

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

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

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

House Bill 4404
Sponsor: Rep. Inman
Committee: Appropriations

Complete to April 13, 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, 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 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 (as did the House Appropriations Subcommittee in the drafting of the FY 2015-16 appropriation act for LARA) implemented and administered by the TIA. These programs and initiatives would not fall within the current law restriction 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 (despite reductions in federal administration grants beginning in FY 2011-12) subsequent to substantial reforms to the MESA designed to improve UIA program solvency by generally raising tax collections, reducing benefit payments, and strengthening penalties on prohibited actions. 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.