

## Presentation on S.B. 806

Michigan State Senate  
Finance Committee Hearing

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November 30, 2011



## Overview

1. Comments about UI solvency and financing
2. Observations about S.B. 806's Flawed Approach to UI Solvency
3. Criticisms of Additional Benefit Cuts in S.B. 806
4. Your questions



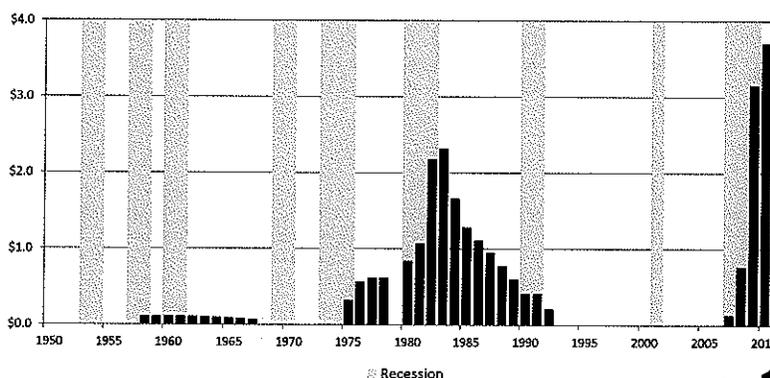
## Overall Comments

1. S.B. 806 produces little revenue to boost Michigan's solvency effort at price of many added cuts and restrictions on benefits
2. In 2012, newly jobless workers will face a cut in maximum benefit weeks from 26 to 20 weeks, "saving" millions
3. Changes are similar to those adopted in August 2011 in Florida that have reportedly had severe impacts on jobless workers



## Longer-Term Financing Picture

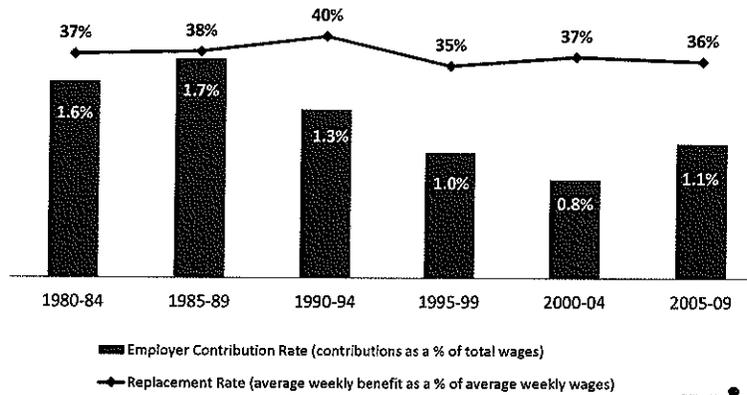
Michigan Trust Fund Borrowing, 1950 to 2010  
(\$ billion)



Source: U.S. Department of Labor, *Financial Data Handbook 394*.

## Benefits vs. Payroll Taxes

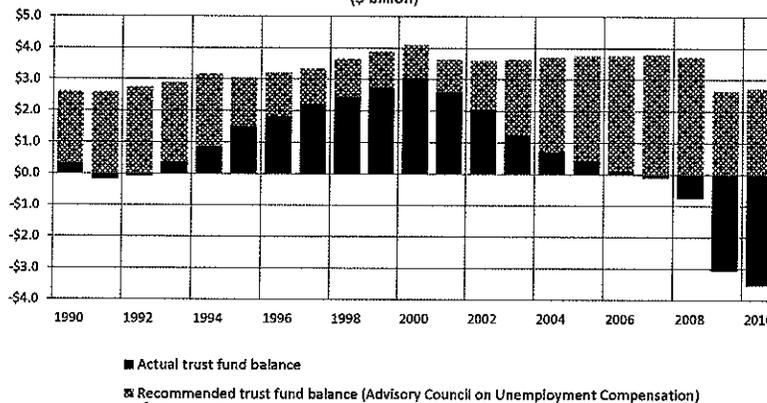
Measures of Michigan UI Generosity and Employer Costs, Five-Year Averages



Source: Employer contribution and replacement rates are from the U.S. Department of Labor, *Financial Data Handbook 394*.

## 1995 and 2002 Tax Cuts Led Directly to Current Borrowing

Michigan UI Trust Fund: Actual versus Recommended Balance (\$ billion)



Source: U.S. Department of Labor, *Financial Data Handbook 394*.

