SFA BILL ANALYSIS

Senate Fiscal Agency • Lansing, Michigan 48909 • (517) 373-5383



Senate Bill 68
Sponsor: Senator Frederick Dillingham
Committee: Human Resources and Senior Citizens

Date Completed: 2-13-89

SUMMARY OF SENATE BILL 68 as introduced 2-1-89:

**The bill would amend the Michigan Employment Security Act to provide for the pro rata repayment to employers of $28,400,000 from excess solvency tax revenues. The bill also would require legislative approval of expenditures from the administrative fund, and legislative appropriation of money deposited into that fund.**

The Act provides for the imposition of a "solvency tax" on negative balance employers (employers whose workers received more in unemployment benefits than the employers paid in unemployment taxes). Revenue from the tax was deposited into a "contingent fund" and generally used to pay interest on Michigan's Federal debt. If at any time there is more money in the contingent fund than is needed to pay interest obligations for a "reasonable future period", funds may be transferred to the unemployment compensation fund, which is used to pay benefits and repay Federal loans, and credit the funds to the experience accounts of negative balance employers (to offset a portion of benefits paid to their employees).

The bill would delete this transfer provision and require instead that $28,400,000 be paid on a pro rata basis to employers liable for the solvency tax for 1983, 1984, or 1985. The payment would have to be made by September 30, 1989, from excess solvency taxes and interest on contributions, penalties, and damages collected under the Act in the contingent fund. "Excess solvency taxes" would mean the balance of the solvency taxes in the contingent fund as of September 30, 1987, plus projected 1985 solvency tax revenues that were deferred by employers as a result of the deferment of Federal interest obligations under the Social Security Act, minus 1984 and 1985 Federal interest obligations that were deferred and are payable through 1989.

If the $28,400,000 were not paid by September 30, 1989, payment would have to be made as soon as possible after that date. If the amount available for payment were less than the amount owned, payments would have to be made continuously each year, within six months after the end of the fiscal year, until the entire amount owed had been paid. Until that time, the contingent fund could not be used for any purpose other than the payment of Federal interest obligations and refunds of interest, damages, and penalties erroneously collected under the Act.

The total solvency tax liability for 1983, 1984, and 1985 reported by employers as of January 25, 1986, would provide the basis for proration of the payments. The payment to each employer would have to be reduced by any delinquent solvency taxes owed and by any penalties and interest on the delinquent amount. The payment to each employer could not exceed the amount actually paid by the employer for 1983, 1984, and 1985.

MCL 421.10 Legislative Analyst: S. Margules

FISCAL IMPACT

The bill would require the State to pay the excess solvency taxes, $28,400,000, to private sector employers who made solvency payments during the 1983, 1984, or 1985 calendar years. These funds would no longer be available for costs related to the unemployment insurance automation project.

Fiscal Analyst: K. Lindquist

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