

**THE SOLVENCY TAX AND AUTOMATION PROJECT OF THE
MICHIGAN EMPLOYMENT SECURITY COMMISSION**

The committee Appointed by Betty Howe to review the use of solvency taxes in financing the automation project held its first meeting on September 8 and a second meeting is scheduled for October 15. Total automation project costs were \$71.0 million, not the \$81.5 million that had been projected. The reduction in project cost of \$10.5 million resulted from the Governor's order not to exercise the lease purchase option.

The \$71.0 million was financed as *follows*:

	<u>In Millions \$</u>
Solvency Tax	\$ 46.4
Federal Funds	13.8
MESC Penalty & Interest Account	<u>10.8</u>
Total	\$ 71.0

The projected status of the solvency account is as follows:

	<u>In Millions \$</u>
Total Revenues (including interest and deferred taxes receivable)	\$ 199.1
Total Expenditures (including deferred interest payable):	
Interest	\$130.4
Automation Project...	<u>46.4</u>
Total Expenditures	<u>\$ 176.8</u>
Balance	\$+ 22.3

The difference between the original (1983) estimate of the amount of solvency taxes needed (\$18.0 million) and the amount actually used (\$46.4 million) is \$28.4 million. Since there will be a projected surplus in the solvency account of \$22.3 million, the fund will be within \$6.1 million of the \$28.4 million difference between the original \$18.0 million and the final \$46.4 million. (This could be even closer because the solvency tax collection figure includes a \$4.1 million reserve for doubtful collection of deferred solvency taxes.)

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OCTOBER 1987**

The only other source of funds currently available is the Penalty and Interest Fund, which is derived from delinquent employer taxes and interest earnings on cash balances. It had an August 31 cash balance of \$9.3 million. Penalty and interest funds are used to cover MESC expenses and building improvements not covered by Federal funds for administrative purposes. The penalty and interest fund in 1987 had revenues of \$5.6 million and expenditures of \$2.8 million.

A refund to negative-balance employers of \$22.3 million would represent 11% of solvency taxes paid., while a \$28.4 million refund would represent 14% of solvency taxes paid.