

SENATE BILL REPORT

SB 6713

As Reported By Senate Committee On:
International Trade & Economic Development, January 31, 2006
Ways & Means, February 7, 2006

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

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

Sponsors: Senators Eide, Brown, Fairley, Keiser and Kohl-Welles.

Brief History:

Committee Activity: International Trade & Economic Development: 1/26/06, 1/31/06[DP-WM, DNP, w/oRec].

Ways & Means: 2/6/06, 2/7/06 [DPS, w/oRec].

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Shin, Chair; Sheldon, Vice Chair; Doumit and Eide.

Minority Report: Do not pass.
Signed by Senator Pflug, Ranking Minority Member.

Minority Report: That it be referred without recommendation.
Signed by Senator Zarelli.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6713 be substituted therefor, and the substitute bill do pass.

Signed by Senators Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Fairley, Kohl-Welles, Pridemore, Rasmussen, Regala, Rockefeller and Thibaudeau.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Hewitt, Parlette, Pflug, Roach and Schoesler.

Staff: Paula Faas (786-7449)

Background: Unemployment Insurance: The unemployment insurance system is a federal/state program under which employers pay contributions to fund unemployment compensation

for unemployed workers. These payments are made under state unemployment tax acts (SUTA) and the Federal Unemployment Tax Act (FUTA). Washington's program is administered by the Employment Security Department (ESD). In Washington, effective for claims filed April 24, 2005, and later, an individual's weekly benefit amount is 3.85 percent of the average of the claimant's wages during the two quarters of the base period in which the wages were the highest. Washington's maximum amount of regular benefits payable to an individual is the lesser of 26 times the WBA or 1/3 of the base period wages. Potential duration of benefits varies among claimants but is limited to 26 weeks. An individual must be actively searching for employment in order to receive benefits.

Federal Pilot Programs for Self-Employment Assistance: The U.S. Department of Labor funded pilot projects in Washington and Massachusetts from 1989 to 1991, providing self-employment assistance to unemployed workers. The results showed that self-employment assistance efforts for those who self-select as wanting to start a business were cost effective for the participant, the federal government, and society as a whole.

Washington's pilot showed that, compared to a control group of individuals that wanted to start a business but did not participate in the program, participants were twice as likely to start a business, twice as likely to stay in business, twice as likely to hire employees, and they paid their employees almost twice as much.

Self-Employment Assistance and Unemployment Insurance: Congress enacted legislation in 1993, permitting states to adopt self-employment allowance provisions as part of their state unemployment insurance laws.

California, Delaware, Maine, Maryland, New York, Oregon, and Pennsylvania have implemented self-employment assistance programs consistent with the guidelines established by the Department of Labor. These programs essentially allow individuals receiving unemployment benefits, who have been identified as likely to be unemployed long term, the opportunity to establish a microenterprise. Participants receive benefit payments during their unemployment insurance eligibility period while engaged in business training and the startup of a business.

Summary of Substitute Bill: When an individual initially applies for unemployment insurance benefits, the Employment Security Department will determine if, based on the individual's characteristics, if the individual is likely to exhaust his or her insurance benefits. If the department determines the individual's characteristics suggest he/she is likely to exhaust benefits, the individual will be eligible for self-employment assistance programs and may be referred to these program. Enrollment in a self-employment assistance program satisfies the weekly work search requirement that an individual must do to be eligible to receive weekly benefits. The Commissioner of Employment Security must approve the self-employment assistance programs. The department is not obligated to expend any funds on providing the self-employment assistance programs.

Substitute Bill Compared to Original Bill: Language is added clarifying that participation in self-employment programs does not qualify the participant for extended benefits.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For (International Trade & Economic Development): This is a creative way to help entrepreneurs and the state will reap the benefits. There are a number of other states doing this program which helps unemployed people start their own business.

Testimony Against (International Trade & Economic Development): There might be a misuse of the program. There are other options to start a business. Further discussion with the UI taskforce would be good.

Testimony Other (International Trade & Economic Development): This is a retraining program for people likely to exhaust benefits; they are unlikely to find work in their occupation and their labor market. The federal law requires that an individual must be profiled as likely to exhaust benefits before they can take part in a self-employment program. Individuals taking part in the program are not eligible for any additional benefits under the bill. They still have to certify weekly. About 4 or 5 percent of the unemployed have a better chance of getting to work faster and becoming self-sufficient if they start their own business.

Who Testified (International Trade & Economic Development): PRO: Senator Eide, prime sponsor.

CON: Mellani McAleenan, AWB.

OTHER: Judy Johnson, Employment Security Department.

Testimony For (Ways & Means): None.

Testimony Against (Ways & Means): There are enough problems with the unemployment insurance problem. This bill may add one more. This bill is unfair to people who chose to start a small business and do not receive training. This could potentially allow for small businesses to subsidize other small businesses. The self-employed do not pay into the unemployment insurance system.

Who Testified (Ways & Means): CON: Carolyn Logue, National Federation of Independent Businesses.