

**SUBSTITUTE FOR
SENATE BILL NO. 484**

A bill to amend 1936 (Ex Sess) PA 1, entitled
"Michigan employment security act,"
by amending the title and section 2 (MCL 421.2) and by adding
sections 10a and 26a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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TITLE

An act to protect the welfare of the people of this state
through the establishment of an unemployment compensation fund, and
to provide for the disbursement thereof; to create certain other
funds; to create the Michigan employment security commission, and
to prescribe its powers and duties; to provide for the protection
of the people of this state from the hazards of unemployment; to
levy and provide for contributions from employers; **TO LEVY AND**

1 **PROVIDE FOR OBLIGATION ASSESSMENTS;** to provide for the collection
2 of ~~such~~**THOSE** contributions **AND ASSESSMENTS;** to enter into
3 reciprocal agreements and to cooperate with agencies of the United
4 States and of other states charged with the administration of any
5 unemployment insurance law; to furnish certain information to
6 certain governmental agencies for use in administering public
7 benefit and child support programs and investigating and
8 prosecuting fraud; to provide for the payment of benefits; to
9 provide for appeals from redeterminations, decisions and notices of
10 assessments; and for referees and a board of review to hear and
11 decide the issues arising from redeterminations, decisions and
12 notices of assessment; to provide for the cooperation of this state
13 and compliance with the provisions of the social security act and
14 the Wagner-Peyser act passed by the Congress of the United States
15 of America; to provide for the establishment and maintenance of
16 free public employment offices; to provide for the transfer of
17 funds; to make appropriations for carrying out the provisions of
18 this act; to prescribe remedies and penalties for the violation of
19 ~~the provisions of this act;~~ and to repeal all acts and parts of
20 acts inconsistent with ~~the provisions of this act.~~

21 Sec. 2. ~~(1) Declaration of policy.~~The legislature acting in
22 the exercise of the police power of the state declares that the
23 public policy of the state is as follows: Economic insecurity due
24 to unemployment is a serious menace to the health, morals, and
25 welfare of the people of this state. Involuntary unemployment is a
26 subject of general interest and concern which requires action by
27 the legislature to prevent its spread and to lighten its burden

1 which so often falls with crushing force upon the unemployed worker
2 and his OR HER family, to the detriment of the welfare of the
3 people of this state. Social security requires protection against
4 this hazard of our economic life. Employers should be encouraged to
5 provide stable employment. The systematic accumulation of funds
6 during periods of employment to provide benefits for periods of
7 unemployment by the setting aside of unemployment reserves to be
8 used for the benefit of persons unemployed through no fault of
9 their own, thus maintaining purchasing power and limiting the
10 serious social consequences of relief assistance, is for the public
11 good, and the general welfare of the people of this state.

12 (2) THE LEGISLATURE FINDS THAT FROM TIME TO TIME HIGH LEVELS
13 OF UNEMPLOYMENT HAVE RESULTED IN THE EXHAUSTION OF THE FUNDS IN
14 THIS STATE'S ACCOUNT OF THE UNEMPLOYMENT TRUST FUND, HAS REQUIRED
15 ADVANCES OR LOANS TO THE STATE FROM THE FEDERAL ACCOUNT OF THE
16 UNEMPLOYMENT TRUST FUND, AND HAS CAUSED THE IMPOSITION OF LAWFUL
17 PENALTY TAXES AND SOLVENCY TAXES TO REPAY THOSE ADVANCES AND THE
18 INTEREST ON THOSE ADVANCES. THE FINANCING AND PAYMENT OF THE
19 OUTSTANDING PRINCIPAL AMOUNT HERETOFORE OR HEREAFTER ADVANCED OR
20 LOANED TO THIS STATE FROM THE FEDERAL ACCOUNT OF THE UNEMPLOYMENT
21 TRUST FUND AND THE INTEREST ON THOSE LOANS, IF ANY, THE FUNDING OF
22 UNEMPLOYMENT COMPENSATION BENEFITS, AND THE FINANCING AND FUNDING
23 OF THIS STATE'S ACCOUNT IN THE UNEMPLOYMENT TRUST FUND INCLUDING,
24 WITHOUT LIMITATION, THE FUNDING OF SUFFICIENT FUND BALANCES IN THE
25 UNEMPLOYMENT TRUST FUND, ARE AN ESSENTIAL GOVERNMENTAL FUNCTION AND
26 PUBLIC PURPOSE OF THIS STATE. THE LEGISLATURE FURTHER FINDS THAT
27 THE ISSUANCE OF BONDS BY THE MICHIGAN FINANCE AUTHORITY OR OTHER

