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BILL ANALYSIS



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Senate Bill 1272 (as introduced 9-13-12)
Sponsor: Senator Mark C. Jansen
Committee: Reforms, Restructuring and Reinventing

(as enrolled)

Date Completed: 9-18-12

CONTENT

The bill would amend the Michigan Employment Security Act to require employers' contribution payments and obligation assessment payments to be credited first to interest on the obligation assessment and then to the assessment, with the remainder credited as currently required to penalties and interest on contributions and contribution principal.

Each employer subject to the Act is required to pay a contribution, or make a payment in lieu of a contribution, that is deposited in the Unemployment Compensation Fund. These payments must be credited first to penalty, then to interest, and then to principal, unpaid and owing in the oldest calendar quarter and progressing to the most recent quarter.

In addition, the Act requires employers to pay an unemployment obligation assessment, which must be credited to the Obligation Assessment Fund.

The bill would require an obligation assessment payment or a contribution payment to be credited first to interest on the obligation assessment and then to the obligation assessment, with those payments applied to amounts unpaid and owing in the oldest calendar quarter and progressing to the most recent. Any remainder would have to be credited first to penalties on contributions, then to interest on contributions, and then to contribution principal, with the payments applied to amounts unpaid and owing in the oldest calendar quarter and progressing to the most recent.

MCL 421.13

BACKGROUND

Public Act 268 of 2011 amended the Michigan Employment Security Act to create the Obligation Assessment Fund and require employers pay to an obligation assessment for deposit into the Fund. At the same time, Public Act 267 of 2011 enacted the Employment Security Financing Act to permit the Michigan Finance Authority to issue bonds, notes, and other financial obligations in order to repay Federal advances to the State's Unemployment Trust Account, avoid additional advances, pay unemployment benefits before January 1, 2014, and provide reserves. Money in the Obligation Assessment Fund is used to pay the obligations and related expenses.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Josh Sefton

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