

# HOUSE BILL REPORT

## HB 2603

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*As Reported By House Committee on:  
Trade & Economic Development*

**Title:** An act relating to allocating employment security funds for the purposes of creating a state job training trust fund.

**Brief Description:** Providing for a state job training trust fund.

**Sponsor(s):** Representatives Ebersole, Winsley, Sheldon, Jacobsen, Moyer, Ferguson, Dorn, Cantwell, Rasmussen, Jones, Franklin, Rayburn, Roland, Paris, Wang and J. Kohl.

**Brief History:**

Reported by House Committee on:  
Trade & Economic Development, February 6, 1992, DPS.

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**HOUSE COMMITTEE ON  
TRADE & ECONOMIC DEVELOPMENT**

**Majority Report:** *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 8 members: Representatives Cantwell, Chair; Sheldon, Vice Chair; Ferguson; Kremen; Ludwig; Rasmussen; Riley; and Roland.

**Minority Report:** *Do not pass.* Signed by 3 members: Representatives Forner, Ranking Minority Member; Betrozoff, Assistant Ranking Minority Member; and Moyer.

**Staff:** James Thurston (786-7349).

**Background:** The emerging global economy has significant implications for Washington and its workforce. Recent studies have described the importance of a well-trained workforce to continued economic vitality. Washington Works Worldwide, the 1988 report of the Washington Economic Development Board, concludes that a well-trained workforce is critical to the state's economic competitiveness. In 1990, the governor's Advisory Council on the Investment in Human Capital reported that Washington employers are having serious difficulties finding workers with adequate technical and basic skills.

In recent years the Legislature has taken steps to affect the system of workforce training in the state. During the 1991 session it combined the vocational schools and community colleges under one agency, the state Board for Community and Technical Colleges. In the same legislation, it created the Work Force Training and Education Coordinating Board as the primary point of coordination and responsibility for the state's workforce training and education system. That board's statutory duties include the allocation of moneys from the state job training trust fund. However, this fund has not yet been created and has received no appropriations.

In recent years, states have begun to use unemployment insurance taxes as one source of funding for programs to assist workers. In 1985, Washington adopted such a strategy. The Legislature created a temporary surcharge on the state unemployment insurance tax. Revenue from the surcharge was to provide special job search and placement services to unemployed workers. In 1987, the Legislature made the program permanent.

***Summary of Substitute Bill:*** The employment security reserve fund is created under the state treasurer. A reserve tax on employers is created and unemployment insurance tax rates are reduced by the same amount. Receipts from the reserve tax are directed to the employment security reserve fund. The principal of the employment security reserve fund may be used only to pay unemployment benefits.

The state job training trust fund is created in the state treasury. Interest earnings from the employment security reserve fund are designated for the state job training trust fund. The Workforce Training and Education Coordinating Board allocates moneys in the state job training trust fund. In allocating the funds the board must give priority to training programs that benefit unemployed workers or those who have received notice of long-term layoff or permanent unemployment.

A cap restricts the amount of principal allowed to accumulate in the employment security reserve fund to 2 percent of the previous year's total taxable wages. The cap is checked twice per year, on December 31st and June 30th. If the fund exceeds 2 percent then moneys in excess of the cap will be transferred to the unemployment compensation fund.

General fund moneys will be used to pay the administrative costs of the reserve tax and new funds until the job training trust fund has sufficient moneys to do so, or until July 1, 1993, whichever comes first. The general fund will

be reimbursed for those administrative costs from the job training trust fund.

The act takes effect immediately.

***Substitute Bill Compared to Original Bill:*** Several inaccurate references are corrected.

The format for assigning a reserve tax rate to employers is made identical to the format currently used to assign unemployment insurance tax rates.

The cap on the employment security reserve fund that takes effect on December 31st of each year is made identical to the cap that takes effect on June 30th of each year. The formula for determining the cap is changed from a ratio of the employment security reserve fund balance to the previous year's unemployment insurance tax contributions to a ratio of the fund balance to the previous year's total taxable wages. The result of surpassing the cap is changed from prohibiting the collection of the reserve tax to returning the funds in excess of the cap to the unemployment compensation fund.

The adjusted fund balance ratio is changed to reflect the 2 percent cap on the employment security reserve fund.

***Fiscal Note:*** Requested January 23, 1992.

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

***Testimony For:*** A lack of job skills presents a real problem for Washington's economy. There is a need for workforce training and retraining in the state. An investment in job training is the logical next step to follow the 1991 reorganization of vocational training and education in the state. Funding the job training trust fund presents no additional costs to the state or to employers. It does create training programs to benefit the state's unemployed workers.

***Testimony Against:*** The sole purpose of the unemployment compensation fund is to provide benefits to unemployed workers. The fund should not be used as an alternative general fund during times of economic recession. Such a diversion sets a precedent for using the unemployment compensation fund for programs that might be unrelated to the real purpose of the fund. Placing the job training trust fund under the control of the Workforce Training and Education Coordinating Board risks the allocation of moneys

to benefit service providers rather than unemployed workers.

**Witnesses:** Representative Brian Ebersole, Prime Sponsor (Pro); Dan McConnon, state Board for Community and Technical Colleges (Pro); Dr. Kenneth Minnaert, President, South Puget Sound Community College (Pro); Dr. Bill Mohler, Director, Bates Technical College (Pro); Tim Strege, Job Training Executives of Washington (Pro); Lawrence Kenney, state Labor Council (Con); and Gary Smith, Independent Business Association (Con).