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BILL ANALYSIS

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House Bill 5827 (Substitute H-1 as passed by the House)
Sponsor: Representative Karen Whitsett
House Committee: Committee of the Whole
Senate Committee: Labor

Date Completed: 12-4-24

CONTENT

The bill would amend the Michigan Employment Security Act to increase, from 20 weeks to 26 weeks, the maximum number of weeks an individual could qualify for unemployment benefits per benefit year for each eligible individual filing an initial claim on or after January 15, 2025. In addition, the bill would modify the basis for computation of the State average weekly wage.

The bill would take effect 90 days after its enactment.

Generally, the Act requires the Unemployment Insurance Agency (UIA) to pay an eligible unemployed individual specified benefit amounts after the individual makes a claim for benefits and while the individual seeks work. An individual qualified for unemployment benefits is eligible for between 14 and 20 weeks of unemployment benefits payable to an individual in a benefit year. Instead, under the bill, an individual qualified for unemployment benefits would be eligible for between 14 to 26 weeks per benefit year. This would apply to each eligible individual filing an initial claim on or after January 15, 2025.

In addition, under the bill, for benefit years beginning on or after January 1, 2025, the State average weekly wage for a calendar year would be computed on the basis of the 12 months ending the June 30 immediately preceding that calendar year.

MCL 421.27

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

The bill is similar to Senate Bill 40 of the 2023-2024 Legislative Session.

BACKGROUND

Before 2011, the maximum number of weeks any individual claimant could receive unemployment benefits was 26 weeks. On March 29, 2011, Public Act 14 decreased the maximum number of weeks to 20 weeks for all individuals who filed their initial claims on or after January 15, 2012.

Legislative Analyst: Alex Krabill

FISCAL IMPACT

The bill would have a significant fiscal impact on the Unemployment Insurance Trust Fund, a minimal fiscal impact on the UIA, and no fiscal impact on local units of government. The bill

would likely increase the average number of weeks that claimants would continue receiving Unemployment Insurance (UI) benefits. Currently, 34% of claimants reach the 20-week limit for UI benefits. For the additional six weeks, if the average week-to-week decrease in claimants receiving UI benefits were extended (3.47%), the average cost per claimant would increase 9.8% and if the same number of claimants continued for the additional six weeks, the average cost per claimants would increase 13.7%.

For the past year, $763.1 million was paid out in UI benefits. Had the total number of allowable weeks been 26 weeks, the total amount of payouts could have been between $839.4 million and $867.6 million, an additional $76.3 million to $104.5 million. This amount would have remained under the $1.2 billion in UI tax collections and the Unemployment Insurance Trust Fund balance would have increased. As of November 2024, the Unemployment Insurance Trust Fund balance is $2.8 billion.

These assumptions are based on the current trends for the number of claimants, the number of payouts, and the week-to-week rate that claimants continue to receive UI benefits. If the week-to-week rate that claimants continue to receive UI benefits increased, such as during an economic downturn with fewer job openings, the average cost per claimant would increase beyond current assumption. For example, if the average week-to-week drop in claimants receiving UI benefits were 1% less (or 2.47%) than the current rate, the average cost per claimant would increase between 17.4% to 19.8% by allowing the additional six weeks.

The bill also would include One-Time Information Technology costs to update the number of allowable weeks. This likely would be supported with current appropriations, which is only supported with Federal dollars and State Restricted Penalties and Interest Revenue.

Fiscal Analyst: Cory Savino, PhD

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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.