

# HOUSE BILL REPORT

## SHB 1289

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### As Passed Legislature

**Title:** An act relating to conforming unemployment compensation statutes with federal law.

**Brief Description:** Conforming unemployment compensation statutes with federal law.

**Sponsors:** By House Committee on Commerce & Labor (Originally sponsored by Representatives Conway, Clements, McIntire and Wood; by request of Employment Security Department).

**Brief History:**

**Committee Activity:**

Commerce & Labor: 2/1/99, 2/23/99 [DPS].

**Floor Activity:**

Passed House: 3/11/99, 96-0.

Passed Senate: 4/6/99, 41-0.

Passed Legislature.

<p style="text-align: center;"><b>Brief Summary of Substitute Bill</b></p> <ul style="list-style-type: none"><li>• Prohibits the use of federal Reed Act funds for any purpose except administration of the unemployment insurance program.</li></ul>
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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Clements, Republican Co-Chair; Conway, Democratic Co-Chair; B. Chandler, Republican Vice Chair; Wood, Democratic Vice Chair; Hurst; Lisk; McIntire and McMorris.

**Staff:** Chris Cordes (786-7103).

**Background:**

Under the Federal Unemployment Tax Act (FUTA), if a state maintains an unemployment insurance system in conformity with federal law, that state's employers receive a tax credit against their federal unemployment tax of 90 percent of the federal tax. In addition, the conforming state receives a share of the FUTA revenues for administration of its unemployment insurance system.

The FUTA taxes that employers pay to the federal government for unemployment insurance purposes are maintained in federal reserve accounts for administration of unemployment programs, extended benefits, and loans to states that exhaust their benefit trust funds. Excess funds in these federal accounts may be distributed under the federal Reed Act to the states' unemployment insurance programs. To distribute Reed Act funds to a state during 1999 to 2001, the Secretary of Labor must find that the state will use the funds only for administration of the unemployment insurance program.

Washington's unemployment insurance law requires certain federal funds to be used for unemployment insurance purposes, but does not specifically address the use of funds distributed during 1999 to 2001.

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**Summary of Bill:**

Funds received under the federal Reed Act during fiscal years 1999 through 2001 may not be used for any purpose except administration of the unemployment compensation program.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** (Original bill) When the Congress passed welfare reform, it included provisions addressing the collection of food stamp over issuances from unemployment benefits. Washington's law will not permit deductions for this purpose. The U.S. Department of Labor has informed the department that a Washington Court of Appeals decision involving benefits for substitute teachers raises a conformity issue. Washington will not get its share of Reed Act funds unless the state law requires the funds to be used only for administration of the unemployment insurance program.

**Testimony Against:** (Original bill) The provisions regarding benefits for teachers raises concerns about the impacts on part-time faculty members. These are the worst

paid state employees who are treated badly by the state. The U.S. Department of Labor's position is out-of-date, because these faculty are not like "continuing" faculty. There is no reasonable assurance of future work when faculty contracts are contingent and, therefore, the faculty members need unemployment benefits to live. The state is years away from being found out of compliance over the court case. The provisions authorizing deductions from unemployment benefits for food stamp over issuances seem unfair because there is no distinction between fraud and nonfraud. It is also not clear what the impact is on a claimant who fails to report an over issuance of which he or she was not aware. (Note: The substitute bill deletes the provisions addressing educational employees and food stamp over issuances.)

**Testified:** (In favor) Graeme Sackrison, Employment Security Department.

(With concerns) Jeff Johnson, Washington State Labor Council, AFL-CIO, and Washington Federation of Teachers; and Keith Hoeller, Part-Time Faculty Association.