

SENATE BILL REPORT

ESHB 1906

As Reported by Senate Committee On:
Labor, Commerce & Consumer Protection, February 10, 2009

Title: An act relating to improving economic security through unemployment compensation.

Brief Description: Improving economic security through unemployment compensation.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives Conway, Kenney, Wood, Moeller, Green, Hudgins, Williams, Dickerson, Sells, Sullivan, Appleton, Morrell, Hasegawa, Darneille, Ormsby, Kagi, Van De Wege, Santos, Goodman, McCoy, Cody, Simpson and Nelson).

Brief History: Passed House: 2/06/09, 90-2.

Committee Activity: Labor, Commerce & Consumer Protection: 2/10/09 [DP, DNP].

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: Do pass.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Franklin and Kline.

Minority Report: Do not pass.

Signed by Senators Holmquist, Ranking Minority Member; King.

Staff: Mac Nicholson (786-7445)

Background: Unemployment Insurance (UI) Benefits. An individual is entitled to receive UI benefits provided the individual meets certain eligibility requirements. The amount of benefits an individual receives is calculated using two main figures: the individual's weekly benefit amount and the individual's maximum benefit. The weekly benefit amount paid to an individual is a percentage of the average wages the individual earned in the highest two of the previous four quarters. State law sets the minimum amount payable weekly at 15 percent of the average weekly wage for the preceding year. The maximum amount payable weekly is 63 percent of the average weekly wage for the preceding year. As of July 1, 2008, the minimum amount payable weekly is \$129 and the maximum is \$541. The maximum benefit an individual can receive is 26 times the weekly benefit amount, or one-third of the individual's base year wages, whichever is less. An individual who exhausts his or her regular UI claim can qualify for federal emergency unemployment compensation (EUC). The maximum amount of EUC an individual can qualify for is 33 times that person's weekly

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benefit amount. Regular UI benefits are paid out of the state's UI trust fund, while EUC benefits are paid by the federal government.

UI Taxes. An employer's total UI contribution, or tax, includes an experience rated tax and a social tax. The experience rated tax is related directly to an employer's UI experience, and employers are assigned to one of 40 rate classifications ranging from 0.0 percent to 5.4 percent. When an individual files a UI claim, benefits paid to that individual will be charged against the employer, resulting in a higher experience rated tax. The social tax component of an employer's total state unemployment tax covers social costs, or costs resulting from the payment of benefits to an individual that are not charged to a specific employer. The difference between the experience rated contributions paid by all employers and the UI benefits paid to all claimants is used to calculate the social tax. The current social tax rate is 0.5 percent of total taxable payroll.

The state, and any political subdivisions and qualified nonprofit corporations that have elected to do so, make payments in lieu of UI contributions and are known as reimbursable employers. Reimbursable employers pay dollar for dollar on all UI benefits paid to former employees.

Training Benefits Program. Training benefits are additional UI benefits paid to workers who have lost their job and are attending an approved full-time vocational training program. The total training benefit amount is 52 times the weekly benefit amount, minus any regular UI benefits paid. Training benefits are charged to an employer's experience rating.

To be eligible to receive training benefits, an individual must:

- be eligible to receive or have exhausted regular UI benefits;
- be a dislocated worker;
- have sufficient tenure in an occupation or in work with a particular skill set;
- have been determined to need job-related training in order to find suitable employment in his or her labor market;
- submit a training program application within 60 days of notification of training benefit availability;
- enroll in the training program on a full-time basis within 90 days of notification of training benefit availability; and
- make satisfactory progress in the training as certified by the educational institution.

A training program must be a vocational program at an educational institution that is targeted to training for a high demand occupation, is likely to enhance the individual's marketable skills and earning power, and meets criteria for performance developed by the Workforce Training and Education Coordinating Board.

Shared Work Program. The shared work program allows employers to temporarily reduce employee hours rather than lay-off workers, and allows the workers to collect partial unemployment benefits. Eligibility is limited to employees who are paid on an hourly basis, and there must be a 10 to 50 percent reduction in usual weekly work hours. Employers seeking to participate in a shared work plan must submit a plan to ESD that identifies the employees to which the plan applies and certify that the plan applies to at least 10 percent of the employees in the affected unit and that the aggregate reduction in work hours is in lieu of temporary layoffs.

The UI benefit amount distributed to an employee on a shared work plan is based on the employee's regular weekly benefit amount multiplied by the reduction in the employee's usual weekly hours. An employee on a shared work plan may not be paid shared benefits for more than a total of 26 weeks in any 12-month period.

Summary of Bill: UI Benefits. The minimum amount payable weekly is \$155. An individual's weekly benefit amount will be increased by \$45. These changes apply to UI claims filed after May 3, 2009, but before January 3, 2010. The changes also apply to weeks of benefits beginning on or after May 3, 2009 for existing UI claims.

UI Taxes. The \$45 benefit is a socialized cost and will not be charged against contribution paying employers and will not be used when calculating the social tax for the rate years 2010 and 2011.

Training Benefits Program. Eligibility for the training benefits program is expanded for claims filed on or after September 7, 2009, to include low income workers (workers who make less than 130 percent of the state minimum wage), workers disabled due to an injury or illness, honorably discharged military and National Guard personnel who served during the 12-month period prior to application, and individuals currently serving in the National Guard. Application and enrollment deadlines are extended 30 days to 90 and 120 days respectively, and ESD may waive the deadlines for good cause. Less than full-time training may be approved when the individual has a physical, mental, or emotional disability that precludes full-time enrollment. High-demand occupation is defined as an occupation with a substantial number of current or projected employment opportunities.

Training benefits on claims with an effective date on or after April 5, 2009, will not be charged back to the experience rating of contribution paying employers.

ESD must annually report to the Legislature on the status of the training benefits program and the resulting outcomes. The report must include a demographic analysis of participants in the program, the duration of benefits, an analysis of the training provided, the employment and wage history of participants, and an analysis of administrative costs.

Shared Work Program. Shared work plans are no longer required to apply to at least 10 percent of the employees in an affected unit. Employees receiving UI benefits under a shared work plan may receive benefits during their entire benefit year. A shared work program must go into effect within two weeks of commissioner approval, or later if requested by the employer.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on April 5, 2009.

Staff Summary of Public Testimony: PRO: The recession is weighing on Washington families. Unemployment insurance is complicated, but the stimulus package is simple. It increases benefits, and makes changes to existing programs. These changes will stimulate the economy. Given the harsh economic climate, the stimulus package is critical. To do nothing would be a mistake. The cost of increased benefits is \$193 million. If you put that money in the hands of unemployed workers, they will spend it in their communities and generate revenue for the state. The additional benefits will help claimants meet their most basic needs and provide a boost to the economy.

The training benefit provisions make sense. Many are denied because they do not meet the application deadline. There shouldn't be extra barriers in their way, and dislocated workers should receive benefits to help them re-tool themselves.

OTHER: The increased minimum weekly benefit should be socialized and not charged to the employer. The training benefits should be expanded to anyone who is unemployed for the biennium rather than just certain individuals. Shared work benefits should be socialized rather than charged back to the employer.

Persons Testifying: PRO: Representative Steve Conway; Karen Lee, Commissioner, Employment Security Department; Dave Johnson, Washington State Building Trades.

OTHER: Dan Fazio, Washington Farm Bureau; Donna Steward, Association of Washington Business.