Legislative Analysis

Phone: (517) 373-8080
http://www.house.mi.gov/hfa

Analysis available at
http://www.legislature.mi.gov

CONTINGENT FUND PENALTY AND INTEREST TRANSFER TO GENERAL FUND

Senate Bill 1008 (As Passed the Senate)
Sponsor: Senator Dave Hildenbrand
Committee: Appropriations
Complete to 11-28-16

SUMMARY:

Senate Bill 1008 would amend the Michigan Employment Security Act (MESA) to authorize $10.0 million in the Contingent Fund to be transferred to the State General Fund for FY 2016-17 only. Under current law, the Contingent Fund revenues comprise all solvency taxes, interest on contributions, penalties, and damages collected under the MESA. Current law states that funds available in the Contingent Fund are continuously appropriated and available for the administration of the Talent Investment Agency (TIA) including the development of workforce training programs and for the payment of interest on advances from the federal government to the Unemployment Compensation Fund.

FISCAL IMPACT:

The bill would reduce the available Penalty and Interest Account of the Contingent Fund (P&I) balance by $10.0 million and increase the General Fund by $10.0 million. This transfer was agreed to as part of FY 2016-17 budget negotiations.

The fund balance within the P&I has increased since FY 2010-11 subsequent to amendments to the MESA intended to improve UIA program integrity by reducing benefit eligibility and enhancing the recovery of improperly paid benefits and the implementation of the Integrated System Project which incorporates new information technology systems to expand automation in the detection and collection of improper payments, including those due to fraud. The balance within the P&I was $3.1 million at the close of FY 2010-11 and has grown to $154.7 million as of September 30, 2016.

Despite a historically large balance in the P&I, as the unemployment rate declines and federal unemployment insurance payments decline revenues to the P&I will continue to decline as fewer penalties are assessed. Additionally, the backlog of unemployment insurances cases has been eliminated and that generated a one-time revenue increase that will not be realized going forward under lower caseload levels. On the expenditure side, increases in P&I usage for general administration and anticipated increases in the Skilled Trades Training Program and other programs (Statewide Data Integration System in FY 2016-17) will mitigate the growth of the P&I. The UIA also anticipates expenditures from the P&I to cover costs associated with pending unemployment insurance benefit lawsuits.

Fiscal Analyst: Ben Gielczyk

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.