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BILL ANALYSIS

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Senate Bill 40 (as introduced 1-24-23)
Sponsor: Senator Paul Wojno
Committee: Labor

Date Completed: 12-4-24

CONTENT

The bill would amend the Michigan Employment Security Act to increase, from 20 weeks to 26 weeks, the maximum number of weeks an individual could qualify for unemployment benefits per benefit year.

Generally, the Act requires the Unemployment Insurance Agency (UIA) to pay an eligible unemployed individual specified benefit amounts after the individual makes a claim for benefits and while the individual seeks work. An individual qualified for unemployment benefits is eligible for between 14 and 20 weeks of unemployment benefits payable to an individual in a benefit year. Instead, under the bill, an individual qualified for unemployment benefits would be eligible for between 14 to 26 weeks per benefit year.

MCL 421.27

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

The bill is a reintroduction of Senate Bill 2 of the 2021-2022 Legislative Session.

BACKGROUND

Before 2011, the maximum number of weeks any individual claimant could receive unemployment benefits was 26 weeks. On March 29, 2011, Public Act 14 decreased the maximum number of weeks to 20 weeks for all individuals who filed their initial claims on or after January 15, 2012.

Legislative Analyst: Alex Krabill

FISCAL IMPACT

The bill would have a significant fiscal impact on the Unemployment Insurance Trust Fund, a minimal fiscal impact on the UIA, and no fiscal impact on local units of government. The bill would likely increase the average number of weeks claimants received Unemployment Insurance (UI) benefits. Currently, 34% of claimants reach 20 weeks on UI benefits. For the additional six weeks, if the average weekly decrease rate of claimants receiving UI benefits were extended (3.47%), the average cost per claimant would increase 10%, and if the same number of claimants continued for the additional six weeks, the average cost per claimants would increase 13.7%.

For the past year, \$763.1 million was paid out in UI benefits. Had the total number of allowable weeks been 26 weeks, the total amount of payouts could have been between \$839.4 million and \$867.6 million, an additional \$76.3 million to \$104.5 million. This amount would have

remained under the \$1.2 billion in UI tax collections, and the Unemployment Insurance Trust Fund balance would have increased.

These assumptions are based on the current trends for the number of claimants, the amount of payouts, and the current exhaustion rate. During an economic downturn with fewer job openings, the exhaustion rate would likely be greater than the current rate. If this happened, the average cost per claimant would increase beyond current assumption. For example, if the average weekly exhaustion rate were 1% less (or 2.47%), the average cost per claimant would increase between 17.4% to 19.8% by allowing the additional six weeks.

The bill would also include One-Time Information Technology costs to update the number of allowable weeks. This would likely be supported with current appropriations.

Fiscal Analyst: Cory Savino, PhD

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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.