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Senate Bill 370 (as introduced 4-2-03)
Sponsor: Senator Burton Leland
Committee: Appropriations

Date Completed: 5-29-03

CONTENT

The bill would amend the Michigan Employment Security Act to provide for the withdrawal of \$10 million from the Contingent Fund for fiscal year 2003-04 and the deposit of these funds into the General Fund.

As one measure to balance the budget for fiscal year (FY) 2001-02 and FY 2002-03, one-time Federal Reed Act funding has been used to replace Contingent Fund dollars in the Department of Consumer and Industry Services budget. This one-time funding was made available under Federal legislation called the Temporary Extended Unemployment Compensation Act of 2002, Public Law No. 107 -147, Section 209. This law redistributed funds that are collected at the Federal level in the Unemployment Trust Fund when the amount in this Fund exceeds the statutory cap. The final amount that was distributed nationally totaled \$8 billion, with Michigan's share totaling \$292 million. The State's entire amount was appropriated in the FY 2001-02 supplemental and set aside into various work project accounts that will carry forward into FY 2002-03 and FY 2003-04. Of this amount, \$75 million was appropriated in the Department of Consumer and Industry Services budget.

Of this \$75 million, \$45 million in one-time funding will be used to speed up the implementation of the Remote Initial Claims System (RICS). The remaining \$30 million was intended to replace restricted Contingent Fund dollars that were used to support the Unemployment Agency operations. These funds were to be withdrawn in \$10 million increments from the restricted fund and deposited into the General Fund over three fiscal years, FY 2001-02 through FY 2003-04. These Federal funds also have accompanying boilerplate that will set them aside into a work project account for distribution over the same fiscal years in corresponding increments. At the close of FY 2001-02, it became evident that the balance in the Contingent Fund was inadequate to accommodate more than one \$10 million withdrawal. This bill would make that one-time withdrawal from the Contingent Fund of \$10 million for deposit into the General Fund.

MCL 421.10

FISCAL IMPACT

The bill would allow for the withdrawal of \$10 million from the Contingent Fund for FY 2003-04. This funding then would be deposited into the General Fund. There appear to be sufficient funds to effect this transfer. The estimated balance for this Fund in FY 2003-04, including carryforward and revenue, is \$24.4 million. From this balance, \$12.8 million total has been appropriated in the Consumer and Industry Services and the Department of Career Development budgets. Added to the \$10 million withdrawal, these appropriations total \$22.8 million, which would leave an estimated \$1.6 million balance in the Fund for carryforward into FY 2004-05.

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