

HOUSE BILL REPORT

ESHB 1988

As Passed Legislature

Title: An act relating to employment and training.

Brief Description: Providing for employment and training services.

Sponsors: By House Committee on Trade, Economic Development & Housing (originally sponsored by 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 Second Reading, March 11, 1993;
Passed House, March 12, 1993, 65-33;
Amended by Senate;
Passed Legislature, April 22, 1993, 67-30.

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).

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).

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 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. If the commissioner of Employment Security determines that, in any year, an increase in the employer unemployment compensation contribution rate is caused by the 0.12 percent diversion, the revenue collected for the training fund goes to the unemployment compensation fund. 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. The community and technical college system may borrow from the general fund to initiate training at the beginning of the 1994 fiscal year.

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

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 on January 1, 1998 -- the contribution level stays the same.

A comprehensive waiver of commissioner approval is provided for collection of unemployment insurance benefits by aerospace workers enrolled in approved training.

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: (Trade, Economic Development & Housing) 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.

(Appropriations) 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: (Trade, Economic Development & Housing) This could result in higher contributions being required from employers in the future. There are fairer ways to increase funding for training.

(Appropriations) 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: (Trade, Economic Development & Housing) 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).

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