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Senate Bills 399, 400, and 401 (as introduced 3-19-09)

Sponsor: Senator Jason E. Allen (S.B. 399)

Senator Tony Stamas (S.B. 400)

Senator Tupac A. Hunter (S.B. 401)

Committee: Commerce and Tourism

Date Completed: 3-24-09

CONTENT

Senate Bill 399 would amend the Michigan Employment Security Act to provide for extended unemployment insurance benefits under certain circumstances until the end of the week in which extended benefits no longer are funded under Section 2005 of the American Recovery and Reinvestment Act (ARRA) (commonly referred to as the Federal stimulus package).

Senate Bills 400 and 401 would amend the Michigan Employment Security Act to delete provisions under which the share of extended benefits otherwise charged to the account of a contributing employer is charged to the nonchargeable benefits account.

(Section 2005 of the ARRA provides for full Federal funding of extended unemployment compensation for weeks of unemployment beginning after the date of the ARRA's enactment and before January 1, 2010. The ARRA was enacted on February 17, 2009.)

Senate Bill 399

Extended Benefit Account Amounts

The Act requires the Unemployment Insurance Agency (UIA) to establish, for each eligible individual who files an application, an extended benefit account with respect to that individual's benefit year. The amount established in the account must be 50% of the total amount of regular benefits payable to the individual under the Act during the benefit year, or 13 times the his or her weekly extended benefit rate, whichever is smaller.

Under the bill, with respect to a week beginning in a period in which the average rate of total unemployment equaled or exceeded 8%, but not later than the end of the week in which extended benefits cease to be funded under Section 2005 of the ARRA, the amount established in the extended benefit account would have to be 80% of the total amount of regular benefits payable to the individual under the Act during the benefit year, or 20 times his or her weekly extended benefit rate, whichever was smaller.

(Previously, this calculation applied with respect to a week that began in a period in which the average rate of total unemployment equaled or exceeded 8%, but not later than December 27, 2003.)

Extended Benefit Period

Under the Act, an extended benefit period begins with the third week after which ever of the following weeks occurs first:

- A week for which there is a national "on" indicator as determined by the U.S. Secretary of Labor.
- A week for which there is a Michigan "on" indicator.

The extended benefit period ends with the third week after the first week for which there is both a national "off" indicator and a Michigan "off" indicator. A national "on" indicator and a national "off" indicator are determined by the U.S. Secretary of Labor. There is a Michigan "on" indicator if the rate of *insured* unemployment under the Act for the period consisting of that week and the immediately preceding 12 weeks equaled or exceeded 120% of the average of the insured unemployment rates for the corresponding 13-week period ending in each of the preceding two calendar years, and equaled or exceeded 5%.

For weeks that began after the week of August 14, 2003, and ended on or before December 27, 2003, there previously was a Michigan "on" indicator for a week in which the average rate of *total* unemployment in Michigan, seasonally adjusted, as determined by the U.S. Secretary of Labor, for the periods consisting of the most recent three months for which data for all states were published before the close of the week equaled or exceeded both 6.5% and 110% of the average rate of total unemployment in Michigan, seasonally adjusted, for the period consisting of the corresponding three-month period in either or both of the preceding two calendar years.

Under the bill, based on the same calculation, there would be a Michigan "on" indicator for weeks beginning after the week of August 14, 2003, and ending at the end of the week in which extended benefits cease to be funded under Section 2005 of the ARRA. An "on" indicator would apply to claimants who qualified for benefits payable during that time period.

Senate Bills 400 & 401

Under the Act, extended benefits paid and based on service with a contributing employer, to the extent they are not reimbursable by the Federal government, must be charged to that employer's experience account, except as provided in Section 17(3)(m). Senate Bill 400 would delete that exception and Senate Bill 401 would delete Section 17(3)(m).

Under that section, the nonchargeable benefits account must be charged with the share of extended benefits otherwise charged to the account of a contributing employer, but only during a period when extended benefits are paid based on the average rate of total unemployment.

(The Act requires the UIA to maintain in the Unemployment Compensation Fund a nonchargeable benefits account for each employer. "Experience account" means an account in the Fund showing an employer's experience with respect to contribution payments and benefit charges under the Act. The nonchargeable benefits account must be credited with and charged with certain items specified in Section 17.)

MCL 421.64 (S.B. 399)
421.20 (S.B. 400)
421.17 (S.B. 401)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

These bills would change the trigger for extended benefits from the Insured Unemployment Rate (IUR) to the Total Unemployment Rate (TUR) for a temporary time period. Under the current statute, extended benefits cannot be provided to claimants unless the State meets an IUR of 5%. The IUR includes only those individuals who are collecting benefits, not the unemployed who are no longer receiving regular benefits. Michigan met this trigger in January; however, under the current structure of the extended benefit program, Michigan contributing employers will be required to pay 50% of the cost of providing these benefits.

With the passage of the ARRA, the Federal government will pay for 100% of these extended benefits and will provide an additional seven weeks of extended benefits, bringing the total number of weeks of extended benefits available to claimants from 13 to 20. These bills would change the trigger to meet the eligibility requirements for this funding, which is a TUR of 8%. Michigan's TUR in January was 11.6%.

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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.