

SR-59, As Adopted by Senate, June 25, 2009

Senators Jansen, Patterson, Birkholz, Allen, Pappageorge, Brown, Cropsey, Van Woerkom, Kahn and Sanborn offered the following resolution:

Senate Resolution No. 59.

A resolution to memorialize the Congress of the United States to authorize the use of federal stimulus dollars to offset the looming FUTA federal unemployment tax increase and to urge the Governor to use her influence in the current administration to zealously advocate for such relief for Michigan job providers.

Whereas, With the nation in the midst of a prolonged economic crisis, no state other than Michigan has been confronted by the depth and duration of such a prolonged recession. This has caused the state's unemployment trust fund to deteriorate at a historically accelerating pace; and

Whereas, Our state needs immediate financial assistance from the federal government to aid jobless workers and their families. Our state unemployment rate is the highest in the nation and could reach nearly 20 percent by the end of the year. Congress should immediately do what is right and move quickly to relieve the pending federal tax increase imposed on all Michigan businesses as a result of the insolvency of Michigan's unemployment trust fund and to do it without delay; and

Whereas, The Michigan Legislature recognizes the struggles Michigan's unemployed workers are currently facing and has already taken swift action on legislative initiatives to allow displaced workers to receive up to 79 weeks of unemployment benefits. We have also appropriated over \$230 million in federal stimulus funds to assist jobless workers in finding employment and provide job training and career counseling to help individuals enter or reenter the workforce. This is in addition to the \$25 weekly benefit raise contained in the federal American Recovery and Reinvestment Act; and

Whereas, An additional federal unemployment tax obligation looms on the horizon for Michigan businesses next year, and, if not addressed, will lead to further unemployment in the state. Michigan job providers pay 100 percent of the cost of Michigan's contribution to the unemployment system in the form of payroll taxes. When benefit payouts exceed revenue and interest income, as has been the case in Michigan in recent years, the state must borrow from the federal government. Federal law requires states to pay back outstanding loan balances within two years or face an automatic increase in the federal unemployment tax rate (FUTA), which will increase each year until the principal on the loan is paid in full. The tax would apply to all Michigan employers. Over the next five years, the United States Department of Labor projects that unemployment insurance taxes will increase by 38 percent, putting an ever-increasing stress on the ability of Michigan businesses to retain workers; and

Whereas, The United States stimulus law raised the weekly benefit rate for eligible workers and temporarily extended unemployment benefit periods. However, the law did not address the problems of deteriorating unemployment trust fund balances. Unless the over \$2 billion principal amount of the federal loans to Michigan accounts is repaid by 2010, all of the estimated 220,000 Michigan businesses will be charged additional taxes until that loan is paid off. Michigan job providers will then have to pay more to continue to do business in Michigan at a time when they are already struggling from the weak economy and operating on an extremely narrow margin of economic sustainability. Using federal stimulus revenue to retire the principal on the federal loan would alleviate this additional burden and provide meaningful relief to the entire state of Michigan; now, therefore, be it

Resolved by the Senate, That we memorialize the Congress of the United States to use federal stimulus dollars to offset the looming FUTA tax increase, and we urge the Governor of the state of Michigan to advance this cause by using her influence in the current administration to

zealously advocate for relief for Michigan job providers from this looming federal tax burden; and be it further

Resolved, That copies of this resolution be transmitted to the President of the United States Senate, the Speaker of the United States House of Representatives, the members of the Michigan congressional delegation, and the Governor of Michigan.