Legislative Analysis

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

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

EXPANSION OF THE PURPOSES FOR WHICH EXPENDITURES MAY BE MADE FROM THE UNEMPLOYMENT INSURANCE CONTINGENT FUND

House Bill 4404
Sponsor: Rep. Inman
Committee: Appropriations

Initially drafted on April 13, 2015
Revised on July 8, 2015

SUMMARY:

The bill would amend the Michigan Employment Security Act of 1936 (MESA) to expand the purposes for which money deposited within the Contingent Fund created by the MESA may be expended. Under current law, the Fund is administered by the Unemployment Insurance Agency (UIA) and there are two streams of revenue deposited into two separate accounts within the Fund:

1) Penalties, damages, and interest assessed on claimants and employers for engaging in activities prohibited by the MESA and on outstanding amounts owed to the UIA. These collections are deposited into the Penalty and Interest Account and expended for the administration of the UIA.
2) Solvency taxes, which are levied on employers with negative balances in their experience accounts in the event that the reserves in the state's Unemployment Trust Fund are less than the amount of outstanding federal advances to the state's Trust Fund or when the UIA projects insufficient funds to meet federal interest obligations. These taxes are expended to pay interest on federal advances or to repay the state for loans to the UIA to pay federal interest.

E.O. 2014-12 (codified as E.R.O. 2014-6), effective on February 16, 2015 transferred the UIA from the Department of Licensing and Regulatory Affairs (LARA) to the newly created Talent Investment Agency (TIA) within the new Department of Talent and Economic Development (TED). The bill would, in essence, stipulate that the money within the Penalty and Interest Account of the Contingency Fund would be available for expenditure for the administration of the TIA, rather than only the UIA as under current law, and specifically for the development and execution of workforce training programs.

FISCAL IMPACT:

The bill would have a fiscal impact on the balance within the Penalty and Interest Account of the Contingency Fund (P&I) by expanding the purposes for which money within the P&I may be expended, thereby potentially reducing the balance within the P&I.

The FY 2015-16 Executive Budget Recommendation for LARA included $14.1 million from the P&I for various programs and initiatives intended to enhance career and technology education and skilled trades training implemented and administered by the TIA; consisting of $10.0 million for the Skilled Trades Training Program (in addition to an existing $10.0 million appropriation within the budget for the Michigan Strategic Fund), $2.1 million for an At-Risk Youth Initiative, $1.8 million for a Michigan Advanced Technical Training Initiative, and $200,000 to support the re-tooling of credentials received by persons immigrating to Michigan. This funding was ultimately included in the enacted FY 2015-16 budget for TED, to which appropriations for the UIA and career technology education and skilled trade training programs was transferred by Executive Budget Revision 2016-1. These career and technology education and skilled trades training programs and initiatives would not fall within the restriction within current law on expenditure of P&I money for administration of the UIA.

The fund balance within the P&I has substantially increased since FY 2010-11 subsequent to amendments to the MESA intended to improve UIA program integrity by, among other reforms, 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 $68.8 million as of September 30, 2014.

Fiscal Analyst: Paul B.A. Holland

■ 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.