

HOUSE BILL REPORT

HB 1396

As Reported by House Committee On: Labor & Workforce Development

Title: An act relating to changing the unemployment insurance shared work program by adopting short-time compensation provisions in the federal middle class tax relief and job creation act of 2012.

Brief Description: Changing the unemployment insurance shared work program by adopting short-time compensation provisions in the federal middle class tax relief and job creation act of 2012.

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

Brief History:

Committee Activity:

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

Brief Summary of Bill

- Makes changes to the shared work program consistent with 2012 federal legislation.
- Provides that shared work benefits are not charged to employers for a three-year period.

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:

The unemployment compensation system provides partial wage replacement benefits for workers who are unemployed through no fault of their own. Eligible unemployed workers

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receive benefits based on their earnings in their base year. The Employment Security Department (Department) administers this system.

Most covered employers pay contributions (payroll taxes) to finance benefits. The tax rate for these employers, known as "contributing employers," is experience rated and, with some exceptions, benefits are charged to employers. Some employers, including the state and qualified 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.

The Shared-Work Program (Program) was established in 1983. The Program provides for the payment of partial unemployment compensation benefits in situations where employers elect to retain employees at reduced hours rather than institute layoffs. Employers submit shared work plans to the Department, which reviews and approves plans under specified criteria.

The federal Middle Class Tax Relief and Job Creation Act (Act) of 2012 requires states operating a Shared-Work Program to conform to certain requirements. The Act also provides for federal reimbursement to states of shared work benefits until August 22, 2015. In addition, under the Act, states may apply for federal grants to implement or improve their Shared-Work Programs and to promote and enroll employers.

Summary of Bill:

Changes to the Program are made consistent with the Act. Shared-Work is available only to permanent employees, and part-time employees may participate. If an employer reduces benefits to employees who are not Shared-Work participants, the employer may also reduce benefits for Shared-Work participants. Other changes include requiring employers to estimate the number of layoffs that would have occurred absent shared work.

For weeks of benefits paid for the three-year period between July 1, 2012, and June 28, 2015, shared work benefits are not charged to the experience rating accounts of contributing employers or to reimbursable employers.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This bill is good for claimants and employers. Shared-Work is a popular and agreed-upon program. For the first time, reimbursable employers can participate because of

the federal funding. Under current law, it does not make economic sense for reimbursable employers to participate because they pay wages and have to reimburse the Department for every dollar of benefits.

(Opposed) None.

Persons Testifying: Neil Gorrell, Employment Security Department.

Persons Signed In To Testify But Not Testifying: None.