

HOUSE BILL REPORT

HB 1988

As Reported By House Committee On:
Trade, Economic Development & Housing
Appropriations

Title: An act relating to employment and training.

Brief Description: Providing for employment and training services.

Sponsors: Representatives Sheldon, Forner, Wineberry, Wood, Shin, Jones, Peery, Roland, Flemming, Quall, Springer, Conway, Morris, Valle, Dorn, Campbell, Linville, Karahalios, Eide, J. Kohl, H. Myers, Kessler, Holm, Wang, Wolfe, Anderson, Appelwick, Orr, Ogden, G. Cole, Scott, Lemmon, Leonard, Locke, R. Fisher, L. Johnson, Rayburn, Pruitt and Patterson.

Brief History:

Reported by House Committee on:
Trade, Economic Development & Housing, March 1, 1993,
DPS;
Appropriations, March 6, 1993, DPS(TEH-A APP).

HOUSE COMMITTEE ON TRADE, ECONOMIC DEVELOPMENT & HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Wineberry, Chair; Shin, Vice Chair; Campbell; Conway; Morris; Quall; Sheldon; Springer; and Valle.

Minority Report: Do not pass. Signed by 4 members: Representatives Forner, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Schoesler; and Wood.

Staff: Charlie Gavigan (786-7340).

Background: The emerging global economy has significant implications for Washington and its workforce. Recent studies have described the importance of a well-trained workforce to continued economic vitality. Washington Works Worldwide, the 1988 report of the Washington Economic Development Board, concludes that a well-trained workforce is critical to the state's economic competitiveness. In 1990, the governor's Advisory Council on the Investment in Human Capital reported that Washington employers are having

serious difficulties finding workers with adequate technical and basic skills.

In recent years, states have begun to use unemployment insurance taxes as one source of funding for programs to assist workers. In 1985, Washington adopted such a strategy. The Legislature created a temporary surcharge on the state unemployment insurance tax. Revenue from the surcharge was to provide special job search and placement services to unemployed workers. In 1987, the Legislature made the program permanent.

Summary of Substitute Bill: Contributions by businesses currently paid to the federal unemployment insurance trust fund (UITF) for unemployment insurance benefits are changed. Employer contributions are reduced by 0.12 percent; this reduction is offset by a corresponding increase of the same amount. The offset tax, 0.12 percent, goes to the employment and training trust fund to provide employment and training services. This offset tax program is repealed in 1999.

The employment and training trust fund is created. Contributions from an offset tax on employer contributions are designated for the employment and training trust fund. The funds are to be used to: (1) enhance the training and services provided by the Employment Security Department (ESD) for unemployed persons; and (2) provide additional training through community and vocational colleges.

Funds allocated from the employment and training trust fund must be consistent with priorities developed by the Workforce Training and Education Coordination Board.

To be able to be eligible for community and technical college training, an individual must be certified by the Employment Security Department that he or she has been unemployed in the past 24 months, with priority given to dislocated workers, and that he or she applies for certification within three months of receiving unemployment benefits.

A sunset review is required in June 1998. In addition, the employment and training trust fund is repealed in 1999, and the offset tax is repealed in 1999 -- the contribution level stays the same.

Substitute Bill Compared to Original Bill: The substitute bill eliminates the Washington benefit reserve trust fund. The employment and training trust fund established in the original bill is retained in the substitute; however, it is funded solely by an offset tax, to the current contributions paid by businesses, of 0.12 percent. Three specified uses

for the employment and training trust fund are removed. For the 93-95 biennium, \$29.3 million is appropriated to the state Board for Community and Technical Colleges (SBCTC) rather than \$15.5 million; \$14.7 million is appropriated to ESD, rather than \$23.4 million. A sunset review is required in 1998. In addition, the employment and training trust fund is repealed in 1999, and the offset tax is repealed in 1999 -- the contribution level stays the same.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Appropriation: \$29,330,000 to SBCTC for the employment and training trust fund; \$14,670,000 to the Employment Security Department from the employment and training trust fund.

Testimony For: In order for Washington's workforce to compete in a global economy, additional resources must be put into training. This program helps workers, particularly dislocated workers, from all industries.

Testimony Against: This could result in higher contributions being required from employers in the future. There are fairer ways to increase funding for training.

Witnesses: Representative Tim Sheldon, prime sponsor (pro); Brent Knott, Association of Western Pulp and Paper Workers (pro); Linda Broderick, Federation of Private Vocational Schools (pro); Cliff Finch, Association of Washington Business (con); and Jan Gee, Washington Retail Association (con).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Trade, Economic Development & Housing be substituted therefor and the substitute bill as amended by Committee on Appropriations do pass. Signed by 17 members: Representatives Locke, Chair; Valle, Vice Chair; Appelwick; Basich; Dellwo; Dorn; Dunshee; G. Fisher; Jacobsen; Lemmon; Linville; Peery; Rust; Sommers; Wang; Wineberry; and Wolfe.

Minority Report: Do not pass. Signed by 8 members: Representatives Silver, Ranking Minority Member; Carlson, Assistant Ranking Minority Member; Ballasiotes; Cooke; Sehlin; Sheahan; Stevens; and Talcott.

Staff: Sherie Story (786-7142).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Trade, Economic Development & Housing: A provision is added allowing the community and technical college system to use state general funds to initiate the training provided for in the bill at the beginning of the 1994 fiscal year, rather than waiting until the spring of 1994 when training trust fund monies are available.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Appropriation: \$29,330,000 to SBCTC for the employment and training trust fund; \$14,670,000 to the Employment Security Department from the employment and training trust fund.

Testimony For: Significant numbers of unemployed workers go to community and technical colleges for retraining. Under existing budget conditions, many of these people may not be served, but under the new funding approach in SHB 1988, they could be served. It is important that the dollars identified go to people that are unemployed as well as providing a vehicle to get them off of unemployment. The employment security/community college pilot projects will become a national model.

Testimony Against: In a fragile economy, what businesses do not need is a new payroll tax of \$22 million a year. Washington has the third highest unemployment insurance tax system in the nation. The tax proposal in this bill is regressive in that it only applies to the first \$18,500 of income.

Witnesses: Scott Morgan, State Board for Community and Technical Colleges (pro); Vernon Stoner, Employment Security Department (pro); and Cliff Finch, Association of Washington Businesses (con).