Legislative Analysis

HOUSE FISCAL AGENCY
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UNEMPLOYMENT INSURANCE: EXTENDED BENEFITS

Senate Bill 399
Sponsor: Sen. Jason Allen

Senate Bill 400
Sponsor: Sen. Tony Stamas

Senate Bill 401
Sponsor: Sen. Tupac Hunter

Senate Committee: Commerce and Tourism
House Committee: Labor

Complete to 3-27-09

A SUMMARY OF SENATE BILLS 399 - 401 AS PASSED BY THE SENATE 3-25-09

The bills would amend state statute to accommodate federal reimbursement for extended unemployment insurance benefits, as provided under Section 2005 of the American Recovery and Reinvestment Act of 2009 ("Recovery Act").

[Note: These bills are identical to House Bills 4668 - 4670 that passed the House on 3-25-09, and currently await a hearing before the Senate Committee on Commerce and Tourism.]

By adopting, temporarily, an alternate extended benefits trigger, based on total unemployment rate (TUR), the bills permit displaced Michigan workers to receive an additional seven weeks of EB benefits, beyond the 13 weeks for which the state is already eligible based on its insured unemployment rate (IUR).

Senate Bill 399 (a companion to House Bill 4670) would amend Section 64 of the Michigan Employment Security Act (MCL 421.64), which specifies when eligible individuals may receive extended benefits. The bill would authorize certain extended benefits beginning from the time this bill goes into effect until the extended benefits are no longer funded under Section 2005 of the American Recovery and Reinvestment Act of 2009.

Senate Bill 400 (a companion to House Bill 4669) would amend Section 20 of the Michigan Employment Security Act (MCL 421.20) to strike its reference to the provision, noted above, that House Bill 4668 proposes to eliminate.

Senate Bill 401 (a companion to House Bill 4668) would amend Section 17 of the Michigan Employment Security Act (MCL 421.17) to strike the portion of the law that requires that extended benefits be charged to the non-chargeable benefits account of contributing employers during a period in which extended benefits are paid because of the state total unemployment rate.

FISCAL IMPACT:

By adopting, temporarily, the alternate TUR trigger, the bills permit displaced workers to receive an additional seven weeks of EB benefits, beyond the 13 weeks for which the state has already triggered based on its IUR. In general, the cost of EB benefits is shared 50-50 between states and the federal government. Under the Recovery Act, EB benefits are temporarily financed 100% by the federal government, with certain exceptions.

The Unemployment Insurance Agency estimates that there could be up to 213,829 individuals potentially eligible to receive EB benefits in calendar year 2009. This figure represents the number of individuals currently receiving EB benefits and the number of individuals currently receiving Extended Unemployment Compensation (EUC08) benefits. The actual number of individuals receiving the additional EB benefits, under the bills, depends on the extent to which displaced workers exhaust EUC08 benefits and previously available (13 weeks) EB benefits. In general, EB benefits are payable to individuals who exhaust regular benefits (up to 26 weeks) and EUC08 (up to 33 weeks). At the extreme, using the UIA estimate of 213,829, the bills would provide an additional $451.6 million in benefits to displaced workers.[1] The actual number of individuals receiving the additional seven weeks of EB benefits should be far less than 213,829.

In general, there would be no net impact on the State Unemployment Trust Fund, as these additional benefits would be funded entirely by the federal government. Additionally, there would be no direct cost impact on Michigan employers subject to federal unemployment taxes, because the benefits are financed entirely by the federal government. Under the Federal Unemployment Tax Act, employers pay a flat tax generally equal to 0.8% of the first $7,000 in taxable wages. The tax is not experienced rated as in the case of the state unemployment tax, where employers with more former employees receiving benefits paying higher unemployment taxes,.

Additionally, the bills would have a direct cost impact on state and local governmental units (including schools), to the extent that they have former employees receiving the additional seven weeks of EB benefits. Under federal law, the federal government does not share the cost of providing EB benefits to former employees of "reimbursing employers" which, under state law, include the state, most local governments, most schools, and some nonprofit organizations. The Michigan Employment Security Act provides that, for the state, the actual cost of benefits is charged to each state department against the funds available for the payment of salaries and wages.

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[1] 213,829, multiplied by 7 weeks (the additional number of weeks provided by adopting the TUR trigger), multiplied by $301.73 (the average EUC08 weekly benefit amount for July 2008 to December 2008 [$276.73] plus $25 in Federal Additional Compensation).