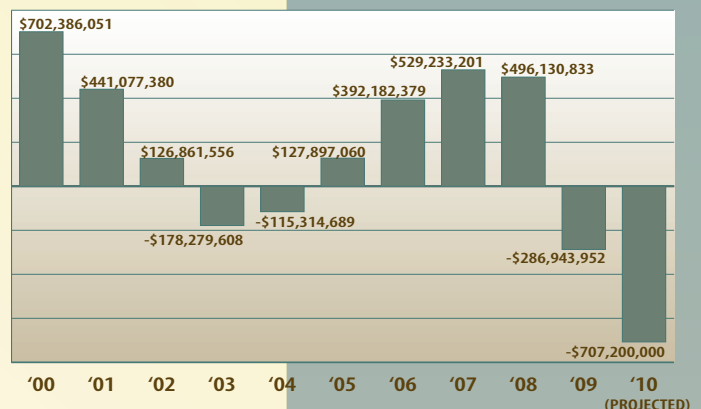
Despite the workload, Minnesota has met or exceeded U.S. Department of Labor (USDOL) core measures. The primary core measure is the percent of timely first payments to applicants. The USDOL standard for timely first payments (within 14 days) is 87%. In 2009, Minnesota was timely with 90% of the payments; well above the national average of 82%. More significantly, Minnesota was able to improve on the 86% performance of 2008 while most other states saw a decrease in their performance.

The UI Trust Fund continued to drop throughout the year and moved into a negative balance in July. However, carrying a negative balance is not unprecedented. The law allows states to borrow money from the federal government so that the status of a state's trust fund does not affect the ability to pay regular state benefits. Minnesota's UI Trust Fund last borrowed in 2003-2004. At the end of 2009, 26 states had borrowed a total of \$27 billion. That is expected to increase in 2010.

New Applications and Weekly Requests With Monthly Unemployment Rate: 2007-2009



UI Trust Fund Balance (on December 31st)



¹Unemployment Insurance as an Economic Stabilizer: Evidence of Effectiveness Over Three Decades. UI Insurance Occasional Paper 99-8, prepared by Coffey Communications, LLC, 1999.

Extended Benefits Paid in 2009

- \$780 million in EUC benefits paid to 93,000 applicants
- \$87 million in EB paid to 21,000 applicants
- \$169 million in FAC benefits paid to 334,000 applicants
- \$25 million in Special State Emergency Unemployment Compensation benefits paid to 8,800 applicants

American Recovery and Reinvestment Act

In February of 2009 Congress passed the American Recovery and Reinvestment Act (ARRA). Elements of the ARRA dealing with unemployment insurance include:

- Expansion of Emergency Unemployment Compensation (EUC).
- Full federal funding of Federal-State Extended Benefits (EB) — typically employers are charged for 50% of the cost. This provision is a direct tax savings of \$43 million for Minnesota employers.
- \$25 Federal Additional Compensation (FAC) to an applicant's weekly unemployment benefit amount.
- \$2400 of unemployment benefits paid in 2009 are not subject to federal income tax.
- Waiver of interest to states borrowing money from the federal government to pay state benefits.

In addition, ARRA provided incentives for states to enact certain legislation. By enacting minor changes to the state UI law, Minnesota received \$130 million that was deposited immediately into the trust fund. Additionally, Minnesota received \$9.3 million for UI administration.

Benefit Extensions

Both Congress and the state legislature acted to extend the number of weeks of unemployment benefits available to workers. Regular state unemployment benefits typically pay 26 weeks of benefits; however, when combined with EUC and EB, unemployed Minnesota workers are currently able to receive up to 86 weeks of benefits.

Emergency Unemployment Compensation (EUC)

EUC was enacted by Congress in 2008 and expanded in 2009 to include three tiers of benefits. EUC currently provides up to 47 weeks for unemployed Minnesota workers and EUC is federally funded. In 2009, \$780 million in EUC was paid.

Federal-State Extended Benefits (EB)

EB "triggered on" in April 2009 when the state's average unemployment rate exceeded 6.5%. Initially EB provided up to 13 weeks of benefits to applicants who had exhausted EUC. In May of 2009, because the average unemployment rate exceeded 8.0%, EB was increased from 13 weeks to 20 weeks. However, by November 2009, the state's average unemployment rate had dropped below 8.0% and EB benefits decreased from 20 weeks to 13 weeks. This is the first time since 1983 that Minnesota has "triggered on" EB. \$87 million in EB was paid in 2009.