1 ISSUER TO FINANCE THE FOREGOING PAYMENTS AND TO AVOID OR REDUCE THE
2 IMPOSITION OF PENALTY TAXES AND SOLVENCY TAXES WILL FURTHER AND
3 FACILITATE AN ESSENTIAL GOVERNMENTAL FUNCTION AND PUBLIC PURPOSE OF
4 THIS STATE THAT WILL ENCOURAGE THE DEVELOPMENT OF INDUSTRY AND
5 COMMERCE, FOSTER ECONOMIC GROWTH, PROVIDE EMPLOYMENT OPPORTUNITIES
6 FOR THE CITIZENS AND RESIDENTS OF THIS STATE AND FURTHER OTHER
7 ECONOMIC DEVELOPMENT AND ACTIVITIES IN THIS STATE, AND IN GENERAL
8 PROMOTE THE PUBLIC HEALTH AND GENERAL WELFARE OF THE PEOPLE OF THIS
9 STATE.

10 SEC. 10A. (1) THE OBLIGATION TRUST FUND IS CREATED AS A
11 SEPARATE FUND IN THE STATE TREASURY. THE ASSETS OF THE OBLIGATION
12 TRUST FUND SHALL NOT BE COMMINGLED WITH ANY OTHER FUND AND SHALL
13 NOT BE CONSIDERED PART OF THE GENERAL FUND OF THE STATE.

14 (2) THE STATE TREASURER MAY RECEIVE MONEY OR OTHER ASSETS FROM
15 ANY SOURCE FOR DEPOSIT INTO THE FUND. ALL OBLIGATION ASSESSMENTS ON
16 EMPLOYERS COLLECTED UNDER SECTION 26A; ALL INTEREST ON PAYMENTS,
17 PENALTIES, AND DAMAGES COLLECTED IN CONNECTION WITH THE OBLIGATION
18 ASSESSMENTS MADE UNDER SECTION 26A; AND A PORTION OF THE PROCEEDS
19 OF ANY OBLIGATIONS, AS DESCRIBED IN SECTION 26A, IN AMOUNTS
20 SPECIFIED BY THE ISSUER, SHALL BE DEPOSITED INTO THE OBLIGATION
21 TRUST FUND. THE STATE TREASURER SHALL DIRECT THE INVESTMENT OF THE
22 FUND. THE STATE TREASURER SHALL CREDIT TO THE FUND INTEREST AND
23 EARNINGS FROM FUND INVESTMENTS.

24 (3) MONEY IN THE OBLIGATION TRUST FUND AT THE CLOSE OF THE
25 FISCAL YEAR SHALL REMAIN IN THE FUND AND SHALL NOT LAPSE TO THE
26 GENERAL FUND. MONEY IN THE FUND IS CONTINUOUSLY APPROPRIATED FOR
27 THE PURPOSES SPECIFIED IN SECTION 26A.

1 (4) THE DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS SHALL
2 BE THE ADMINISTRATOR OF THE FUND FOR AUDITING PURPOSES.

3 (5) THE DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS SHALL
4 EXPEND MONEY FROM THE FUND ONLY FOR 1 OR MORE OF THE FOLLOWING
5 PURPOSES:

6 (A) TO PAY OBLIGATIONS, ADMINISTRATIVE EXPENSES, AND
7 ASSOCIATED EXPENSES DESCRIBED IN SECTION 26A.

8 (B) TO REFUND ERRONEOUSLY COLLECTED ASSESSMENTS UNDER SECTION
9 26A.

10 (C) FOR ANY OTHER PURPOSE DESCRIBED IN SECTION 26A(1).

