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BILL ANALYSIS

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House Bills 4745 and 4746

Sponsor: Representative Alvin Kukuk (House Bill 4745)
Representative Michael Goschka (House Bill 4746)

House Committee: Human Resources and Labor

Senate Committee: Human Resources, Labor, and Veterans Affairs

Date Completed: 5-31-95

SUMMARY OF HOUSE BILLS 4745 and 4746 as passed by the House:

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

- **Revise the schedule for reducing the nonchargeable benefits component of an employer's unemployment insurance (UI) contribution rate under certain circumstances.**
- **Exempt the construction industry and employers in the construction industry from the definitions of "seasonal employment" and "seasonal employer", respectively, and revise the definition of "construction industry".**
- **Revise a provision in the definition of "seasonal employment" to refer to regularly recurring periods of 26, rather than 40, weeks or less.**
- **Increase the weekly benefit rate for benefit years beginning after the date for conversion of the UI system to a wage record system (July 1, 1997).**
- **Delete a January 7, 1996, sunset on provisions pertaining to partial payment of benefits when an eligible unemployed individual earns or receives remuneration during a benefit week.**

Nonchargeable Benefits Component

The Act provides that each employer's contribution rate for each calendar year is the sum of a chargeable benefits component, an account building component, and a nonchargeable benefits component. Each component is determined by a formula specified in the Act.

The maximum nonchargeable benefits component is 1%. For calendar years after 1993 and before 1996, however, if there are no benefit charges against an employer's account for the 60 months ending as of the computation date, the maximum nonchargeable benefits component cannot exceed one-half of 1%. House Bill 4745 would apply this provision to all calendar years after 1993. That lower maximum rate for an employer's nonchargeable benefits component also would apply, for calendar years after 1995, if an employer's chargeable benefits component were less than one-fifth of 1%.

In addition, Public Act 25 of 1995 amended the Michigan Employment Security Act to establish a schedule for further reductions of an employer's maximum rate for the nonchargeable benefits component, based on the length of time there were no benefit charges against an employer's account or on the level of the employer's chargeable benefits component. Under those revisions, which have not yet taken effect, for calendar years after 1995, the maximum nonchargeable benefits

component would be two-fifths of 1%, if there were no benefit charges against an employer's account for 72 months or if the employer's chargeable benefits component were less than one-fifth of 1% for that period. The maximum rate would be three-tenths of 1%, if there were no benefit charges against an employer's account for 84 months or if the employer's chargeable benefits component were less than one-fifth of 1% for that period. The maximum rate would be one-fifth of 1% after 1997, if there were no benefit charges against an employer's account for 96 months or if the employer's chargeable benefits component were less than one-fifth of 1% for that period. The maximum rate would be one-fifth of 1% after 1998, if there were no benefit charges against an employer's account for 108 months or if the employer's chargeable benefits component were less than one-fifth of 1% for that period. House Bill 4745 would delete from each of those categories the criterion that the employer's chargeable benefits component was less than one-fifth of 1% for that period.

Construction/Seasonal Employment

Public Act 25 added to the Michigan Employment Security Act provisions that would restrict the payment of benefits based on services by a seasonal worker performed in seasonal employment. House Bill 4746 would amend the definitions of "seasonal employment" to exclude services performed in the construction industry and "seasonal employer" to exclude an employer in the construction industry.

The Act defines "construction industry" as "the work activity designated in major groups 15 and 16 of the standard industrial classification manual, United States office of management and budget, 1987 edition". House Bill 4746 would add activity designated in major group 17 of the manual to that definition. (Reportedly, major group 15 includes building construction by general contractors or by operative builders; major group 16 includes heavy construction other than building by general contractors and special trade contractors; and group 17 includes construction activity by other special trade contractors (who engage primarily in specialized construction activities, such as plumbing, painting, and electrical work, and work for general contractors under subcontract or directly for property owners).)

In addition, "seasonal employment" is defined with respect work performed in an industry that customarily operates during regularly recurring periods of *26 weeks* or less in any 52-week period or that customarily employs at least 50% of its employees for regularly recurring periods of *40 weeks* or less within a 52-week period. House Bill 4746 would change the second standard to 26 weeks.

Weekly Benefit Rate

The Michigan Employment Security Act, as amended by Public Act 25, specifies that an individual's weekly benefit rate for benefit years beginning before July 1, 1997, is 67% of the individual's average after tax weekly wage. For benefit years beginning after that date, an individual's weekly benefit rate will be 4.0% of his or her wages paid in the calendar quarter of the base period in which he or she was paid the highest total wages. House Bill 4746 would increase to 4.1% the weekly benefit rate for benefit years beginning after July 1, 1997.

MCL 421.19 (H.B. 4745)
421.27 (H.B. 4746)

Legislative Analyst: P. Affholter

FISCAL IMPACT

House Bill 4745

Governmental employers that did not have any benefit charges to their unemployment benefit accounts could have a 50% reduction in their nonchargeable benefits component of their unemployment taxes. All other government entities would not be affected by this bill.

House Bill 4746

This bill would not have a fiscal impact on the State or local governmental units. Any change made by this bill to the benefits paid to construction or other seasonal employees would not have an impact on the Unemployment Insurance Trust Fund or significantly affect employer's unemployment tax levels.

Fiscal Analyst: K. Lindquist

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.