
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 619 (as enrolled)
Sponsor: Senator Robert Geake
House Committee: Labor and Occupational Safety

Date Completed: 7-31-97

RATIONALE

Public Act 162 of 1994 amended the Michigan Employment Security Act to provide for the conversion from a "wage request system" to a "wage record system". Under the wage request system, the Michigan Employment Security Agency (formerly the Michigan Employment Security Commission) requests wage and separation information from employers each time an employee files an unemployment claim. Employers also are required, however, to give the Agency wage record information on each employee; this information then is used to identify public assistance recipients who are employed. Many people consider this dual system of reporting to be costly and inefficient. Furthermore, 48 other states use wage record information to determine unemployment benefit claims, as well as to check against public assistance records. Several years ago, it was decided that Michigan, too, would convert to a wage record system, and Public Act 162 of 1994 specified a January 1, 1997, date for the conversion. Public Act 25 of 1995 then extended the deadline to July 1, 1997.

Although the Michigan Employment Security Agency (MESA) has made the changes in procedures and forms needed to convert to a wage record system, the necessary computer programming has not yet been accomplished. This has put Michigan in a position of noncompliance with its own statute, and resulted in warnings from the U.S. Department of Labor that Federal funding for administrative costs could be in jeopardy. According to the MESA, the Federal government gives Michigan \$137 million annually to run its unemployment compensation system, which means that the State could lose approximately \$.5 million for each day of noncompliance. To protect this funding and give the MESA the time it needs to convert to a wage record system, it has been suggested that the conversion deadline be postponed.

CONTENT

The bill would amend the Michigan Employment Security Act to extend the date of conversion to a wage record system from July 1, 1997, to December 31, 2001. This extension would be effective as of July 1, 1997.

The bill also would require the Michigan Jobs Commission to provide the standing committees of the Senate and the House that address labor issues a report on the wage record system conversion process once every six months after the bill's effective date, until the conversion was fully completed.

MCL 421.75

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

By amending the statutory deadline for converting to a wage record system, the bill would ensure that Michigan was in compliance with its own law and remained eligible for Federal administrative funding. Since the State's computer programmers have been and will continue to be busy with other projects (such as preparing for the year 2000), the computer changes necessary to convert to a wage record system have not been made. The State should be able to accomplish the conversion by the end of 2001.

Legislative Analyst: S. Margules

FISCAL IMPACT

Without the bill's extension to December 31, 2001, the Michigan Employment Security Agency may be found noncompliant with State statutes by the U.S. Department of Labor and could therefore be

ineligible for Federal administrative funding.

Additionally, the Agency may be held out of conformity should it exceed the deadline for an extended period of time, which could mean the loss of Federal tax credits for employers.

To date, this conversion project has been fully Federally funded, but according to the Michigan Employment Security Agency, there is no guarantee that Federal funds will continue to be made available for the completion of this project. If Federal funds are not made available or are reduced in any way, the Legislature may be asked to appropriate State restricted penalty and interest contingency funding to accommodate any shortfalls.

Fiscal Analyst: M. Tyszkiewicz

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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.