11 SEC. 26A. (1) THE DIRECTOR OF THE DEPARTMENT OF LICENSING AND
12 REGULATORY AFFAIRS MAY REQUEST THE MICHIGAN FINANCE AUTHORITY TO
13 ISSUE NOTES, BONDS, FINANCIAL INSTRUMENTS, OR OTHER EVIDENCES OF
14 INDEBTEDNESS, THE PROCEEDS OF WHICH MAY BE USED FOR ANY OF THE
15 FOLLOWING PURPOSES:

16 (A) TO FINANCE, REFINANCE, REFUND, OR ADVANCE REFUND ANY
17 PAYMENT REQUIRED OR OBLIGATION ARISING UNDER THIS SECTION OR UNDER
18 42 USC 1321 AND 1322.

19 (B) TO REPAY AMOUNTS OWED OR TO BE OWED TO THE UNITED STATES
20 TREASURY RESULTING FROM ADVANCES MADE TO THIS STATE BY THE FEDERAL
21 GOVERNMENT UNDER FEDERAL LAW, INCLUDING 42 USC 1321, TOGETHER WITH
22 INTEREST ON THOSE ADVANCES.

23 (C) TO REIMBURSE FUNDS ADVANCED OR LOANED UNDER EITHER OF THE
24 FOLLOWING CIRCUMSTANCES:

25 (i) BY THIS STATE TO THE UNEMPLOYMENT TRUST FUND AND USED TO
26 MAKE ANY PAYMENT REQUIRED OR OBLIGATION DESCRIBED IN THIS SECTION
27 OR 42 USC 1321.

1 (ii) BY THE UNEMPLOYMENT TRUST FUND TO THE OBLIGATION TRUST
2 FUND AND USED TO PAY OBLIGATIONS OF THE MICHIGAN FINANCE AUTHORITY.

3 (D) TO FUND UNEMPLOYMENT COMPENSATION BENEFITS AND THIS
4 STATE'S ACCOUNT WITHIN THE FEDERAL GOVERNMENT UNEMPLOYMENT TRUST
5 FUND, INCLUDING BALANCES IN THAT ACCOUNT.

6 (E) TO FUND CAPITALIZED INTEREST; DEBT SERVICE RESERVE FUNDS;
7 AND PAYMENT OF COSTS OF, AND ADMINISTRATIVE EXPENSES IN CONNECTION
8 WITH, ISSUING OBLIGATIONS.

9 (2) IN 2011 AND IN EACH YEAR THEREAFTER IN WHICH ANY
10 OBLIGATION IS OUTSTANDING, AN EMPLOYER IS SUBJECT TO, SHALL BE
11 ASSESSED, AND SHALL PAY AN UNEMPLOYMENT OBLIGATION ASSESSMENT,
12 WHICH SHALL BE COLLECTED QUARTERLY AND SHALL BE DEPOSITED TO THE
13 CREDIT OF THE OBLIGATION TRUST FUND. THE OBLIGATION ASSESSMENT IS
14 IN ADDITION TO THE EMPLOYER'S REQUIRED CONTRIBUTIONS, IS NOT
15 SUBJECT TO THE LIMITING PROVISIONS FOR CONTRIBUTIONS REQUIRED UNDER
16 THIS ACT, AND IS IN ADDITION TO AND SEPARATE FROM THE SOLVENCY TAX
17 IMPOSED UNDER SECTION 19A.

18 (3) THE UNEMPLOYMENT OBLIGATION ASSESSMENT RATE SHALL BE
19 DETERMINED BY THE STATE TREASURER AFTER CONSULTATION WITH THE
20 DIRECTOR OF THE DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS AND
21 SHALL BE AN AMOUNT SUFFICIENT TO ENSURE TIMELY PAYMENT OF ALL OF
22 THE FOLLOWING:

23 (A) PRINCIPAL, INTEREST, AND ANY REDEMPTION PREMIUM ON THE
24 OBLIGATIONS.

25 (B) ADMINISTRATIVE EXPENSES, CREDIT ENHANCEMENT AND
26 TERMINATION FEES, AND OTHER FEES, IF ANY, IN CONNECTION WITH
27 ISSUING THE OBLIGATIONS.

1 (C) ALL OTHER AMOUNTS REQUIRED TO BE MAINTAINED AND PAID UNDER
2 THE TERMS OF A RESOLUTION, INDENTURE, OR AUTHORIZING STATUTE UNDER
3 WHICH THE OBLIGATION IS ISSUED.

