

HOUSE BILL REPORT

ESB 6480

As Reported By House Committee On:
Commerce & Labor

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.

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.

Summary of Amended 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.

Amended Bill Compared to Engrossed Bill: The amended bill limits the required report on computer technology to the appropriate committees of the Legislature and adds that the successor employer's initial contribution rate determined at the time of transfer will continue until the successor establishes a new contribution rate under its own experience.

Fiscal Note: Requested February 17, 1994.

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

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.