

FINAL BILL REPORT

SB 5135

C 3 L 11

Synopsis as Enacted

Brief Description: Responding to the current economic conditions by temporarily modifying the unemployment insurance program.

Sponsors: Senators Kohl-Welles, Holmquist Newbry, King, Honeyford, Schoesler, Becker, Hobbs, Rockefeller, Baumgartner, Hill, Litzow and Benton; by request of Governor Gregoire.

Senate Committee on Labor, Commerce & Consumer Protection

Background: Unemployment Insurance Taxes. The total amount of unemployment insurance (UI) contributions or taxes paid by an employer includes an experience rated tax and a social tax. The experience rated tax is determined based on an employer's layoff experience and falls into one of 40 rate classes. The social tax component covers social costs, or costs resulting from the payment of benefits to an individual that are not charged to a specific employer. The social tax is calculated using the flat social cost factor, which is graduated for each employer based on the employer's rate class. Employers in rate class 1 have no layoff experience and only pay a social tax, which was 0.95 percent in 2010 and was initially calculated to be 1.33 percent in 2011. The total tax rate is capped at 6 percent, and in 2010 employers in rate classes 35 through 40 capped out.

Extended Benefits Program. An individual who has exhausted his or her regular unemployment benefits and emergency unemployment compensation benefits can receive up to 20 additional weeks of benefits under the extended benefits program. The extended benefits program triggers on during periods of high unemployment when unemployment rates hit certain levels as compared to rates in a two-year look back period. The first 13 weeks of extended benefits trigger on when the unemployment rate averages at least 6.5 percent over the last three months and is at least 10 percent higher than the same three month average in either of the previous two years. The remaining seven weeks of extended benefits trigger on when the unemployment rate averages at least 8 percent and is 10 percent higher than in either of the previous two years. Washington triggered on the first 13 weeks in February 2009 and the remaining seven weeks in May 2009. Extended benefits are expected to trigger off in the spring of 2011, as the two-year look back will include unemployment rates from 2009 and 2010.

Extended benefit costs are generally shared equally by the state and federal government; however, the federal government has paid the full cost of extended benefits since Washington

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triggered on in 2009. The federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 authorized the federal government to continue to pay the full cost of extended benefits through 2011, provided the extended benefits program doesn't trigger off. The federal legislation authorized states to use a three-year look back in 2011 rather than a two-year look back to prevent the extended benefits program from triggering off.

Eligibility Periods. For an individual who is in the training benefits program, training benefits are payable for up to two years beyond the end of the benefit year of the regular claim.

For an individual who is eligible for emergency unemployment compensation, the eligibility period for extended benefits is defined as the period consisting of the week ending February 28, 2009, through the week ending May 29, 2010.

Summary: Unemployment Insurance Taxes. For rate year 2011, the flat social cost factor is capped at 1.22 percent, and the graduated rate is lowered for employers in rate classes 1 through 20 (from 78 percent through 120 percent to 40 percent through 116 percent). Consequently, the total 2011 UI tax rate for employers in rate classes 1 through 34 will be lowered, and employers in rate classes 35 through 40 will cap out at 6 percent.

Extended Benefits Program. For 2011 the two-year look-back period used to determine whether extended benefits are paid is changed to a three-year look-back period.

Eligibility Periods. The period during which training benefits are payable is extended. For individuals who are eligible for extended benefits because of the three-year look-back period, training benefits are payable for up to three years beyond the end of the benefit year of the regular claim.

The eligibility period for extended benefits is also extended through 2011. The eligibility period consists of the week ending February 28, 2009, and applies as provided under the federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, as it existed on December 17, 2010, or a subsequent date provided by the Employment Security Department by rule.

Votes on Final Passage:

Senate	46	1
House	98	0

Effective: February 11, 2011