



**House
Legislative
Analysis
Section**

Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

MESA: FEDERAL CONFORMITY

**House Bills 5000, 5134 & 5135 as
introduced
Sponsor: Rep. Susan Grimes Munsell**

**House Bills 5131-5133 as introduced
Sponsor: Rep. Walter J. DeLange**

**House Bill 5152 as introduced
Sponsor: Rep. Raymond M. Murphy**

Committee: Labor

First Analysis (10-26-93)

THE APPARENT PROBLEM:

According to the Michigan Employment Security Commission (MESC), several changes need to be made to the Michigan Employment Security Act (MESA) in order to bring it into compliance with federal law. Apparently, if MESA remains out of conformity, the state's employers will no longer be eligible for their federal unemployment tax credit, which for 1993 amounted to over \$400 million. In addition, federal officials have threatened to withhold from the state \$130 million in federal administrative grants that are used by the MESC to administer state unemployment programs provided for in the act. Areas of the act currently out of compliance include its "extended benefits" provisions (which provide for unemployment benefits to be paid out during long periods of state unemployment), provisions governing the deposit of money into the Unemployment Trust Fund, language providing for federal agency access to certain commission data, and provisions governing how amounts are to be deducted from a person's unemployment benefits for child support obligations.

THE CONTENT OF THE BILLS:

The bills would amend the Michigan Employment Security Act to revise and clarify various provisions that relate to, among other things, the payment of "extended benefits," how certain money received by the Michigan Employment Security Commission via fines imposed for violations of the act would have to be deposited into the Unemployment Trust Fund rather than the penalty and interest account of the Contingent Fund established in the act, and the

method of determining how much to deduct from a person's benefits for child support payments. The bills would amend different sections of the act that govern these various provisions.

House Bill 5000 would add a provision (MCL 421.64) specifying that, notwithstanding other provisions of the act, if Michigan were in a period during which unemployment compensation was payable under the federal Emergency Unemployment Compensation Act of 1991 or a similar federal law and if the governor had authority under federal law, he or she could elect to trigger "off" the Michigan indicator for extended benefits under the act only for a period in which emergency unemployment compensation was payable in Michigan. This could only occur, however, if the election by the governor would not lead to a decrease in the number of weeks of unemployment benefits payable to an individual under the act or federal law.

The act lists a number of reasons why a person can be disqualified by the MESC from receiving extended unemployment benefits under the act or federal law. The bill, however, specifies that for weeks of unemployment beginning on or after March 7, 1993 and before January 1, 1995, those provisions would not apply; thus, people would not be disqualified from receiving extended benefits during that period.

House Bills 5131-5133 and 5135 would amend various sections of the act (MCL 421.54, 421.54a,

House Bill 5000 et al. (10-26-93)

421.54b, 421.54c) to provide that money raised from fines levied for certain violations specified in these sections would have to be deposited in a manner different than now required by the act.

Currently, amounts recovered by the MESC for fines imposed under the act for certain violations (conspiracy, embezzlement, misrepresentation, and the like) must be credited to the penalty and interest account of the Contingent Fund. Each section also includes a provision requiring the MESC, not less than annually, to "transfer to the Unemployment Trust Fund amounts recovered under [the respective section] to the extent that the [fund] has not previously been credited for the amount obtained as a result of the [specific violation]." The bills would delete this provision from each section and replace it with new language. Under the bills, amounts from fines recovered for a specific violation would have to be credited first to the Unemployment Compensation Fund; thereafter, amounts recovered that exceeded the amounts obtained or withheld as a result of the specific violation would have to be credited to the penalty and interest account.

House Bill 5134 would make various technical changes to Section 11 of the act (MCL 421.11), which requires the MESC to provide U.S. agencies that request it data on unemployment levels in Michigan and certain other information that relates to it.

House Bill 5152 would revise provisions (MCL 421.27) governing the commission's responsibility to deduct and withhold from unemployment compensation payable to an individual amounts for child support obligations.

Currently, the commission is required to deduct/withhold amounts for child support obligations using one of three different methods: 1) the amount, if any, specified by the individual, 2) the amount, if any, determined pursuant to a child support agreement submitted to the commission by the state or local child support enforcement agency or 3) any amount otherwise required to be deducted/withheld from unemployment compensation pursuant to "legal process," as defined under the federal Social Security Act, properly served upon the commission.

The bill would amend the act to require the commission to deduct/withhold from unemployment

compensation payable to a person who owes child support by using whichever of these three methods "results in the greatest amount." The bill also would make other technical changes relative to the payment of unemployment compensation to someone who had worked for an institution of higher education or some other educational institution.

FISCAL IMPLICATIONS:

According to the Michigan Employment Security Commission, by bringing Michigan into compliance with federal law, the bill would avert a potential loss of about \$130 million to the commission in federal administrative grant funds and approximately \$400 million received by the state's employers via federal unemployment tax credits. (10-22-93)

ARGUMENTS:

For:

The bills would bring the Michigan Employment Security Act into conformity with federal law and prevent the loss of millions of dollars to the state and its employers. Many of the amendments are merely technical and would clarify how the commission is supposed to administer the act or perform certain duties. For instance, federal law requires the commission to first deposit money from fines levied for violations of the act into the Unemployment Trust Fund rather than into the penalty and interest account of the Contingent Fund and then later into the trust fund, as the law currently provides for it to do. Other federal provisions relate to changes made in 1990-91 during a period of relatively high unemployment that existed in many parts of the country when Congress moved to increase the number of weeks that people could receive unemployment compensation. Most of the amendments are changes that the U.S. Department of Labor, since 1991, has been urging the commission to bring to the attention of the state legislature. Even though the MESC generally has been administering the law consistent with federal requirements, federal officials still expect each state's law to reflect federal law. In fact, correspondence to the MESC by the USDOL indicates that most states already have adopted many of these provisions.

POSITIONS:

The Department of Labor supports the bills. (10-22-93)

The Michigan Employment Security Commission supports the bills. (10-22-93)