



***Testimony to the House Commerce Committee  
Unemployment Trust Fund Solvency***

*November 29, 2011*

Thank you Mr. Chairman and members of the committee. My name is David Jessup and I am the Director of Government Relations at the Small Business Association of Michigan, representing over 13,000 small business members statewide.

I'd like to begin my comments by thanking the chairman for hosting this important forum. I hope it will bring a greater awareness to a problem that has festered for far too long.

The legacy of years of economic decline still stands to impede Michigan's economic comeback. Michigan's unemployment have consistently outpaced the national average, resulting in a state unemployment system that is critically overextended. Every year since 2000, Michigan has paid out more in unemployment benefits than it has collected in unemployment taxes, indicating rather serious structural flaws within a system that simply cannot sustain itself.

Since 2007, Michigan has been forced to borrow money from the federal government in order to cover its obligations to unemployed workers. As a result, today's State Unemployment Insurance Trust Fund carries a debt of approximately \$3.5 billion.

It is important to remember that the unemployment insurance system is wholly financed by Michigan employers. As a result, job providers are obligated to repay the balance of the debt and are subject to an additional \$1 billion in interest and penalties over the next 10 years.

Absent a viable solution, employers will be left to shoulder the seemingly endless burden of increased taxes, interest and penalties until the balance is paid in full. At current pace, solvency won't be achieved until 2018, with a sufficient trust fund balance not realized until 2022. At that rate, the system won't likely recover before we experience the next economic downturn. The consequences of insolvency continue to damage Michigan's business climate and stands to impede our current recovery by introducing more uncertainty into the business market.

The issues surrounding the Unemployment System are as complicated as they are important, and it is clear that any effort toward solvency will take a certain amount of sacrifice. As you've heard Mr. Arwood explain, the problem has reached a critical mass, with 2012 being a watershed year where an even more aggressive schedule of interest and penalties is to be imposed on employers. This would represent a significant barrier to Michigan's fragile economic recovery and would hamstring most small businesses from potential growth, while leaving some to wonder if they can stay in business

Mr. Chairman, that concludes my comments. I'd now like to turn it over to Charlie Owens who will discuss what all this means to individual employers. Thank you.