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BILL ANALYSIS



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Senate Bill 12 (as reported without amendment)
Sponsor: Senator Mark C. Jansen
Committee: Economic Development

CONTENT

The bill would amend the Michigan Employment Security Act to do all of the following:

- Prohibit the Unemployment Insurance Agency (UIA) from consolidating or combining the experience and unemployment accounts of separate employers or assessing a consolidated contribution rate, unless Section 22b(1) had been violated.
- Allow the UIA to transfer the experience of one employer, or combine the experience of two or more, if there had been a transfer of trade or business for the sole or primary purpose of reducing reimbursement payments.
- Prohibit the UIA from consolidating or combining the accounts of employers while a request for redetermination or an appeal was pending.
- Require a consolidation or combination of accounts to be retroactive if the UIA's determination were upheld on appeal.
- Require court costs and reasonable attorney fees to be awarded if the UIA's consolidation or combination determination were overturned on appeal.

(Section 22b(1) prohibits a person from transferring a trade or business to another employer for the sole or primary purpose of reducing the contribution rate or reimbursement payments in lieu of contributions required under the Act.)

Proposed MCL 421.22c

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Prohibiting the UIA from assessing a combined contribution rate or combining experience accounts unless a business transfer violated Section 22b(1) would have an indeterminate, and likely minor fiscal impact on the State. The UIA makes these types of combinations and consolidations only when it is believed that a violation has occurred, so allowing such consolidations/combinations only in situations in which a violation occurred would have little impact.

The bill also would prohibit consolidation/combination of experience accounts and contribution rates for employers involved with an appeal of a UIA determination. To the extent that the UIA currently raises contribution rates immediately upon making a determination even when the employer appeals, the bill would lead to an indeterminate short-term loss of revenue, which would be made up once cases were settled.

Finally, the bill would require that employers whose determinations were overturned be awarded court costs and reasonable attorney fees. To the extent that these costs are not already awarded by the Michigan Employment Security Board of Review or by circuit or appellate courts, some additional costs would be imposed on the UIA by this requirement.

Date Completed: 3-24-11

Fiscal Analyst: Josh Sefton