




Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4945 (Substitute H-1 as passed by the House)
Sponsor: Representative Barbara A. Farrah
House Committee: Employment Relations, Training and Safety
Senate Committee: Commerce and Labor

Date Completed: 8-12-03

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. The payment of TEUC-X under the bill would apply to claimants who qualified between, roughly, the end of May and the end of December 2003. Employers' accounts would not be charged for these extended benefits. (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 the insured unemployment rates for the same 13-week period in each of the preceding two years and the average rate of insured unemployment equaled or exceeded 5%. ("Rate of insured unemployment" means the percentage determined by dividing the average weekly number of individuals filing claims for regular benefits for weeks of unemployment with respect to the specified period by the average monthly covered employment under the Act for that period.)

Under the bill, the payment of TEUC-X also would be triggered if the average rate of *total* unemployment in Michigan, seasonally adjusted, as determined by the U.S. Secretary of Labor, for the period consisting of the most recent three months for which data for all states were published before the close of the week, equaled or exceeded 6.5% and equaled or exceeded 110% of the average rate of total unemployment in Michigan, seasonally adjusted, for the same three-month period in either or both of the preceding two calendar 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 requires the Bureau of Worker's and Unemployment Compensation to establish, for each eligible individual who files an application, an extended benefit account with respect to that individual's benefit year. The amount established in the account must be 50% of the total amount of regular benefits payable to the individual under the Act during the benefit year or 13 times his or her weekly extended benefit rate, whichever is smaller. The bill would add that, with respect to a week beginning in a period in which the average rate of total unemployment (as described above) equaled or exceeded 8%, but not later than December 27, 2003, the amount established in the account would have to be 80% of the total amount of regular benefits payable to the individual under the Act during the benefit year or 20 times his or her weekly extended benefit rate, whichever was smaller.

The Act provides that extended benefits paid and 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. ("Experience account" means an account in the Unemployment Compensation Fund showing an employer's experience with respect to contribution payments and benefit charges under the Act.)

The Act also identifies certain costs that are charged to the nonchargeable benefits account of the Unemployment Trust Fund. The bill would add to that list the share of extended benefits otherwise charged to the account of a contributing employer, but only during a period when TEUC-X were paid based on the average rate of total unemployment. This provision would be effective for weeks of unemployment beginning the week after the week in which the bill took effect until the week ending January 17, 2004.

The bill specifies that 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 would have to credit the account of the reimbursing employer for the full amount of those extended benefits. The Bureau would have to charge the contingent fund created under the Act for the credited amounts. (That fund includes deposits of all solvency taxes collected under the Act and all interest on contributions, penalties, and damages collected under the Act.) This provision would be effective with respect to benefit charges for extended benefits paid for weeks of unemployment beginning the week after the week the bill took effect and until the week ending January 17, 2004.

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.

Fiscal Analyst: Bill Bowerman

S0304\4945sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.