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BILL ANALYSIS



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House Bill 4982 (Substitute H-8 as passed by the House)  
Sponsor: Representative Roger Victory  
House Committee: Oversight and Ethics  
Senate Committee: Government Operations

Date Completed: 12-14-16

**CONTENT**

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

- Require the Unemployment Insurance Agency (UIA), in order to establish fraud based on unreported earnings, to have in its possession the weekly wage information from the employer, for benefit years beginning on or after May 1, 2017.
- Prohibit a UIA determination that a person intentionally or willfully violated the Act or knowingly made a false statement with intent to defraud, or a UIA determination that a claimant made an intentional false statement, misrepresentation, or concealment of material information that was subject to sanctions, from being based solely on a computer-identified discrepancy in information supplied by the claimant or employer.
- Require the UIA to examine the facts and independently determine that a claimant or employer was responsible for a willful or intentional violation before making a determination.
- Establish a three-year, rather than the current six-year, time frame for the UIA to initiate administrative or court action to recover improperly paid benefits in the case of certain willful or intentional violations or other specified violations.
- Make an exception to the three-year deadline for cases involving benefits improperly paid because of suspected identity theft.
- Provide that the Act's time limits for the UIA to initiate action would not prohibit the Agency from pursuing collection methods to recover amounts found to have been improperly paid.
- Prohibit the UIA from using prorated quarterly wages to establish a reduction in benefits due to a claimant's earnings.
- Require the UIA to notify a claimant of his or her rights and responsibilities within two weeks, and six months, after the initial benefit payment on the claim.

The bill also would delete a requirement that the UIA prepare and apply a table of weekly benefit rates based on an "average after tax weekly wage", calculated by subtracting from an individual's average weekly wage a reasonable approximation of the weekly amount required to be withheld by the employer from the individual's earnings based on dependents and exemptions from income taxes under Federal law.

The bill would take effect 90 days after its enactment.

MCL 421.27 et al.

Legislative Analyst: Suzanne Lowe

## **FISCAL IMPACT**

The bill would have a significant impact on the Unemployment Insurance Agency, which would result in increased administrative costs and reduced revenue in the Penalties and Interest Fund.

The UIA would incur additional administrative costs from modifying administrative codes, information technology programs that detect fraud, and notification of fraud detection to recipients. The Michigan Integrated Data Automated System (MiDAS) is the current system used to detect fraud, and treats intentional and nonintentional false or conflicting information on UIA claims the same. Information technology (IT) costs would increase in order to develop programs to more accurately differentiate fraudulent and nonfraudulent claims. The UIA also would incur administrative costs by implementing human oversight of fraud determination, which is currently carried out by MiDAS. The IT costs would be significant, though it is impossible to determine how much modification MiDAS would need in order meet the new requirements in the bill. The costs would be either one-time or a work project. The additional administrative costs for determining fraud also could be significant and ongoing.

Requiring the UIA to send notification of a claimant's rights and responsibilities within two weeks of the initial benefit payment and again in six months, would result in additional administrative expenses. The costs are indeterminate, because a claimant's preferred method of notification communication is currently unknown. If more claimants decided on electronic forms of communication, these overall costs would be reduced.

Requiring human oversight to make final fraud determinations, and reducing the time for the UIA to issue a determination of fraud from six to three years could result in significantly fewer actions for fraud and the potential revenue generated from those cases. Administrative expenses would increase from requiring determinations to be made in a shorter period of time. Penalties and interest on improperly paid benefits currently get deposited into the Penalties and Interest restricted fund, which funds portions of the UIA administration and the skilled trades training program. If the reduction were significant, the restricted fund balance would be reduced and the programs supported by the Fund could require additional appropriations from the General Fund.

Fiscal Analyst: Cory Savino

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