



## MEMORANDUM

**To:** Members of the Michigan Senate

**From:** Detroit Regional Chamber, Grand Rapids Chamber, Michigan Chamber, Michigan Manufacturers Association, Small Business Association of Michigan

**Date:** June 25, 2024

**Subject:** Business Community Opposes Senate Bill 40 & the Proposed S-3 substitute

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We are writing to voice our collective opposition to Senate Bill 40, legislation to increase the cost of Michigan's 100% employer-financed unemployment insurance (UI) system by increasing UI benefit duration from a maximum of 20 weeks to 26 weeks. We also oppose the proposed S-3 substitute that will increase the maximum weekly benefit allowance from \$362 to \$614 over the next three years and the dependent allowance \$6 to \$26 over the next three years.

The business community is opposed to these expansions outlined in SB 40 for four key reasons:

1. **The UI Trust Fund, the fund that pays benefits to unemployed workers, is financially vulnerable.** Despite a once-healthy UI Trust Fund balance of \$4.54 billion in March of 2020, the Trust Fund remains in an unhealthy financial state due to the Agency's mismanagement of the program during the COVID-19 pandemic. To make up for the *billions* of dollars the state paid out in fraudulent claims during COVID, Michigan employers continue to pay a higher taxable wage base to rebuild the Trust Fund. At the very least, we believe the Legislature should wait to consider benefit increases until the Trust Fund is restored to its pre-pandemic level and better able to handle higher benefit payouts to claimants.
  - If the state's UI system becomes insolvent, the State will be forced to borrow money from the federal government. Those dollars will need to be repaid with penalty. When the state last had to borrow federal UI dollars, each employer was charged an average of \$695 per employee from 2010 to 2019 to pay off our debt.
2. **The focus is all wrong.** There are more than 200,000 open jobs in Michigan right now and the unemployment rate is under 5%. Our members are frustrated by the fact that they have job openings but are unable to find workers ready and willing to fill them.

Rather than focusing on ways to increase unemployment benefits, Michigan should focus on finding ways to match unemployed workers with available jobs.

3. **Reforms to the system are needed.** Before any serious proposal for an increase in UI takes place, we believe it is important to allow the modernization work currently being implemented by UIA Director Julia Dale to be completed. This work includes many recommendations from the Government Accountability Office (GAO) and the US Department of Labor Office of Inspector General (OIG) and will provide increased accountability of the UI Agency.
4. **The time is now for improved enforcement of UI qualification requirements, including work search activities.** Employers are frustrated with calls to extend or increase UI benefits when they are experiencing such shortages in the workforce and are witness to many abuses in the field. Employers report an increasing trend of “ghosting” (i.e., interview no-shows, refused job offers, under the table pay requests, and first day no-shows). It is believed that such behavior is often prompted by the desire of applicants to show “good faith” job search activities for the purpose of collecting UI – even though they aren’t serious about taking a job. Employers desire a system that builds in real accountability throughout the process, from application to ongoing eligibility criteria enforcement.

We respectfully ask that you oppose SB 40 – at least until the UI system has had the opportunity to fully recover from the fraud and abuse it experienced during COVID-19, and the transformational changes being implemented and tested by Director Dale have proven to create a strong system for both claimants and employers alike. Please contact any of us with questions.