



SB 700 Puts Michigan's Unemployment Trust Fund at Serious Risk

SB 700 would prohibit the Michigan Unemployment Insurance Agency (UIA) from collecting improperly paid unemployment insurance (UI) benefits that resulted from clerical or administrative errors more than three years old. While the intent is to protect claimants from surprise bills, the bill puts the solvency and integrity of Michigan's 100% employer-financed Unemployment Insurance Trust Fund ("UI Trust Fund") at significant risk and violates federal requirements. It would also force higher UI taxes on job providers.

Key Concerns

- **Michigan Doesn't Have Authority to Waive Repayment**
 - Roughly 80% of the overpaid benefits were federally funded. Michigan does not have authority to waive repayment of federal dollars.
 - The change proposed by SB 700 would put Michigan's UI program out of conformity with federal law.
 - Michigan has already done extensive work to waive repayments. The Michigan Unemployment Insurance Agency (UIA) secured two approvals from the U.S. Department of Labor (U.S. DOL) to suspend certain collection activities for over 453,000 workers who were overpaid benefits during the COVID-19 pandemic.¹
- **Threatens the Solvency of Michigan's UI Trust Fund—And Would Trigger Higher Taxes on Job Providers**
 - Michigan's 100% employer-financed UI Trust Fund balance is approximately \$3 billion.
 - The universe of overpayments the bill would effectively "waive" is estimated to be approximately \$2.7 billion.
 - If SB 700 is adopted, but federal government forces Michigan to repay the overpaid benefits (since most of them were federally funded (CARES Act, Pandemic

¹ Source: https://www.michigan.gov/leo/news/2022/07/27/uia-secures-federal-approval-to-suspend-overpayment-collections?utm_source=chatgpt.com

Unemployment Assistance [PUA], etc.), the UI Trust Fund would be on the hook for full repayment to the federal government and the Trust Fund could drop to as little as \$300 million, a dangerously low level compared to the \$248 million UIA pays out per quarter in standard benefits.

- If the UI Trust Fund balance drops below \$2.5 billion, the statute automatically increases taxes on employers by increasing the taxable wage base. This is not a one-time increase; it stays at an elevated rate until the UI Trust Fund returns to the required balance.
- **Opens the Door to Litigation**
 - SB 700 is unclear on whether claimants who already repaid overpaid benefits must now be reimbursed by the state.
 - This ambiguity is likely to invite litigation from advocacy groups, potentially increasing the financial impact beyond current estimates.

A Better Path Forward

If the Legislature wishes to relieve claimants of liability for UIA's administrative errors, there is a more responsible option: make a direct appropriation to the UI Trust Fund (in an equal amount) to cover the cost of these overpayments. This approach:

- Protects claimants from hardship
- Avoids federal conformity problems
- Prevents employers from subsidizing agency mistakes
- Maintains the long-term health of the UI safety net

Require UIA to receive a waiver from US-DOL before the state can advance with waiving overpayments (similar to the solution found on the Insurance Provider Assessment in 2025 – HB 4968).

The Bottom Line

The UI system is a vital safety net funded entirely by employers and designed to protect workers during periods of job loss. Preserving the financial integrity of the Trust Fund serves employees and employers alike. We urge you to vote *NO* on SB 700 as written. Please reach out with any questions or to discuss the alternatives above.