## S.B. 806 and Solvency

### Symbolic Step Toward Solvency

- Michigan UI Debt = \$3.1B
- S.B. 806 Increases Taxable Wage Base from \$9000 Back to 2002 Level of \$9500 producing only \$85M yearly increase in revenue
- 34 states have taxable wage bases > \$9500
- Michigan first had a taxable wage base of \$9500 in 1986, 25 years ago
- \$2.5B target is roughly same dollar level as 2002 trust fund balance of \$2.1B

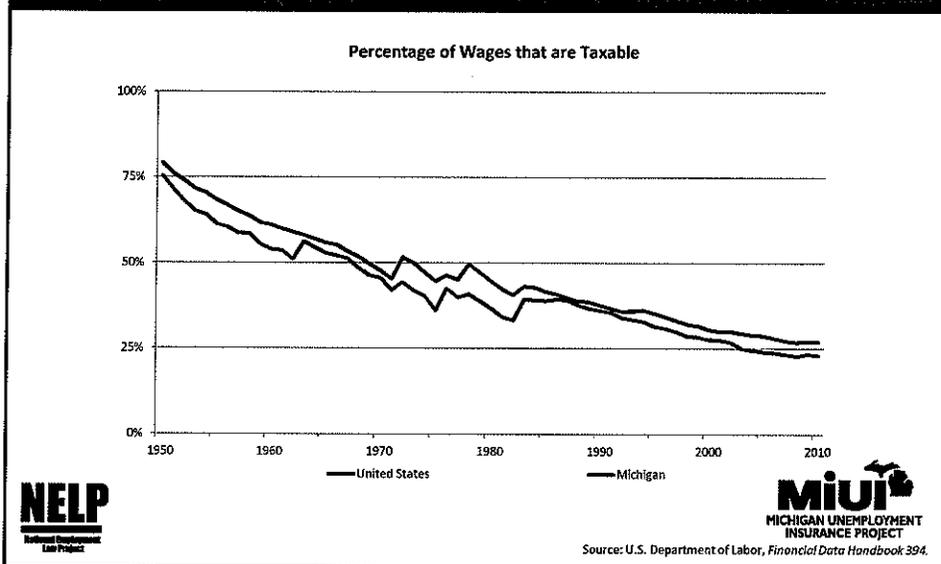


### Base Period History

Year	United States	Year	Michigan
1940-1971	\$3000	1940-62	\$3000
		1963-71	\$3600
1972-1977	\$4200	1972-75	\$4200
		1976-77	\$5400
1978-1982	\$6000	1978-82	\$6000
1983-2011	\$7000	1983-86	\$8000 to \$9500
		1986-2002	\$9500
		2003 to 2011	\$9000



## Declining Fraction of Wages Taxed



## Taxable Wage Bases and Solvency

### Importance of Taxable Wage Bases for Trust Fund Solvency

- 15 states have TWB > \$20K (AK, HI, ID, IA, MN, MT, NV, NJ, NM, ND, OR, UT, VI, WA, WY) and 11 of these had no trust fund debt or bonding
- Of the 10 biggest debtor/bonding states, all but one (NC) have taxable wage bases < \$10K

## UI Benefit Restrictions in S.B. 806

### Over 30 Specific Anti-Worker Changes

- Suitable Work Protections Curtailed
- Work Search/Employer Contacts Barrier
- Change to IRS "Employment" 20 factor definition
- Restriction of Involuntary Quits to Medical Reasons with written excuse
- Presumption of No Good Cause in Quits with Higher Burden of Proof for Claimants (Substantial Evidence) than Employers (Preponderance)
- Systemic and sustained work search in 2013 with specific proof requirements



## UI Benefit Restrictions in S.B. 806

- Suitable Work—After 10 weeks of claim, requires claimants to accept jobs paying a) minimum wage, b) prevailing mean wage rate, and c) 120% of weekly benefit amount without respect to each individual's training or prior work experience
- Hard to apply a) given shift from hourly wage rates and percentage of weekly benefit standards in draft and b) offers of less than full-time work
- Does not address Michigan's lack of adequate job listing and reemployment tools
- Undercuts living standards by asking higher paid workers to accept lower paying jobs



## Other Concerns on S.B. 806

- Employer amnesty program permits employers to ask unemployment agency during 2012 to determine if individuals are covered employees. If found to be employees, wages paid prior to agency determination are not treated as wages for benefit qualifying purposes.
- Objections include:
  - Leaves misclassified employees without jobless benefits
  - Can take up to 6 months for agency investigation and determination of employee status
  - 2013 adoption of IRS 20 Factor Test of Employment



## For more information

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