

SENATE BILL REPORT

E2SSB 5809

As Amended by House, April 14, 2009

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: Labor, Commerce & Consumer Protection: 2/10/09, 2/24/09 [DPS-WM, DNP].

Ways & Means: 3/02/09 [DP2S, DNP].

Passed Senate: 3/11/09, 48-1.

Passed House: 4/14/09, 97-0.

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: That Substitute Senate Bill No. 5809 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Franklin and Kline.

Minority Report: Do not pass.

Signed by Senators Holmquist, Ranking Minority Member; Honeyford and King.

Staff: Mac Nicholson (786-7445)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5809 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Fairley, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Oemig, Pridemore, Regala and Rockefeller.

Minority Report: Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Parlette and Schoesler.

Staff: Michael Bezanson (786-7449)

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.

Background: Training benefits are additional unemployment insurance (UI) benefits paid to workers who have lost their job and are attending an approved full-time vocational training program. The total training benefit amount is 52 times the weekly benefit amount, minus any regular UI benefits paid. Training benefits are charged to an employer's experience rating.

To be eligible to receive training benefits, an individual must:

- be eligible to receive or have exhausted regular UI benefits;
- be a dislocated worker;
- have sufficient tenure in an occupation or in work with a particular skill set;
- have been determined to need job-related training in order to find suitable employment in his or her labor market;
- submit a training program application within 60 days of notification of training benefit availability;
- enroll in the training program on a full-time basis within 90 days of notification of training benefit availability; and
- make satisfactory progress in the training as certified by the educational institution.

A training program must be a vocational program at an educational institution that is targeted to training for a high demand occupation, is likely to enhance the individual's marketable skills and earning power, and meets criteria for performance developed by the Workforce Training and Education Coordinating Board (WTECB).

Summary of Engrossed Second Substitute Bill: For fiscal year 2010, subject to appropriation, penalty and interest funds in the Employment Security Department Administrative Contingency Account will be used to serve individuals who are eligible for or have exhausted unemployment compensation benefits, and are enrolled in a high employer demand program of study or a forest product industry training program. The funds will be used by the State Board for Community and Technical Colleges (SBCTC) to serve eligible individuals; preference is given to individuals enrolled in forest product industry, health care, energy efficiency and aerospace worker training programs. Funds can be used for educational and career counseling services, increased capacity at community and technical colleges, financial aid for eligible students, and job development and referral services. If funds are not fully expended after the first year, the SBCTC may broaden eligibility criteria. Funds made available under the legislation cannot be used to replace or supplant existing enrollments or programs.

Administrative funds made available under the federal Workforce Investment Act are also used for high employer demand training.

The Employment Security Department (ESD) requires workforce development councils to determine the number of participants who will receive education and training consistent with the American Recovery and Reinvestment Act of 2009. ESD also encourages workforce development councils to increase the number of participants receiving education and training and to use Workforce Investment Act resources for education and training purposes.

ESD must submit three reports to the Legislature related to the American Recovery and Reinvestment Act of 2009 that includes expenditures on education and training, the number of students, the type of training, innovations in training, and pre-program and post-program wage levels.

Appropriation: None.

Fiscal Note: Requested on February 10, 2009.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Labor, Commerce & Consumer Protection):

PRO: The concept is good. Some unemployed workers need retraining in order to get a family wage job. The bill works in tandem with the existing UI training benefits program by providing seats at community and technical colleges along with wraparound services including financial aid and job referral programs. The bill focuses on high demand training and helps the state invest its way out of the recession.

CON: This bill has significant concerns. This is not the appropriate mechanism to take money from the UI trust fund and move it to the higher education system. The state can't afford any diversions out of the UI trust fund. UI dollars should not be used to support higher education institutions.

OTHER: ESD has concerns about the concept of the bill. Any bill diverting trust fund money intended for UI benefits to another purpose is difficult to support. If a diversion must occur, the diversion must be for a limited amount of time and money, administered by ESD, and designed to assist the needs of unemployed workers.

Persons Testifying (Labor, Commerce & Consumer Protection): PRO: Jeff Johnson, Washington State Labor Council, AFL-CIO.

CON: Donna Steward, Association of Washington Business.

OTHER: Karen Lee, Employment Security Department.

Staff Summary of Public Testimony (Ways & Means): PRO: The demand at community colleges is growing and is expected to grow significantly as unemployment continues to increase. We are expecting an increase of 3,000 to 6,000 students in the worker retraining program over next fiscal year. The bill uses a controversial source of funds. The community colleges still plan to serve students even if the colleges will see a \$160 million dollar reduction in the next biennial budget.

CON: This bill causes concerns because it will set a precedent in using a diversion from the unemployment insurance trust fund. In the federal stimulus package there will be several million dollars in the Workforce Investment Act. For the first time, Washington may be able to use these dollars for community college slots. We urge you to take a look at those funds and see whether those funds can support this program so that we may avoid the precedent of using the unemployment trust fund.

Persons Testifying (Ways & Means): PRO: Chris Roykdal, State Board of Community and Technical Colleges.

CON: Donna Steward, Association of Washington Business.

House Amendment(s): Instead of penalty and interest funds in the Administrative Contingency Fund being used by the SBCTC, the amendments provide that during Fiscal Year 2010, the funds will be used to create incentives for education and training for individuals who are eligible for services under the federal Workforce Investment Act, adult or dislocated worker programs, or who are receiving or have exhausted entitlement to UI benefits and are enrolled in a high-demand occupation training program.

Funds will be distributed by ESD to workforce development councils (WDCs) as a match to federal or local workforce investment funds that provide specifically for the education and training of eligible individuals in high demand occupations. Funds used to increase capacity for training eligible individuals for high demand occupations will receive a 75 percent match, and funds used to provide financial aid for students training for high demand occupations will receive a 25 percent match.

The Governor may direct that any discretionary funds made available under the American Recovery and Reinvestment Act of 2009 be used as incentive funds. Any funds available but not distributed will be allocated to the SBCTC in March 2011 to increase capacity.

ESD is required to do the following:

- develop guidelines on allowable uses of incentive funds in cooperation with the Workforce Training and Education Coordinating Board (WTECB) and the SBCTC;
- encourage an increase in education and training through grants and local WDC plans;
- encourage collaboration between WDCs and other local recipients of federal funding for the purposes of increasing training and supporting those who receive training;
- require WDCs to determine and report on the number of participants who receive education and training;
- monitor and report to the Governor and the Legislature on the use of funds and identify specific actions that the Governor or Legislature may take to ensure that WDCs are meeting the intent of the legislation;
- periodically bring together representatives of the WTECB, the SBCTC, the WDCs, business, labor, and the Legislature to review development and implementation of the legislation and related programs.