

HOUSE BILL REPORT

ESB 6480

As Passed House - Amended
March 4, 1994

Title: An act relating to unemployment compensation.

Brief Description: Regulating unemployment insurance compensation.

Sponsors: Senators Moore, Vognild, Prentice, Sheldon, Pelz, Nelson, Sutherland and McAuliffe.

Brief History:

Reported by House Committee on:
Commerce & Labor, February 25, 1994, DPA;
Passed House - Amended, March 4, 1994, 96-1.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended. Signed by 9 members: Representatives Heavey, Chair; G. Cole, Vice Chair; Lisk, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Conway; Horn; King; Springer and Veloria.

Staff: Chris Cordes (786-7117).

Background:

Conditional payment of unemployment benefits

Unemployment insurance claimants receive weekly benefits as long as they maintain eligibility. If a question arises about eligibility, the department is not permitted to suspend the claimant's benefits until the claimant has had an opportunity to discuss the question with the department. During this period, the claimant will receive conditional payments. If found ineligible, the claimant will be required to pay back the overpayment.

Experience rating account benefit charging

An experience rating account is maintained for each employer covered under the unemployment insurance tax system. Benefits paid to a claimant are charged to the accounts of the claimant's base year employers in proportion to the wages paid by each employer.

Certain benefit payments are not charged to experience rating accounts. These noncharged benefits include benefits paid to claimants who are participating in specified training programs, benefits received by claimants who are later determined to be ineligible, benefits paid in certain claims when the claimant had wages from more than one state, benefits paid to claimants whose unemployment resulted from injury or disability, benefits paid on extended benefit claims, and a portion of benefits paid to claimants who are identified as marginally attached to the labor force. In addition, employers may request noncharging relief if the claimant left work voluntarily for reasons not attributable to the employer, was discharged for misconduct, is unemployed because of a catastrophic occurrence, or continues to be employed part-time by the employer after a job separation from another base year employer.

Contribution rates for successor employers

If a business is acquired by a successor who is not an employer at the time of the transfer of the business, the successor's contribution rate is determined by the rate class assigned to the predecessor employer. This contribution rate continues until the successor employer qualifies for a different rate in his or her own right.

Unemployment insurance tax schedules

The Employment Security Department determines on June 30 each year the tax schedule that will be in effect for the following calendar year. The schedule is determined by using a statutory formula based on the relationship of the trust fund balance to total wages paid in the state. The tax schedules range from AA, with the lowest tax rates, to schedule F, with the highest tax rates.

Summary of Bill:

Conditional payment of unemployment benefits

The Employment Security Department is directed to report to the appropriate committees of the Legislature by July 1, 1994, regarding computer technology that is needed to address elimination or reduction of conditional benefit payments.

Experience rating account benefit charging

The provisions permitting noncharging of an employer's unemployment insurance experience rating account are amended to require charging if:

- (1) benefits are paid while the claimant is participating in work force training programs.
- (2) the claimant is a timber worker or other qualified worker receiving benefits under the additional benefits program and is participating in training.
- (3) the claimant does not successfully complete an approved on-the-job training program.
- (4) the claimant received benefits under a wage claim that combined wages from another state when the wage credits in Washington alone would not qualify the claimant for benefits.
- (5) the claimant received benefits after an on-the-job injury using the special base year permitted for injured workers.

Contribution rates for successor employers

If a business is acquired by a successor who is not an employer at the time of the transfer of the business, the successor's contribution rate will be the lower of (1) the rate at the tax rate class of the predecessor employer for the remainder of that rate year. The experience of the predecessor relating to the assignment of the rate class will be transferred to the successor; or (2) the contribution rate equal to the average industry rate, but not less than 1 percent. The successor employer rate determined under this provision will continue until the successor establishes a new contribution rate under its own experience.

Unemployment insurance tax schedules

During tax rate year 1995, tax schedule AA will be in effect. The Joint Task Force on Unemployment Insurance is directed to evaluate the adequacy of the unemployment insurance trust fund balance and the effectiveness of the mechanisms that determine the tax schedule each rate year and report recommendations to the Legislature.

Technical changes are made to correct double amendments to the tax schedule and provide for a change in the tax schedule that will occur in 1998.

Fiscal Note: Requested February 17, 1994.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed, except for

section 6, correcting the tax schedules beginning in 1998, takes effect January 1, 1998.

Testimony For: The provisions of the engrossed bill are acceptable and are part of the legislation necessary to implement the recommendations of the Joint Task Force on Unemployment Insurance. Although there is some concern about increasing charging costs to some employers, the employer community is willing to work on reducing the socialized costs of the unemployment insurance system. The issue of restructuring the tax schedule is an issue that needs to be discussed during the interim and brought to the Legislature next session.

Testimony Against: None.

Witnesses: Duke Schaub, Associated General Contractors of Washington; Bill Fritz, Washington Food Processor's Council; Carolyn Logue, National Federation of Independent Business; Wayne Ehlers, Fred Meyer; Jan Gee, Washington Retail Association; Graeme Sackrison, Employment Security Department; and Jim Boldt, Washington Food Dealers Association.