south dakota department of
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Senator Deb Peters
Co-Chair, Joint Committee on Appropriations

Representative Justin Cronin
Co-Chair, Joint Committee on Appropriations

**Quarterly Report to the Interim Joint Committee on Appropriations:
Progress of New Software System and
Adequacy of the Unemployment Insurance Trust Fund Balance**

Implementation of New Software

Senate Bill 48 appropriated $150,000 in general funds to the Department of Labor and Regulation (DLR) Division of Unemployment Insurance (UI) for upgrading software systems to allow employers to submit required reports and make contributions to the unemployment compensation fund using their choice of multiple internet browsers of the latest version.

Since the last update provided on June 6, 2016, demos and working sessions were conducted with DLR. All requested changes have been made and implemented. The application cleared the security scan for Test and Production on September 7, 2016. Testing of the new online contribution and reporting system was completed by the Bureau of Information and Telecommunications (BIT) and DLR staff. The application was tested using Internet Explorer, Google Chrome, Microsoft Edge, Mozilla Firefox and Safari browsers on different PC platforms, except for the Mac Book/Safari combination. A limited application was made available to the public on September 29, 2016. On October 1, 2016, the application will be open and available for employers to begin filing their reports and make contributions for the third quarter of 2016 which are due by October 31, 2016. As of September 26, 2016, the project was 40 percent completed. Further work on this project continues. Further work includes converting the backend server process to a multi-thread model to improve system throughput under heavy user conditions.

Adequacy of the Unemployment Insurance Trust Fund Balance

The UI Advisory Council has met several times during this year to discuss the current financial status of the UI Trust Fund. Three commonly used measures of assessing trust fund solvency were presented to the Council. The average high cost multiple measure (AHCM) was chosen by the Council as the measure South Dakota should use to define an adequate trust fund balance. This measure compares trust fund reserves in relation to the state's current economy. An AHCM of 1.6 was set as the starting point for an

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adequate trust fund balance. At the September 22, 2016, Council meeting, the Council moved to support the Department of Labor and Regulation in drafting legislation that will result in an administrative offset fee of .02 percent and establish the process of implementing an alternate tax rate table when the June 30 AHCM rate is 1.6 percent or above. The next Council meeting is scheduled for October 19, 2016.

Sincerely,

M. Hultman

Marcia Hultman
Cabinet Secretary