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MICHIGAN HOUSE OF REPRESENTATIVES

FRANK D. FOSTER

STATE REPRESENTATIVE

September 11, 2013

WRITTEN TESTIMONY TO HOUSE COMMERCE COMMITTEE ON HB 4949, HB 4950, HB 4951

Members of the Committee,

Thank you for the opportunity to speak to you today about an important package of legislation dealing with Michigan's unemployment insurance system. Changes to the law are necessary to ensure that the unemployment system continues to provide an adequate level of benefits to employees and to keep UI taxes on employers competitive and affordable.

House Bill 4949

The first bill in this package, House Bill 4949, addresses the ability of the UIA to properly handle situations of fraud and the improper payment of benefits, which remains a significant issue and threatens the long-term solvency and integrity of the UI system. Under current statute, the UIA can only collect the funds that were misappropriated starting at the date the agency "receives notice of, or initiates investigation of" the fraudulent benefits received. Under this legislation, the agency would be able to collect all of the funds that were received starting at the point where the fraud was first committed. This change in statute will help maintain the solvency of the Unemployment Trust Fund, reward good actors by maintaining lower rates, and discourage instances of fraud by removing the incentive of the ability to keep benefits illegally received.

This is not an imaginary issue; in 2012 alone, the U.S. Department of Labor estimated that the state improperly paid over $134 million in benefits, and Michigan's three-year improper payment rate for 2009-2012 was 9.97 percent. By proactively tackling these issues now, we are continuing the priority of this legislature to reward good actors and eliminate fraud and abuse, and ensure that our taxpayer dollars are being spent as efficiently as possible.

House Bill 4950

House Bill 4950 is one of two bills intended to ensure Michigan's future compliance with federal conformity standards, and is in response to their desire to ensure that agency inquiries regarding potential misallocations due to fraud or mistake are being answered by employers. Agency decisions are only as good as the information they receive; to the extent the UIA receives more information that is timely and/or accurate, they will be able to make more informed and quality decisions.

If, in this effort, an employer meets a reasonable standard of failure to adequately respond to agency requests, the UIA will be prohibited from non-charging the overpaid credit to the employer's account until the employer provides adequate information to dispute the claim. This will incentivize timely responses by our employers, more efficient investigations by the agency, and a better recovery rate for our UI trust fund. This bill is companioned by Representative Goike's HB 4953.

House Bill 4951

House Bill 4951 is another piece of legislation intended to ensure our future compliance of federal conformity standards. Historically, any penalties collected as part of a recollection process resulting from fraudulently misappropriated assistance were 100% deposited in to the UIA's Contingent Fund. Under the new standards established by the federal Trade Adjustment Assistance Extension Act of 2011, we are required to allocate no less than 15% of that money to the Unemployment Trust Fund, which will help hasten the replenishment of our trust fund preserves and increase the solvency of the fund long-term. The new language creates this new process for allocating amounts covered by the UIA. This bill is companioned by Representative Goike's HB 4954.

Federal Conformity

In order to remain in conformity with the TAAEA standards, these four bills must be signed in to law by October 21st. Failure to do so could result in the revocation of the employer federal unemployment tax credit. Michigan employers could see a substantial increase in their federal UI taxes, increasing their liabilities by as much as $332 per employee per year, and will have the largest impact on the "good actors" in the business community - those who have shown the most stable employment - since they are receiving the most benefits from the current tax credit.

In addition, failure to implement HB 4951 and HB 4954 could adversely affect federal administrative funding for the agency. According to the Department of Labor, if these changes are not executed, the agency could lose grant funding for the administration of Michigan's UI law which is currently received.

I look forward to the opportunity to continue our discussion to ensure that we can adequately support Michigan's unemployed and maintain affordable UI tax rates for our local businesses, and I would be happy to answer any questions the committee might have.

Regards,

Frank D. Foster
Chairman, House Commerce Committee
Michigan House of Representatives