

SENATE BILL REPORT

SB 5702

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, MARCH 2, 1993

Brief Description: Regulating unemployment insurance.

SPONSORS: Senators Prentice, Wojahn and Franklin; by request of Employment Security Department

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: That Substitute Senate Bill No. 5702 be substituted therefor, and the substitute bill do pass.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Fraser, McAuliffe, Pelz, Sutherland, and Vognild.

Staff: Patrick Woods (786-7430)

Hearing Dates: February 22, 1993; March 2, 1993

BACKGROUND:

Currently, unemployment insurance statutes limit the release of claimant information to their last employer or an employer for whom the individual worked during their employment base period. A base period is defined as the first four of the last five completed calendar quarters in which the individual was last employed.

The state Employment Security Department is required to provide nonfederal funds to resolve any federal noncompliance or audit claims. The current procedure requires that the claim be paid in cash from the department's contingency fund.

Interest is only assessed on benefit overpayments when a claimant is not keeping up with payments to the department. A study of the overpayment system by the Efficiency Commission recommended that interest charges begin immediately in the case of overpayments due to fraud.

The existing unemployment insurance experience rating system provides for relief of benefit charges to employers under a series of conditions. The conditions for rate relief include: (1) benefits paid to individuals who were later determined to be ineligible by the department; (2) benefits paid to individuals as the result of an interstate claim if the individual did not have enough wage credits in Washington during their base year to qualify for unemployment benefits; (3) benefits paid to individuals as the result of an unemployment insurance claim filed under temporary total disability; (4) benefits paid to individuals as the result of requalifying for benefits following a disqualification for leaving work "voluntarily without good cause" or due to misconduct, felony, or gross misdemeanor; (5) benefits paid to

individuals as the result of a determination that no stoppage of work existed following a strike or lockout; (6) benefits paid as a result of a closure or severe curtailment at the employer's plant due to a natural disaster; (7) benefits paid to an individual that is employed on a regular part-time basis but is separated from a concurrent employer.

At the present time employers that are delinquent in their unemployment taxes are required to make payments at the highest experience rate class which is 5.4 percent of taxable payroll. A number of experience rated employers that are at the 5.4 percent cap have expressed frustration that their tax rate is no different from that of delinquent employers.

SUMMARY:

An employer is granted access to information relating to any decision to allow or deny benefits if: (a) the decision is based on employment or job offer by that employer, or (b) the decision is based on material information provided by the employer.

The Department of Employment Security must resolve federal compliance or audit claims under the following priority: (1) provide services to eligible claimants or individuals within the state, (2) provide substitute services or program support; (3) make payment of funds to the federal government.

Interest payments of 1 percent per month are imposed on all outstanding overpayments that are due to fraud.

The conditions under which an employer is provided relief or benefits charges are reordered.

Employers that are delinquent in their unemployment tax payments are required to make payments above the existing experience rating cap. The delinquent employer rate is set at 5.6 percent taxable payroll.

EFFECT OF PROPOSED SUBSTITUTE:

The eligibility requirement for individuals who are denied unemployment benefits due to (1) voluntary quit; (2) discharge or suspension from work; or (3) having failed to apply for or accept available work are modified. Such claimants are considered eligible to receive benefits when they have obtained "bona fide" work and earned wages equal to five times their weekly benefit amount.

A husband or wife who leaves work to relocate outside their labor market area with his or her spouse is deemed to have left work with "good cause" and is eligible to receive unemployment benefits provided he or she is actively seeking employment.

Technical changes are made clarifying the time period for employers to apply for relief of benefit charges.

Appropriation: none

Revenue: none

Fiscal Note: requested

TESTIMONY FOR:

The Department of Employment Security requests the passage of the substitute bill to provide disincentives for employees who fraudulently claim unemployment benefits and employers that are delinquent on payment of unemployment taxes, and to streamline and enhance the ability of employees to requalify for unemployment benefits.

TESTIMONY AGAINST:

The testimony against the proposed substitute outlined concerns regarding the fiscal impact on the unemployment trust fund and expanding the use of unemployment insurance benefits.

TESTIFIED: Gary Smith, Independent Business Association; Nat Jackson, Nat Jackson & Associates (con); Clif Finch, AWB; Dale Tuvey, United Claim Management (con); Rick Slunaker, Associated General Contractors (con); Graeme Sacrison, Department of Employment Security (pro)