



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
LANSING

STANLEY "SKIP" PRUSS
DIRECTOR

Analysis of House Bills 4668-70 and Senate Bills 399-401

Topic: Extended Unemployment Insurance Benefits

Sponsor: Representative Lindberg sponsored House Bill 4668
Representative Liss sponsored House Bill 4669
Representative Hansen sponsored House Bill 4670
Senator Allen sponsored Senate Bill 399
Senator Stamas sponsored Senate Bill 400
Senator Hunter sponsored Senate Bill 401

Committee: House Labor Committee
Senate Commerce & Tourism

Date Introduced: March 19, 2009

Date Enrolled:

Date of Analysis: March 31, 2009

Position: The Department of Energy, Labor, & Economic Growth supports the bills.

Problem/Background:

Congress enacted and President Obama signed into law the American Recovery and Reinvestment Act (ARRA) of 2009. Section 2005 of the ARRA provides that the Federal government will pay 100 percent of extended benefits for weeks of unemployment beginning February 17, 2009 and before January 1, 2010. The ARRA provides for a phase-out period to allow states to pay out extended benefits to individuals for weeks of unemployment ending before June 1, 2010 if they received at least one week of extended benefits before January 1, 2010. The ARRA temporarily changes the current 50/50 federal-state funding ratios to pay for extended benefits.

Under current Michigan law, up to 13 weeks of extended unemployment benefits can be paid to claimants if the State meets an Insured Unemployment Rate (IUR) of 5% and the current IUR is 20% higher than the average for the last two years. The IUR includes only those individuals who are covered for unemployment insurance benefits. Michigan met this trigger in January 2009, however, under the current structure of the extended benefit program, Michigan contributing employers would be required to pay 50% of the cost of providing these benefits for up to 13 weeks.

OFFICE OF POLICY & LEGISLATIVE AFFAIRS
OTTAWA BUILDING • P.O. BOX 30004 • LANSING, MICHIGAN 48909-7504
www.michigan.gov • (517) 241-4580

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Description of Bill:

House Bill 4668 and House Bill 4669 amends Sections 17 and 20 respectively of the Michigan Employment Security Act by removing provisions that allow for the charging of extended unemployment benefits based on the Total Unemployment Rate (TUR) to the non-chargeable benefit account. These amendments are necessary for Michigan to take advantage of the provisions in Section 2005 of the ARRA which provides for extended benefits to be 100 percent federally funded. Senate Bills 400 and 401 are the comparable bills in the Senate.

House bill 4670 amends Section 64 of the Michigan Employment Security Act to provide for up to 20 weeks of extended unemployment benefits under the Total Unemployment Rate (TUR). This change to Section 64 would be temporary and would end the last week in which extended benefits are 100% funded under the ARRA. Senate Bill 399 is the comparable bill in the Senate. A substitute to each of these bills was adopted to address a technical issue noted by the Unemployment Insurance Agency in the originally introduced bill.

Summary of Arguments

Pro: Providing for an additional 7 weeks of extended benefits and extending the ending date of the program will directly assist those who are in the most need for a temporary replacement income. Studies have shown that unemployment dollars are fed back into the local economy as those who are unemployed buy necessities for daily survival. Additionally, expanding the ending date of the extended benefit phase-out until June 1, 2010, will capture those individuals who may be in the middle of collecting their 20 weeks of extended benefits on December 31, 2009. Lastly, removing the existing charging of extended benefits to the non-chargeable benefit account will allow for extended benefits paid out under the TUR trigger to be 100 percent federally funded.

Con: Providing for an additional 7 weeks of extended benefits and extending the ending date of the program could add to governmental and municipal employer costs. Under federal extended benefits law, governmental agencies (including cities, counties, school districts, and Indian Tribes/Tribal Units), are 100 percent responsible for all extended benefit payments.

Fiscal/Economic Impact: There are currently over 400,000 individuals collecting some form of unemployment at this time. Out of those 400,000 individuals, 12,475 of them are receiving unemployment based on employment with a Michigan governmental entity. It is anticipated that there will be additional costs for governmental entities but an estimated amount is not available at this time.

Any Other Pertinent Information:

The Michigan Labor District Council, United Auto Workers, Economic Alliance of Michigan, and AFL-CIO support the House and Senate bills. The Michigan Association of Townships testified in committee that they were neutral on the bills.

Administrative Rules Impact:

There is no administrative rule impact.