

HOUSE BILL ANALYSIS

HB 1289

Brief Description: Conforming unemployment compensation statutes with federal law.

Sponsors: Conway and Clements

Hearing: February 1, 1999

Brief Summary of Bill

- Authorizes deductions from unemployment benefits to collect over issuance of food stamp coupons.
- Prohibits educational employees from receiving unemployment benefits between academic terms or years, or during vacations or holidays, when they have reasonable assurance of employment in the same capacity at any educational institution in the next year or term, or following the vacation.
- Prohibits the use of federal Reed Act funds for any purpose except administration of the unemployment insurance program.

BACKGROUND:

Under the Federal Unemployment Tax Act (FUTA), if a state maintains an unemployment insurance system in conformity with federal law, that state's employers receive a tax credit against their federal unemployment tax of 90 percent of the federal tax. In addition, the conforming state receives a share of the FUTA revenues for administration of its unemployment insurance system. Several changes in federal law and *a court interpretation of Washington law raise federal conformity issues.*

Food stamp over issuance. The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires an agency administering a state's unemployment insurance law to disclose certain information about a person receiving food stamps to the agency administering the food stamp program. The Secretary of Labor must find

compliance with this requirement before certifying a state as meeting unemployment insurance federal conformity standards. In addition, the state agency administering the food stamp program must collect over issuances of food stamps through several means, including withholding from unemployment benefits. The agency is authorized to enter into agreements with recipients for withholding from the benefits, or to pursue collection from the benefits through other legal means. Washington unemployment insurance law, however, allows benefit deductions only for child support.

Employment at educational institutions. Federal law establishes standards for payment unemployment benefits to employees of certain public and nonprofit educational institutions. *Unemployment compensation may not be paid to these employees for unemployment that occurs between two successive academic years or terms, or during vacation or holiday recesses, if the employee has reasonable assurance that he or she will re-employed for the same services in the next academic year or term, or following the recess. "Reasonable assurance" is defined as a written, verbal, or implied agreement that the employee will be re-employed in the same capacity.*

In 1995, the Washington Court of Appeals decided a case involving a teacher who received benefits based on her full-time teaching position at one school district although her periods of unemployment occurred during a holiday recess and the following summer while she was a substitute teacher in a different school district in a different school year. The court held that to deny this teacher benefits during a holiday recess or summer vacation, the state had to show that the teacher had reasonable assurance of work after the recess or summer vacation with the same school district for which she had worked before the recess or the summer vacation. The Employment Security Department was advised by the U.S. Department of Labor that this decision raises a federal conformity issue.

Reed Act funds. Employers pay FUTA taxes to the federal government for unemployment insurance purposes. These taxes are maintained in federal reserve accounts for administration of unemployment programs, extended benefits, and loans to states that exhaust their benefit trust funds. Excess funds in these federal accounts may be distributed under the federal Reed Act to the states' unemployment insurance programs. To distribute Reed Act funds to a state during 1999 to 2001, the Secretary of Labor must find that the state will use the funds only for administration of the unemployment insurance program.

Washington's unemployment insurance law requires certain federal funds to be used for unemployment insurance purposes, but does not specifically address the use of funds distributed during 1999 to 2001.

SUMMARY OF BILL:

Unemployment insurance laws relating to deductions from unemployment benefits, benefits for employees of educational institutions, and use of administrative funds are modified.

Food stamp over issuance. Provisions are added to the unemployment insurance laws requiring claimants to disclose whether they owe for over issued food stamp coupons. The commissioner of the Employment Security Department must notify the agency enforcing the food stamp program when these claimants are determined to be eligible for unemployment benefits. The department is authorized to collect the food stamp over issuance through deductions from these claimants' unemployment benefits.

Employment at educational institutions. The limits on unemployment benefits for employees of educational institutions are modified to apply the limits to successive employment with any educational institution. If an educational employee who performs services in one academic year or term has reasonable assurance that he or she will perform services in the same capacity for any educational institution in the successive academic year or term, the employee is not eligible for unemployment benefits between years or terms. Similarly, the employee who has reasonable assurance of employment in the same capacity with any educational institution following a customary vacation period or holiday recess is not eligible for benefits during the vacation or holiday period.

Reed Act funds. Funds received under the Reed Act during fiscal years 1999 through 2001 may not be used for any purpose except administration of the unemployment compensation program.

RULES AUTHORITY: The bill does not contain provisions addressing the rule making powers of an agency.

FISCAL NOTE: Not requested.

EFFECTIVE DATE: Ninety days after adjournment of a session in which bill is passed.