Federal Additional Compensation (FAC)

In February 2009, Congress enacted FAC, a federally funded \$25 weekly payment to those receiving regular state unemployment benefits, EUC and EB. In 2009, this additional compensation totaled \$169 million.

Special State Emergency Unemployment Compensation (SSEUC)

In January 2009, state lawmakers enacted SSEUC. This program provides benefits in the same manner as EUC, but to workers who do not meet the special requirements for EUC. The program is funded from the Minnesota UI Trust Fund and \$25 million was paid in 2009.

UI Program Performance

In October of 2007, Minnesota became the first state to implement a fully integrated self-service unemployment insurance system.

This system allowed Minnesota to implement and administer extended benefit programs quickly, accurately and with fiscal integrity. These extended benefit programs were implemented at the earliest possible date allowed by law. Applicants were able to access these benefits without any interruption in their payment cycle.

State law sets out eligibility requirements for applicants requesting benefits. Determining eligibility is a staff-intensive process that requires obtaining information from applicants and employers. Federal standards require that 80% of determinations of eligibility be completed within 21 days. In 2009, Minnesota exceeded this requirement while the national average was 57.4%.

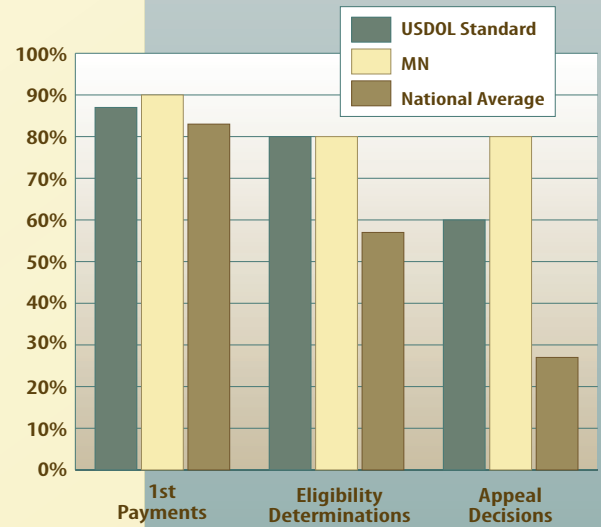
Applicants and employers can appeal any eligibility determination. In 2009, the number of appeal decisions increased over 30% from 2008 but Minnesota was able to issue over 80% of appeal decisions within 30 days. The national average was 27%.

In 2009, over 121 million wage detail records were filed by 130,000 Minnesota employers. Each quarter, over 30 million records were posted — and the related tax payments were processed — within days.

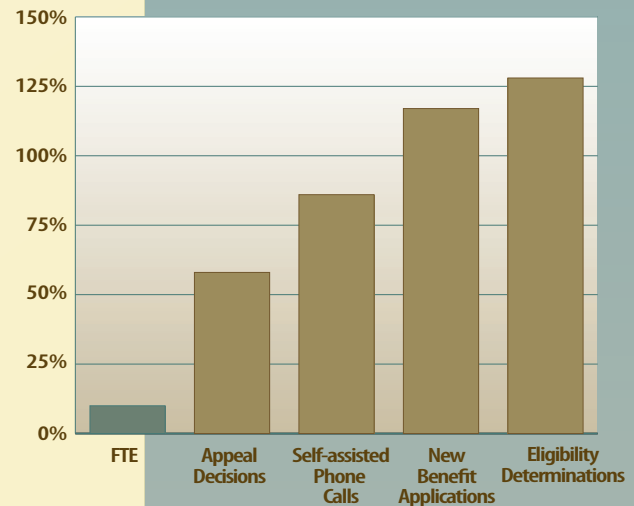
UI customer service representatives handle thousands of telephone calls every day from employers and Minnesotans who have lost their jobs. While the vast majority of UI benefit applications in Minnesota are filed online as part of the self-service system, UI staff answer questions about eligibility, payments, and other issues. In 2009, over 1.25 million phone calls were answered while average wait times were under 5 minutes. Other states with similar call volumes have significantly longer average wait times.

The Re-employment and Eligibility Assessment Program is designed to help applicants who are at risk of exhausting benefits identify resources in their community to assist them in finding work. Minnesota has a special federal contract requiring in-person interviews with at least 19,000 applicants in 2009. Over 23,000 interviews were conducted by year end.

