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Senate Bill 40 (Substitute S-3 as passed by the Senate)  
Sponsor: Senator Paul Wojno  
Committee: Labor

Date Completed: 12-27-24

## **CONTENT**

**The bill would amend the Michigan Employment Security Act to do the following:**

- **Increase, from 20 weeks to 26 weeks, the maximum number of weeks an individual could qualify for unemployment benefits per benefit year.**
- **Increase, from \$362 to \$614, incrementally over the next three years the maximum weekly benefit rate an individual could receive for unemployment benefits.**
- **Increase, from \$6 to \$26, incrementally over the next three years the unemployment benefit rate for each dependent.**
- **Require the State Treasurer to increase the maximum weekly benefit rate and the unemployment benefit rate for each dependent by the Consumer Price Index (CPI) annually, beginning December 31, 2027.**

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.

In addition, currently, an individual's weekly unemployment benefit rate is 4.1% of the individual's wages paid in the quarter of the year in which the individual was paid the highest total wages, plus \$6 per dependent; however, an individual's maximum weekly benefit rate must not exceed \$362. Instead, under the bill, an individual's weekly benefit rate would have to be calculated using the following monetary amounts for each dependent, if any, and could not exceed the following maximum weekly benefit rates:

- For a claim filed on or after January 1, 2025, \$12.66 for each dependent, and the maximum weekly benefit rate could not exceed \$446.
- For a claim filed on or after January 1, 2026, \$19.33 for each dependent, and the maximum weekly benefit rate could not exceed \$530.
- For a claim filed on or after January 1, 2027, \$26 for each dependent, and the maximum weekly benefit rate could not exceed \$614.
- For a claim filed on or after January 1, 2028, the adjusted monetary amount established in accordance with the CPI for each dependent, and the maximum weekly benefit rate could not exceed the adjusted maximum weekly benefit rate established in accordance with the CPI.

The bill would require the State Treasurer to adjust the monetary amount for each dependent and the maximum weekly benefit rate above by an amount determined by the State Treasurer to reflect the cumulative annual percentage change in the CPI at the end of each calendar year after December 31, 2026. "Consumer Price Index" would mean the most comprehensive

index of consumer prices available for Michigan from the Bureau of Labor Statistics of the United States Department of Labor.

MCL 421.27

### **BRIEF RATIONALE**

Public Act 14 of 2011 decreased the maximum number of benefit weeks from 26 to 20 weeks for all individuals who filed their initial claims on or after January 15, 2012. According to testimony, Michigan currently provides the fewest unemployment benefit weeks among states in the Great Lakes region; forty-five states across the country offer 26 weeks of unemployment benefits or more while Michigan offers 20 weeks. Increasing Michigan's allowed unemployment benefit weeks would help Michigan residents and align Michigan's unemployment policy with the policies of a majority of other states.

### **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.

Legislative Analyst: Alex Krabill

### **FISCAL IMPACT**

The bill would have a significant negative fiscal impact on the Unemployment Insurance Trust Fund, a minimal fiscal impact on the UIA, and no fiscal impact on local units of government. Based on current trends and total pay outs in Unemployment Insurance (UI) benefits (\$763.1 million), the increase in the weekly benefit maximum could add an additional \$531.1 million in additional pay outs annually in 2027. Expanding the number of allowable weeks from 20 to 26 could add between \$76.3 to \$104.5 million in additional pay outs annually. In total, this could increase total pay outs to between \$1.3 to \$1.4 billion based on current pay out levels. Total pay outs would be even higher during an economic recession. The total would be less than the total amount of UI revenue generated, which currently is \$1.2 billion and would decrease the Unemployment Insurance Trust Fund balance, which is currently at \$2.8 billion.

#### Weekly Benefit Maximum

The bill would increase the weekly maximum benefit from \$362 to \$446 in calendar year 2025, \$530 in 2026, and \$614 in 2027. After 2027, the maximum would be adjusted annually according to the CPI. This represents a 23.2% increase in 2025, 46.4% in 2026, and 69.6% in 2027. The \$614 weekly maximum amount would still be less than the median income benefit received in Michigan, which is \$69,183 and would correspond to a weekly payment of \$692 if there were no cap. The percentage increase in weekly payments for each year would likely be slightly less than the exact percentage change as the maximum weekly cap approached the median income level.

For the past year, \$763.1 million was paid out in UI benefits. Had the maximum weekly benefits been in place, the total amount paid out could have been \$940.1 million for the 2025 maximum, \$1.1 billion for the 2026 maximum, and \$1.3 billion for the 2027 maximum. For the 2027 maximum, this would have been greater than the total amount of revenue that had been received, which was \$1.2 billion and would have reduced the Unemployment Insurance Trust Balance.

## 26 Allowable Weeks

The bill would likely increase the average number of weeks that claimants would continue receiving UI benefits. Currently, 34% of claimants reach the 20-week limit for UI benefits. For the additional six weeks, if the average week-to-week decrease in claimants receiving UI benefits were extended (3.47%), the average cost per claimant would increase 9.8% 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 number of payouts, and the week-to-week rate that claimants continue to receive UI benefits. If the week-to-week rate that claimants continue to receive UI benefits increased, such as during an economic downturn with fewer job openings, the average cost per claimant would increase beyond current assumption. For example, if the average week-to-week drop in claimants receiving UI benefits were 1% less (or 2.47%) than the current rate, the average cost per claimant would increase between 17.4% to 19.8% by allowing the additional six weeks.

## Administration

The bill also would add Information Technology to the UIA to update the number of allowable weeks and the maximum weekly benefit rates. This likely would be supported with current appropriations, which is only supported with Federal dollars and State Restricted Penalties and Interest Revenue.

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.