

HOUSE BILL REPORT

E2SSB 5809

As Reported by House Committee On:

Commerce & Labor
Ways & Means

Title: An act relating to workforce employment and training.

Brief Description: Revising unemployment compensation and workforce training provisions.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator Hargrove).

Brief History:

Committee Activity:

Commerce & Labor: 3/18/09, 3/27/09 [DPA];

Ways & Means: 4/4/09 [DPA(CL)].

Brief Summary of Engrossed Second Substitute Bill (As Amended by House)

- Provides that certain funds be used to create incentives for education and training for certain individuals who are enrolled in training for high-demand occupations.
- Requires that the Employment Security Department (ESD) distribute certain funds as a match for other funds provided by workforce development councils to increase training capacity and provide student financial aid.
- Requires the ESD to also encourage an increase in education and training through grants and local plan modifications with workforce development councils.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended. Signed by 5 members: Representatives Conway, Chair; Wood, Vice Chair; Green, Moeller and Williams.

Minority Report: Do not pass. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Chandler and Crouse.

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.

Staff: Jill Reinmuth (786-7134)

Background:

Adult and Dislocated Worker Programs.

The Adult and Dislocated Worker programs were established pursuant to the Workforce Investment Act of 1998. The adult program gives priority to welfare and low-income clients. The dislocated worker program serves people who lost jobs due to plant closures, company downsizing, or other significant changes in market conditions.

These programs provide certain core services for adult and dislocated workers. Core services include skill assessment, labor market information, consumer reports on training programs, and job search and placement assistance.

These programs also provide intensive services and training services for unemployed individuals unable to find jobs through core services alone. Intensive services may include comprehensive assessments, development of individual employment plans, and counseling and career planning. Training services may include both prevocational and vocational training.

Services are coordinated through a one-stop career center system. Washington's one-stop system is called WorkSource. Additional funding for these programs is provided pursuant to the federal American Recovery and Reinvestment Act of 2009.

Training Benefits Program.

The training benefits program was established in 2000, and expanded in 2009. The program allows certain dislocated workers to receive additional unemployment benefits while in retraining. Beginning September 7, 2009, certain low-wage workers, military personnel and National Guard members, and persons who are disabled will also be eligible to receive benefits while in retraining.

The training must target a high demand occupation and may include vocational training or courses needed as a prerequisite to that training. The training may not include courses primarily intended for completion of a baccalaureate degree.

Administrative Contingency Fund.

The Administrative Contingency Fund primarily consists of penalties and interest for late or incorrect tax payments, penalties for incorrect reports, and interest from overpayments of benefits.

Under state law, moneys in the Administrative Contingency Fund may be used for administrative expenses for which federal funding is not available. During the 2007-09 biennium, moneys may be used for job skills and worker retraining programs at the community and technical colleges, administrative costs at the State Board for Community

and Technical Colleges, and reemployment services at the Department of Community, Trade and Economic Development.

Summary of Amended Bill:

Legislative Findings and Intent.

The Legislature makes findings about education and training, and expresses its intent that certain individuals have the opportunity to enroll in training for high-demand occupations. These individuals are ones who are eligible for services under the Workforce Investment Act Adult and Dislocated Worker programs, or who are receiving or have exhausted entitlement to unemployment benefits.

Education and Training; Incentives.

The Employment Security Department (ESD) must distribute certain funds as a match for other funds provided by workforce development councils. If used to increase capacity, the match is 75 percent. If used to provide student financial aid, the match is 25 percent.

The funds not distributed to workforce development councils must be distributed to the State Board for Community and Technical Colleges (SBCTC) on March 1, 2011. The SBCTC must use the funds to increase capacity.

The ESD must develop guidelines on allowable uses of the funds. The guidelines must be developed in cooperation with the Workforce Training and Education Coordinating Board (WTECB) and the SBCTC.

During Fiscal Year 2010, no more than \$5 million in the Administrative Contingency Fund may be expended as appropriated to create incentives for education and training. The Governor may direct certain discretionary funds for these purposes.

Education and Training; Other Provisions.

The ESD also must:

- encourage an increase in education and training through grants and local plan modifications with workforce development councils;
- encourage workforce development councils to collaborate with other recipients of funding, and to use certain resources to increase capacity and provide individual training accounts; and
- require workforce development councils to determine the number of participants who will receive education and training, and to report on their efforts.

Certain federal funds may not be used to replace or supplant existing enrollments, programs, support services, or funding sources. The ESD must monitor and report to the Governor on the use of the funds.

Other Requirements.

The ESD must submit a report on implementation of these provisions to the Governor and appropriate committees of the Legislature by December 1, 2010. The report must be prepared in collaboration with the WTECB, the SBCTC, and the workforce development councils.

