

HOUSE BILL REPORT

SSB 5955

As Reported by House Committee On:

Commerce & Labor

Title: An act relating to the personal reemployment account program.

Brief Description: Creating the personal reemployment account program.

Sponsors: Senate Committee on Economic Development (originally sponsored by Senator Benton).

Brief History:

Committee Activity:

Commerce & Labor: 3/27/03, 4/3/03 [DPA].

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

- Establishes the personal reemployment account program within the Employment Security Department (Department).
- Requires the Department to develop and submit a state plan for the program.
- Specifies that the amount of each account is \$3,000.
- Establishes eligibility criteria and allowable uses for the accounts.
- Authorizes reemployment bonuses equal to account balances for eligible persons who become reemployed within 13 weeks.
- Creates a legislative work group to examine reauthorization of the federal Workforce Investment Act.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended. Signed by 8 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Assistant Ranking Minority Member; Crouse, Holmquist, Hudgins, Kenney and McCoy.

Staff: Jill Reinmuth (786-7134).

Background:

Congress is currently considering legislation (H.R. 444) to amend the Workforce Investment Act of 1998 to establish a personal reemployment accounts grant program. The bill is referred to as the "Back to Work Incentive Act of 2003."

The purpose of the federal legislation is to provide for the establishment of personal reemployment accounts for certain individuals identified as likely to exhaust unemployment compensation in order to accelerate reemployment, promote retention, and provide such persons with more flexibility, choice, and control in obtaining certain services.

The federal legislation authorizes a \$3.6 billion appropriation to establish the program. The Secretary of Labor must grant to each state a portion of the appropriation that is based primarily on the number of unemployed persons in the state as compared to the nation. At least 93 percent of the state grant must be provided to local areas to establish personal reemployment accounts for eligible persons. The state grant is available only for a three-year period. An eligible person may receive only one account of up to \$3,000.

The federal legislation specifies minimum eligibility criteria for persons to receive accounts. It describes allowable activities such as intensive services, training services, and supportive services, and places certain limitations on the uses of the accounts. The federal legislation requires that recipients who obtain full-time employment within 13 weeks receive cash bonuses equal to their account balances. Finally, it specifies standards for program administration by the one-stop delivery system.

The federal legislation requires that, to receive the grant, the governor of each state must submit to the Secretary of Labor a plan describing how the state intends to implement the program. The plan must specify eligibility criteria, safeguards for ensuring that accounts are used for authorized activities, and methods for coordinating personal reemployment account-related activities with other employment and training activities carried out through the one-stop delivery system.

The federal legislation permits the Secretary of Labor to require states to collect data and report on personal reemployment account programs. The Secretary is also required to evaluate and report to Congress on the program.

Summary of Amended Bill:

A personal reemployment account program is established in the Employment Security Department (Department). Legislative findings about the value of the state's individual development account program are made. Legislative intent to promote economic

development by creating a personal reemployment account program and to operate the program with federal and private funds are expressed.

Eligible Individuals

After the state receives federal funds, the following persons are eligible to receive one personal reemployment account of \$3,000:

- Persons who are receiving and are identified as likely to exhaust at least 20 weeks of regular unemployment compensation, and who are in need of job search assistance;
- Persons who have exhausted all unemployment compensation, are enrolled in training, and need additional support to complete training; and
- Persons who have exhausted all unemployment compensation, and are separated from employment in an industry or occupation that has experienced declining employment, or that no longer provides any employment, in the local labor market during the two years preceding their application for eligibility.

Program Requirements

Before establishing a personal reemployment account, the Department and the one-stop delivery system under the federal Workforce Investment Act must ensure that the person:

- Is informed of federal and state requirements applicable to the account;
- Has the option to develop a personal reemployment plan; and
- Attests that he or she will comply with applicable federal and state requirements, and will reimburse the account or the program for any expenses that are not allowable.

The Department must periodically interview recipients to help them meet their employment goals if, after they exhaust unemployment compensation, they have remaining balances in their accounts.

Allowable Uses

Subject to federal law, recipients may use amounts in personal reemployment accounts to purchase intensive services, training services, and supportive services, and to purchase or lease an automobile in particular circumstances. Certain recipients also may withdraw amounts for purposes of income support.

Intensive services include skills assessments, individual employment plan development, and career planning and counseling. These services also include communications,

learning, interviewing, and personal conduct skills.

