

HOUSE BILL REPORT

HB 1395

As Reported by House Committee On: Labor & Workforce Development

Title: An act relating to implementing the unemployment insurance integrity provisions of the federal trade adjustment assistance extension act of 2011.

Brief Description: Implementing the unemployment insurance integrity provisions of the federal trade adjustment assistance extension act of 2011.

Sponsors: Representatives Sells, Manweller, Reykdal, Wylie, Chandler, Condotta, Hunt, Van De Wege, Green, Warnick, Appleton and Morrell; by request of Employment Security Department.

Brief History:

Committee Activity:

Labor & Workforce Development: 2/6/13 [DP].

Brief Summary of Bill

- Subjects individuals who commit unemployment claimant fraud for the first time to an additional penalty of 15 percent of benefits overpaid.
- Prohibits relief from benefit charges and credit for benefit payments when benefits were paid because an employer failed to respond timely or adequately to the Employment Security Department's information requests without good cause and the employer has a pattern of such failures.

HOUSE COMMITTEE ON LABOR & WORKFORCE DEVELOPMENT

Majority Report: Do pass. Signed by 9 members: Representatives Sells, Chair; Reykdal, Vice Chair; Manweller, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Green, Holy, Moeller, Ormsby and Short.

Staff: Joan Elgee (786-7106).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The unemployment compensation system provides partial wage replacement for workers who are unemployed through no fault of their own. Eligible unemployed workers receive benefits based on their earnings in their base year. The Employment Security Department (Department) administers this system.

Under the Federal Trade Adjustment Assistance Extension Act of 2011, states must meet certain requirements to remain in conformity with federal law. States not in conformity risk the loss of federal administrative funding and the loss of federal tax credits that employers receive for payment of state unemployment taxes.

An individual who obtains or attempts to obtain benefits fraudulently is disqualified from receiving benefits and liable for repayment of the benefits. An individual disqualified for a second time is also subject to a penalty of 25 percent of the benefits overpaid and a third disqualification results in an additional penalty of 50 percent of the benefits overpaid.

The State Unemployment Trust Fund is composed of amounts paid by employers, amounts received from the federal government, and specified other moneys. Moneys in this fund may be used only to pay unemployment benefits. The Administrative Contingency Fund is composed of fines and penalties as well as specified other revenue. Moneys in this fund are used for administrative expenses.

Most employers pay contributions (payroll taxes) to finance unemployment benefits. The tax rate for these employers, known as "contribution paying employers," is experience rated so that the rate is determined, in part, by the benefits paid to its employees. Some benefits, however, are pooled within the unemployment system or "socialized." An employer may request relief from charging if, for example, the employer discharged the employee for certain misconduct or the employee left the employment voluntarily for reasons not attributable to the employer.

Some employers, such as the state and certain nonprofit corporations that have elected to do so, make payments in lieu of contributions and are known as "reimbursable employers." Reimbursable employers reimburse the Department for benefits paid to former employees and the Department credits employers when overpayments are collected.

Summary of Bill:

An additional penalty of 15 percent of benefits overpaid applies to a first time disqualification for benefits. Fifteen percent of all penalties for benefits overpaid is deposited into the State Unemployment Trust Fund.

Relief from benefit charges is not available and reimbursable employers may not be credited for benefits if benefits were paid because the employer or employer's agent failed to respond timely or adequately without good cause to the Department's written information requests and the employer or its agent has a pattern of such failures. A pattern is shown if the failures without good cause occurred at least three times in the previous two years or in 20 percent of the total current claims against the employer, whichever is greater. If an agent is used, a

pattern is established based on each individual client employer. "Adequately" means providing accurate information of sufficient quantity and quality that would allow a reasonable person to determine eligibility for benefits.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on October 20, 2013.

Staff Summary of Public Testimony:

(In support) If the state does not conform to federal requirements, the state would be subject to the loss of administrative funding on the claimant side and the loss of several million dollars of tax credits on the employer side.

(Opposed) None.

Persons Testifying: Neil Gorrell, Employment Security Department.

Persons Signed In To Testify But Not Testifying: None.