

HOUSE BILL REPORT

HB 1184

As Reported by House Committee On:

Commerce & Labor

Title: An act relating to use of school hours and wages for unemployment compensation claims for educational employees.

Brief Description: Clarifying hours and wages for educational employee compensation claims.

Sponsors: Representatives Conway (co-prime sponsor), Clements (co-prime sponsor), B. Chandler and Kenney; by request of Employment Security Department.

Brief History:

Committee Activity:

Commerce & Labor: 1/31/01, 2/23/01 [DP].

Brief Summary of Bill

- Prohibits educational employees from receiving unemployment benefits between academic terms or during vacations, when they have reasonable assurance of employment in the same capacity at any educational institution in the next year or following the vacation.
- Makes the state unemployment insurance system conform with the Federal Unemployment Tax Act.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 8 members: Representatives Clements, Republican Co-Chair; Conway, Democratic Co-Chair; B. Chandler, Republican Vice Chair; Wood, Democratic Vice Chair; Hunt, Kenney, Lisk and McMorris.

Staff: Jill Reinmuth (786-7134).

Background:

Under the Federal Unemployment Tax Act (FUTA), if a state maintains an unemployment insurance system in conformity with federal law, the state's employers

receive a tax credit against their federal unemployment tax equal to 90 percent of the federal tax. In addition, the state receives a share of the FUTA revenues for administration of its unemployment insurance system.

Federal law establishes standards for payment of unemployment benefits to employees of certain public and nonprofit educational institutions. Unemployment benefits may not be paid to these employees for unemployment that occurs between two successive academic years or terms, or during vacation or holiday recesses, if the employee has reasonable assurance that he or she will be re-employed for the same services in any educational institution in the next academic year or term, or following the recess.

State law also establishes standards for payment of unemployment benefits to these employees. In Pechman v. Employment Security Department, however, the Washington Court of Appeals held that unemployment benefits may not be paid to these employees for unemployment that occurs between two successive academic years or terms, or during vacation or holiday recesses, if the employee has reasonable assurance that he or she will re-employed for the same services in the same educational institution in the next academic year or term, or following the recess.

In 1997, the United States Department of Labor advised the Employment Security Department that the Pechman decision raises a federal conformity issue. The Department of Labor subsequently advised the Employment Security Department that, if legislation resolving this conformity issue was not enacted, the Department of Labor would commence conformity proceedings.

Summary of Bill:

The limits on unemployment benefits for employees of educational institutions are modified to apply the limits to successive employment with any educational institution. If an educational employee who performs services in one academic year or term has reasonable assurance that he or she will perform services in the same capacity for any educational institution in the successive academic year or term, the employee is not eligible for unemployment benefits between years or terms. Similarly, the employee who has reasonable assurance of employment in the same capacity with any educational institution following a customary vacation period or holiday recess is not eligible for benefits during the vacation or holiday period.

Appropriation: None.

Fiscal Note: Requested on January 29, 2001.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: If this bill is not passed, there is a real possibility that the federal Department of Labor will commence conformity proceedings. The consequences of the state unemployment insurance system being out of conformity with the Federal Unemployment Tax Act are severe. Employers will lose \$1 billion in tax credits, and the state economy will suffer.

Testimony Against: None.

Testified: Clif Finch, Association of Washington Business; Paul Trause, Employment Security Department; and Norm Raffael, Weyerhaeuser.