

HOUSE BILL REPORT

SSB 5653

As Reported by House Committee On:

Commerce & Labor

Appropriations

Title: An act relating to the establishment of a self-employment assistance program.

Brief Description: Authorizing the development of self-employment assistance programs.

Sponsors: Senate Committee on Economic Development, Trade & Management (originally sponsored by Senators Kauffman, Kastama, Brown, Berkey, Rockefeller, Keiser, Franklin, Kohl-Welles and Shin).

Brief History:

Committee Activity:

Commerce & Labor: 3/27/07, 3/29/07 [DP];

Appropriations: 3/31/07, 4/2/07 [DPA].

Brief Summary of Substitute Bill (As Amended by House Committee)

- Establishes a self-employment assistance program.
- Provides that certain unemployed individuals may receive regular unemployment benefits while participating in this program.
- Requires program participants to pursue self-employment activities in lieu of being available for work, actively seeking work, and not refusing suitable work.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. 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, Assistant Ranking Minority Member and Crouse.

Staff: Jill Reinmuth (786-7134).

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:

Unemployment benefits are payable to eligible unemployed workers. An individual is eligible to receive benefits if he or she meets certain eligibility criteria. The individual's initial eligibility is based on whether he or she worked at least 680 hours in covered employment in his or her base year, and separated from employment through no fault of his or her own or quit work for good cause. The individual's continuing eligibility is based on whether he or she is able to work and is actively searching for suitable work.

Currently, there are two programs in which an individual is not required to meet continuing eligibility criteria. These criteria do not apply to eligible unemployed workers who are receiving training benefits or who are enrolled in training approved by the Commissioner of the Employment Security Department (Department). In lieu of these criteria, the workers must be enrolled in and making satisfactory progress in approved training.

In 1989 and 1990, Washington and Massachusetts participated in federally-sponsored demonstration projects to test the ability of the employment security and economic development systems to help unemployed workers start businesses. To receive self-employment allowances in lieu of regular unemployment benefits, participants in the demonstration projects were required to participate in self-employment assistance activities on a full-time basis. Continuing eligibility criteria did not apply to the participants.

In 1993, Congress authorized all states to create similar self-employment assistance programs for certain unemployed workers. Seven states (Delaware, Maine, Maryland, New Jersey, New York, Oregon, and Pennsylvania) are currently operating such programs.

Summary of Bill:

The Legislature finds that a self-employment assistance program would assist unemployed individuals and create new businesses and job opportunities in Washington. The Employment Security Department must inform individuals who are likely to exhaust regular unemployment benefits of the opportunity to enroll in self-employment assistance programs.

An unemployed individual is eligible to participate in a self-employment assistance program if he or she:

- Is otherwise eligible for regular unemployment benefits;
- Has been identified as likely to exhaust regular benefits; and
- Is enrolled in a self-employment assistance program approved by the Commissioner.

Self-employment activities include entrepreneurial training, business counseling, and technical assistance. Sources of such activities include community colleges, work force investment boards, or other organizations.

An individual participating in a self-employment assistance program receives regular unemployment benefits. However, the individual does not have to meet continuing eligibility

requirements for regular unemployment benefits for the first 52 weeks of the individual's participation in a program. Continuing eligibility requirements are being available for work, actively searching for work, and not refusing to accept suitable work.

An individual who fails to participate in a self-employment program is disqualified from continuing in the program. An individual may not compete directly with their separating employer.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed, except sections 1 and 2, relating to the substantive portion of the bill, which takes effect January 1, 2008.

Staff Summary of Public Testimony:

(In support) This bill would create a wonderful opportunity for individuals who are likely to exhaust benefits to participate in self-employment activities and start businesses of their own. We worked with the business community to address their concerns. One change ensures that participants will not compete with their former employers. The fiscal impact of this bill is minimal.

This bill creates a program with the potential to have profound impacts on individuals. A small number of people who are entrepreneurial can have success if they can learn business skills. This option should be available to them.

(Opposed) This bill is unnecessary. There are plenty of small business development tools that are already available. There is not a lot of evidence that these programs are effective. The Employment Security Department is in dire financial straits. Other programs would be better given the Department's financial position.

Persons Testifying: (In support) Senator Kauffman, prime sponsor; and Lisa Smith, Washington State Microenterprise Association.

(Opposed) Mellani McAleenan, Association of Washington Business.

(Available for questions) Jill Will, Employment Security Department.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 23 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Cody, Conway, Darneille, Ericks, Fromhold, Grant, Haigh,

Hunt, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McDonald, McIntire, Morrell, Pettigrew, Schual-Berke, Seaquist and P. Sullivan.

Minority Report: Do not pass. Signed by 11 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Dunn, Hinkle, Kretz, Priest and Walsh.

Staff: Alex MacBain (786-7288).

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

The Appropriations Committee recommended the addition of time and geographic area factors related to the prohibition of self-employment program participants from competing with their separating employers, and recommended the Employment Security Department report on the assistance program's performance by December 1, 2011.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect January 1, 2008.

Staff Summary of Public Testimony:

None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.