The ESD must periodically bring together representatives of the WTECB, the SBCTC, workforce development councils, business, labor, and the Legislature to review development and implementation of these provisions and the training benefits program.

Amended Bill Compared to Original Bill:

A section is added expressing legislative findings and intent. Another section is added establishing education and training incentives. The amount of money in the Administrative Contingency Fund that may be used for incentives is limited to no more than \$5 million. The section establishing reporting requirements is modified to provide for one report (instead of three reports) to the Legislature. A section is added requiring the Employment Security Department to bring together specified parties to review development and implementation of the incentives and the training benefits program. The section making certain funds available for use by the State Board for Community and Technical Colleges is deleted. The section making administrative funds under the Workforce Individual Act available for training is deleted.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 27, 2009.

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

Staff Summary of Public Testimony:

(In support) Additional resources are needed. Enrollment was up during the fall and the winter. Retraining is a proven means of getting people back to work in record time and in high-wage jobs.

(In support with concerns) If funds are available for retraining, community colleges and career colleges should be treated in the same manner. The worker should be able to choose which retraining program is most appropriate.

(Neutral) This bill was highly controversial when originally introduced, because it included a diversion of funds from the unemployment insurance trust fund. With the change in funding source, there is support for training for folks who are having a difficult time getting back into the job market.

(With concerns) This bill raises concerns in certain areas. First, it identifies the two-year college system as the only appropriate training provider for displaced workers or others who need training. It should also identify apprenticeship programs as appropriate. Second, it uses a unique term – "high employer demand" – throughout the bill. Interested parties have worked for two years to make sure the same terminology is used throughout the law.

(Opposed to section 3) Section 3 diverts administrative funds for worker retraining. This approach is wrong and will have unintended consequences. Redirecting administrative funds could jeopardize millions provided for other programs. It could result in the loss of funding for direct services for low-income workers, youth, and dislocated workers. There are certain obligations that are primarily administrative. Section 3 should be deleted. The bill must be amended to avoid dire consequences.

(Opposed) This bill jeopardizes Workforce Investment Act (WIA) funding. Over the years, the state has received \$60 to \$120 million per year in WIA funding. If this bill is not changed, it will cripple the state's ability to deliver funds to local workforce development councils and community colleges. If the state cannot guarantee proper oversight, it could lose those funds.

This bill would also reverse the Legislature's decision in 2007 to devote moneys in the Administrative Contingency Fund to claimant placement services. These moneys help bridge the gap between unemployment insurance funds and Wagner-Peyser funds. They support services like the free website used by claimants searching for work and the training benefits program. They also support efforts to uncover state unemployment tax act (SUTA) dumping.

Persons Testifying: (In support) Jim Crabbe, State Board for Community and Technical Colleges.

(In support with concerns) Steve Lindstrom, Northwest Career Colleges Federation; and Melanie Stewart, Corinthian Colleges.

(Neutral) Donna Steward, Association of Washington Business.

(With concerns) Lori Province, Washington State Labor Council.

(Opposed to section 3) Linda Nguyen and Russ Johnson, Tacoma-Pierce County Workforce Development Council; and Sue Ambler and Frank Pochaska, Snohomish Workforce Development Council.

(Opposed) Karen Lee, Employment Security Department; and Bryan Wilson, State Workforce Board.

Persons Signed In To Testify But Not Testifying: (With concerns) Jeff Johnson, Washington State Labor Council.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Commerce & Labor. Signed by 13 members: Representatives Linville, Chair; Ericks, Vice Chair; Cody, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Seaquist and Sullivan.

Minority Report: Do not pass. Signed by 7 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Priest, Ross and Schmick.

Staff: Trista Zugel (786-7157)

Summary of Recommendation of Committee On Ways & Means Compared to Recommendation of Committee On Commerce & Labor:

No new recommendations were made.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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

Staff Summary of Public Testimony:

(In support with concerns) This bill attempts to create training capacity and student support at community and technical colleges. Enrollments were up 28 percent in the fall, and an additional 19 percent in the spring. There is support for any legislation that helps build capacity to meet this extraordinary demand.

There are concerns with this version of the bill. The need is estimated to cost \$20 million per year. This version would generate that amount if every dollar went to the college system to create capacity. Some are skeptical of that happening.

The coordination required to get this money into the college system is cumbersome. If money was put into the worker retraining program, the infrastructure is in place so that students would be able to access virtually every program without having to do the dance prescribed in the bill.

The college system is turning away Washingtonians who have been laid off. There is a need to try and create capacity so those folks can go to school and get retooled. The economic recovery of the state is impossible without skilled workers.

(Opposed) None.

Persons Testifying: Jim Crabbe, State Board for Community and Technical Colleges.

Persons Signed In To Testify But Not Testifying: None.