Training services include skills training and retraining, on-the-job training, workplace training combined with related instruction, entrepreneurial training, and job readiness and literacy training.

Supportive services include transportation, child care, dependent care, and housing that are necessary to enable an individual to become reemployed. Supportive services do not include needs-related payments.

The purchase or lease of an automobile is allowable if it is necessary for the recipient to accept a bona fide offer of employment for which there is a reasonable expectation of long-term duration.

Amounts may be withdrawn weekly for income support if the recipient has exhausted all unemployment compensation, and is engaged in job search, intensive services, or training expected to lead to employment. The amount that may be withdrawn is limited to the average weekly amount of unemployment compensation that the recipient received before exhausting unemployment compensation.

Reemployment Bonuses

Recipients may receive reemployment bonuses equal to the balances in their personal reemployment accounts if they obtain full-time employment within 13 weeks of either beginning unemployment compensation or establishing their accounts.

State Plan

The Department must develop and submit a state plan for operating the personal reemployment account program. The plan must be consistent with federal requirements. It also must be developed in cooperation with the Workforce Training and Education Coordinating Board and the State Board for Community and Technical Colleges. The Department may seek private resources to help operate the personal reemployment account program and other community-based programs.

Legislative Work Group

A legislative work group is established to: (1) Examine the reauthorization of the federal Workforce Investment Act (Act), including the development of the state plan on the personal reemployment account program; and (2) advise the Legislature and the Governor on implementation of the Act.

The work group includes eight legislators, the commissioner of the Department, the executive director of the State Board for Community and Technical Colleges, the

executive director of the Workforce Training and Education Coordinating Board, and two representatives of local workforce development councils.

The work group must examine the following issues:

- the state plan for implementation of a personal reemployment account program;
- the membership requirements and role of the state workforce development council;
- the membership requirements, role, and planning responsibilities of the local workforce development councils;
- the formulas used to distribute certain federal funding;
- the scope of services provided to unemployed workers and low-income individuals;
- the methods used to target service delivery to unemployed workers and low-income individuals;
- the standards used to qualify training providers; and
- performance measures to evaluate program success.

The work group must report its findings and recommendations to the Legislature and the Governor by December 1, 2003. The provisions establishing the work group expire April 1, 2004.

Other

Personal reemployment accounts and disbursements from these accounts are not income or resources for purposes of cash assistance programs administered by the Department of Social and Health Services.

The personal reemployment account program expires July 1, 2009.

Amended Bill Compared to Substitute Bill:

The personal reemployment account program is established at the Employment Security Department instead of the Department of Community, Trade and Economic Development. A legislative work group is established to examine reauthorization of the federal Workforce Investment Act.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: This bill puts Washington in an excellent position to be the first in line

if Congress enacts a proposed personal reemployment account program. This bill would guarantee Washington citizens the help of these accounts. Washington has everything to gain and nothing to lose by passing this bill. Nothing would be operative unless Congress acts.

The bill could be amended to make the Employment Security Department responsible for administering the program.

Testimony Against: Personal reemployment accounts are not a good idea. They are based on the premise that unemployed workers could go back to work, but are choosing not to. Currently there are three unemployed workers for every available job. An added incentive will not get them back to work.

These accounts are being offered as a substitute for further extensions of unemployment benefits. These accounts help the few rather than the many. Congress should extend unemployment benefits rather than give these accounts. We should recognize that workers are unemployed because they cannot get jobs, not because they want to be unemployed.

The cash bonuses require workers to waive rights to Workforce Investment Act services, or to buy services that would ordinarily be available to them for free.

The level of funding is insufficient to fund personal reemployment accounts for all exhaustees. Currently about 80,000 claimants are considered likely to exhaust unemployment benefits. The level of funding is estimated to be only about \$90 million. At \$3,000 per account, only 14,000 claimants would get accounts. Another 66,000 claimants would not.

Federal law gives the state flexibility as to its implementation of personal reemployment accounts. For example, the state could specify additional eligibility criteria or vary the amount. This bill takes away that flexibility. It defines who is eligible, sets the amount at \$3,000, and does not provide for information sharing or rule-making.

This is not a first-come, first-serve program. Washington will not jeopardize its chance to get funding if this bill is not passed.

Testified: (In support) Senator Benton, prime sponsor; and Amber Balch, Association of Washington Business.

(Neutral with concerns) Mary Clogston and Steve Hodes, Employment Security Department.

(Opposed) Rebecca Smith, National Employment Law Project.