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BILL ANALYSIS



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House Bill 4945 (Substitute H-1 as reported without amendment)
Sponsor: Representative Barbara A. Farrah
House Committee: Employment Relations, Training and Safety
Senate Committee: Commerce and Labor

CONTENT

The bill would amend the Michigan Employment Security Act to allow the payment of an additional 13 weeks of temporary extended unemployment compensation ("TEUC-X") based on the State's average rate of total unemployment. (Typically, an unemployed worker is eligible for 26 weeks of regular benefits plus 13 weeks of extended benefits. If a state meets certain criteria, its unemployed workers are eligible for an additional 13 weeks of extended benefits.)

Currently, the payment of TEUC-X is triggered if the rate of *insured* unemployment for a week and the immediately preceding 12 weeks equaled or exceeded 120% of the average of those rates for the same period in the preceding two years and the average rate of insured unemployment equaled or exceeded 5%.

Under the bill, the payment of TEUC-X also would be triggered if the average rate of *total* unemployment in Michigan for the most recent three months equaled or exceeded 6.5% and equaled or exceeded 110% of the average rate of total unemployment in Michigan for the same period in either or both of the preceding two years. This trigger would apply for weeks beginning after the week in which the bill took effect and ending on or before December 27, 2003. It would apply to claimants who qualified on or after the week ending May 24, 2003, and before the week ending December 27, 2003, for benefits payable beginning the week after the bill's effective date.

The Act provides that extended benefits based on service with a contributing employer (an employer that pays unemployment taxes), to the extent they are not reimbursable by the Federal government, must be charged to that employer's experience account. Under the bill, that requirement would not apply to TEUC-X based on the average rate of total unemployment. Also, if a reimbursing employer (an employer that reimburses the government for benefits paid) were charged for extended benefits during a period when TEUC-X were being paid based on the average rate of total employment, the Bureau of Worker's and Unemployment Compensation would have to credit the employer's account for the full amount of those extended benefits and charge the contingent fund created under the Act for the credited amounts.

MCL 421.3 et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would result in the payment of an estimated \$206 million for extended unemployment compensation benefits. Of that amount, \$181 million would be funded from the Federal government, \$23.0 million from the State Unemployment Trust Fund (nonchargeable benefits account), and \$1.75 million from the Unemployment Trust Fund Penalty and Interest Account.

Date Completed: 8-12-03

Fiscal Analyst: Bill Bowerman