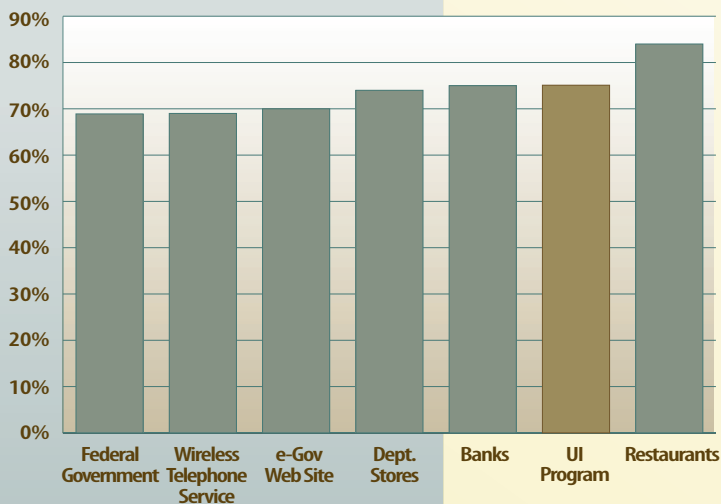
Program Measures in 2009: How Minnesota Compares



Increase in Staffing and Workload: 2004 vs. 2009



Minnesota UI Customer Satisfaction vs. American Customer Service Index



Customer Satisfaction

A customer satisfaction survey was conducted in 2009. The survey was patterned after the American Customer Satisfaction Index (ACSI²) and the score is expressed as the Minnesota Customer Satisfaction Index (MnCSI). The scores are on a 0-100 scale.

Applicants were asked to rate the UI Program when considering their experience as they completed an application for benefits, requested payments, and talked with UI customer service representatives.

The overall MnCSI score for the UI Program was 75.1. This chart shows a comparison of ACSI scores (www.theacsi.org Dec. 22, 2009).

Unsolicited Feedback

"Thank you so much for this wonderful site. I have never had to apply for this before and I was scared, nervous and embarrassed. You have helped me so much. I guess I am not the only one going through a tough time! The site was easy to work with and very self explanatory. Thanks again."

— Vickie S.

"You all provide excellent customer service and can be proud of your work at the end of the day."

"My experience working with the Minnesota unemployment office has been very positive. Thanks for helping out during unfortunate times."

— Misty M.

"I cannot tell you how impressed I have been in speaking with your fine staff. . . . I have experienced nothing but the kindest service. Your folks are courteous, patient, and thorough. Without exception, all have demonstrated proper telephone etiquette, accurate and efficient responses to my inquiries, and I have always been relieved and calmed by their caring manner. . . please share my gratitude with all of the staff and those who conduct the training and oversight for their hard work and jobs very well done. It is greatly appreciated."

When asked to rate the online application and payment request processes on a scale of 1 through 10, applicants scored the convenience, ease of operation and timeliness at well above 8. Such high ratings from individuals who are navigating through difficult times are reassurance that the Minnesota UI Program is successful in meeting the purpose of the program: to provide a partial wage replacement to assist the unemployed worker in becoming reemployed.

Looking Forward

Significant advancements in automation have allowed Minnesota to effectively deliver the UI Program during the current recession. However, the program is committed to continuous improvements that keep it effective and efficient. Some of the areas being addressed in 2010:

Enhance system functionality — The existence of multiple extensions has made the UI Program more complex than ever before. These challenges require that we continually enhance system flexibility allowing the program to respond even better in the future.

Improved Usability — The introduction of self-service into UI began twenty years ago. Now over 80% of transactions are completed by applicants and employers without any staff assistance. This requires systems to be designed for applicants and employers who use it every day. Minnesota continually analyzes and improves the applicant and employer self-service portals.

Focus on Performance — The UI Program is comprised of thousands of business processes. Minnesota has a goal of program integrity, efficiency and quality. It is committed to continuous process improvement by utilizing on-going reviews and Lean strategies. This includes identifying and implementing quantitative and qualitative performance measures for both system and staff-mediated processes.

The Minnesota Unemployment Insurance program is part of the Minnesota Department of Employment and Economic Development, whose mission is to enhance the economic prosperity of individuals, businesses and communities by improving opportunities for growth.

POSITIVELY
Minnesota
Department of Employment and Economic Development

www.UIMN.org

² The ACSI is the proprietary property of the University of Michigan Business School and the Claes Fornell International Group. As a division of DEED, the Minnesota UI Program has permission to express the results of the customer satisfaction survey as an ACSI score.