

HOUSE BILL REPORT

HB 1407

As Reported by House Committee On:

Commerce & Labor

Appropriations

Title: An act relating to funding the administration of Title 50 RCW, unemployment compensation.

Brief Description: Funding the administration of Title 50 RCW, unemployment compensation.

Sponsors: Representatives Conway, Wood and Green; by request of Employment Security Department.

Brief History:

Committee Activity:

Commerce & Labor: 2/2/07, 2/9/07 [DPS];

Appropriations: 2/20/07, 2/26/07 [DPS(CL)].

Brief Summary of Substitute Bill

- Makes existing moneys generally available for administering the unemployment compensation system and other programs under the Employment Security Act.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Green, Moeller and Williams.

Staff: Jill Reinmuth (786-7134).

Background:

The Employment Security Department (Department) administers the unemployment compensation system and related funds, such as the Unemployment Compensation Fund and the Administrative Contingency Fund. Moneys in the Unemployment Compensation Fund may be used only for unemployment benefits. Most moneys in the Administrative

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Contingency Fund may be expended when necessary for the proper administration of the Employment Security Act and no federal funds are available for the particular expenditure. Some moneys in the Administrative Contingency Fund, however, are subject to additional limitations.

The Unemployment Compensation Fund includes 60 percent of contributions paid for administration of the training benefits program. Qualified dislocated workers may receive additional unemployment insurance benefits while they are in retraining. Employers are required to pay additional contributions for administration of the training benefits program. The contribution rate is one one-hundredth of 1 percent (.01 percent). Forty percent of these contributions is retained in the Administrative Contingency Fund. The remaining 60 percent is deposited in the Unemployment Compensation Fund.

The Administrative Contingency Fund includes certain claimant penalties. Overpayment assessments are subject to an interest penalty of 1 percent for each month that payments are delinquent. Interest penalties must be used, first, to fully fund Social Security number cross-match audits, and second, to fund other overpayment activities.

The Administrative Contingency Fund also includes certain employer penalties. When a business is transferred to another employer or entity, the successorship provisions may require a mandatory transfer of experience or prohibit the transfer. Penalties and interest collected for evasion of the successorship provisions may be expended solely for prevention, detection, and collection activities related to evasion of these provisions.

Summary of Substitute Bill:

Existing moneys are made generally available for administering the unemployment compensation system and other programs under the Employment Security Act (Act). The following moneys are included in the Administrative Contingency Fund:

- sixty percent of additional contributions paid for administration of the training benefits program;
- interest penalties collected for overpayment assessments; and
- penalties and interest collected for evasion of the successorship provisions.

Moneys in the Administrative Contingency Fund may be expended when necessary for the proper administration of the Act and insufficient federal funds are available for the particular expenditure.

The Employment Security Department must conduct Social Security number cross-match audits or engage in other more effective activities to prevent, detect, and recover overpayments. It also must engage in prevention, detection, and collection activities related to evasion of the successorship provisions.

Obsolete provisions, such as those applicable only to past biennia, are deleted.

Rules Authority: The bill does not address the rule-making powers of an agency.

Substitute Bill Compared to Original Bill:

Language is added requiring the Employment Security Department to continue engaging in activities to prevent overpayments and evasion of successorship provisions.

Technical changes are made to simplify language, correct internal references, and remove redundant language describing permissible uses of various existing moneys.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) The bill helps the unemployment insurance system by broadening the permissible uses of some funds, and retaining other funds for administrative purposes. The Employment Security Department (Department) will be able to use moneys to maintain quality services. The bill has little impact on the trust fund, but a meaningful impact for the agency.

The seriousness of the Department's funding problems is well-established. The Department is in a world of hurt. The Department has suffered from a 29 percent decrease in administrative funding. As a result, there have been two lay-offs in the past two years, and eight lay-offs in the past four years. The Department has closed one telecenter and merged other offices. If the Department is forced to absorb the costs of the new collective bargaining agreement, 93 employees will be eliminated. Ten "state-choice" functions that are not federally-mandated are at risk.

We are working with the Congressional delegation to try to solve this budget problem.

(Opposed) None.

Persons Testifying: Commissioner Karen Lee, Employment Security Department; Greg Devereaux, Washington Federation of State Employees; and Jeff Johnson, Washington State Labor Council.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Commerce & Labor be substituted therefor and the substitute bill do pass. Signed by 33 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant

Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Cody, Conway, Darneille, Ericks, Fromhold, Grant, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Kretz, Linville, McDermott, McDonald, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist, P. Sullivan and Walsh.

Minority Report: Without recommendation. Signed by 1 member: Representative Dunn.

Staff: Alex MacBain (786-7288).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Commerce & Labor:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) The proposal recommends using two sources of existing state funding to maintain crucial employment services. Due to the reduction in federal funding it is harder for the Employment Security Department (ESD) to provide basic services for job seekers and the ESD is struggling to maintain its specialized job placement programs. The ESD has suffered a 29 percent reduction in federal funds over the last five years. To absorb these losses, ESD has closed a tele-center and had eight rounds of layoffs. The bill will provide additional flexibility to the ESD to continue to provide quality programs. The provided funding will allow the ESD to maintain existing services and will not expand the ESD nor will it negatively impact the ability to provide benefits to qualified unemployed workers.

(Opposed) None.

Persons Testifying: Karen Lee, Employment Security Department; and Matt Zurich, Federation of State Employees.

Persons Signed In To Testify But Not Testifying: None.