4 (D) AMOUNTS NECESSARY TO MAINTAIN THE RATINGS ON THE
5 OBLIGATIONS THAT ARE ASSIGNED BY A NATIONALLY RECOGNIZED RATING
6 SERVICE AT A LEVEL DETERMINED BY THE STATE TREASURER, IN HIS OR HER
7 SOLE DISCRETION.

8 (4) THE OBLIGATION ASSESSMENT RATE MAY TAKE INTO ACCOUNT THE
9 EMPLOYER'S EXPERIENCE RATING FROM THE PREVIOUS YEAR. THE OBLIGATION
10 ASSESSMENT RATE SHALL BE APPLIED AGAINST THE TAXABLE WAGE LIMIT
11 DESCRIBED IN SECTION 44, AND SHALL BE ASSESSED AGAINST ALL
12 CONTRIBUTING EMPLOYERS.

13 (5) THE OBLIGATION ASSESSMENT IS DUE AT THE SAME TIME,
14 COLLECTED IN THE SAME MANNER, AND SUBJECT TO THE SAME PENALTIES AND
15 INTEREST AS CONTRIBUTIONS ASSESSED UNDER THIS ACT.

16 (6) THE PROCEEDS OF OBLIGATION ASSESSMENTS RECEIVED EACH YEAR
17 ARE IRREVOCABLY PLEDGED AND DEDICATED TO THE PAYMENT OF OBLIGATIONS
18 AND ADMINISTRATIVE EXPENSES ON THOSE EXPENSES AND ARE SUBJECT TO
19 THE PLEDGE AND LIEN MADE TO THE EXTENT AND AS DESCRIBED IN THE
20 RESOLUTION, INDENTURE, OR THE AUTHORIZING STATUTE UNDER WHICH THE
21 OBLIGATION IS ISSUED.

22 (7) THE DIRECTOR OF THE DEPARTMENT OF LICENSING AND REGULATORY
23 AFFAIRS SHALL ADMINISTER AND CAUSE THE OBLIGATION ASSESSMENTS TO BE
24 COLLECTED.

25 (8) THE DIRECTOR OF THE DEPARTMENT OF LICENSING AND REGULATORY
26 AFFAIRS MAY REQUEST THE STATE TREASURER TO ESTABLISH ADDITIONAL
27 SPECIAL SUBACCOUNTS WITHIN THE OBLIGATION TRUST FUND FOR THE

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1 PURPOSE OF IDENTIFYING MORE PRECISELY THE SOURCES OF PAYMENTS INTO
2 AND DISBURSEMENTS FROM THE OBLIGATION TRUST FUND, OR AS MAY BE
3 REQUIRED UNDER THE RESOLUTION OR INDENTURE AUTHORIZING THE
4 OBLIGATIONS.

5 (9) THE DIRECTOR OF THE DEPARTMENT OF LICENSING AND REGULATORY
6 AFFAIRS OR HIS OR HER DESIGNEE MAY ENTER INTO AGREEMENTS WITH THE
7 ISSUER OF THE OBLIGATIONS OR A THIRD PARTY AS IS NECESSARY TO ISSUE
8 THE OBLIGATIONS. NOTHING IN THIS ACT OR ANY PROVISION OF ANY
9 DOCUMENT AUTHORIZED UNDER THIS SECTION CREATES OR CONSTITUTES STATE
10 INDEBTEDNESS.

11 (10) AS USED IN THIS SECTION AND SECTION 10A:

12 (A) "MICHIGAN FINANCE AUTHORITY" MEANS THE AUTHORITY CREATED
13 UNDER EXECUTIVE ORDER NO. 2010-2, MCL 12.194<<

14 >>.

15 (B) "OBLIGATION" MEANS A NOTE, BOND, FINANCIAL INSTRUMENT OR
16 OTHER EVIDENCE OF INDEBTEDNESS ISSUED AS PROVIDED IN THIS SECTION.

17 (C) "UNEMPLOYMENT OBLIGATION ASSESSMENT" MEANS AN ASSESSMENT
18 ON AN EMPLOYER UNDER THIS SECTION.

19 (D) "OBLIGATION TRUST FUND" MEANS THE FUND CREATED IN SECTION
20 10A.

21 Enacting section 1. This amendatory act does not take effect
22 unless all of the following bills of the 96th Legislature are
23 enacted into law:

24 (a) Senate Bill No. 483.

25 (b) Senate Bill No. 806.