

# HOUSE BILL REPORT

## ESHB 1906

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### As Passed Legislature

**Title:** An act relating to improving economic security through unemployment compensation.

**Brief Description:** Improving economic security through unemployment compensation.

**Sponsors:** House Committee on Commerce & Labor (originally sponsored by Representatives Conway, Kenney, Wood, Moeller, Green, Hudgins, Williams, Dickerson, Sells, Sullivan, Appleton, Morrell, Hasegawa, Darneille, Ormsby, Kagi, Van De Wege, Santos, Goodman, McCoy, Cody, Simpson and Nelson).

### Brief History:

#### Committee Activity:

Commerce & Labor: 2/3/09, 2/4/09 [DPS].

#### Floor Activity:

Passed House: 2/6/09, 90-2.

Senate Amended.

Passed Senate: 2/12/09, 43-4.

House Concurred.

Passed House: 2/13/09, 93-2.

Passed Legislature.

### Brief Summary of Engrossed Substitute Bill

- Provides for a temporary increase in unemployment benefits by adding \$45 to the weekly benefit amount, and making \$155 the minimum amount payable weekly.
- Expands eligibility for the training benefits program to low-wage workers, military personnel and National Guard members, and persons who are disabled.
- Eliminates restrictions in the shared work program on the number of an employer's employees that must be enrolled, and the number of weeks that such employees may receive benefits.
- Provides for non-charging of the additional \$45 and training benefits.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

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*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.*

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Conway, Chair; Wood, Vice Chair; Green, Moeller and Williams.

**Minority Report:** Without recommendation. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Chandler and Crouse.

**Staff:** Jill Reinmuth (786-7134)

**Background:**

The unemployment compensation system is designed and intended to provide partial wage replacement for workers who are unemployed through no fault of their own. Eligible unemployed workers receive benefits based on their earnings in their base year. Most covered employers pay contributions (payroll taxes) to finance benefits. The Employment Security Department (Department) administers this system.

Unemployment Benefits.

The maximum amount of regular benefits payable in an individual's benefit year is the lesser of 26 times the individual's weekly benefit amount or one-third of the individual's base year wages. (This amount is commonly expressed in terms of duration. In those terms, the maximum duration of regular benefits is 26 weeks.)

An individual's weekly benefit amount is 3.85 percent of the average of the individual's wages in the two quarters of the base year in which wages were highest. The maximum amount payable weekly is 63 percent of the average weekly wage. The minimum amount payable weekly is 15 percent of the average weekly wage. As of July 1, 2008, the maximum amount is \$541 and the minimum amount is \$129.

Training Benefits Program.

The training benefits program was established in 2000. The program allows an eligible unemployed dislocated worker to receive additional benefits while he or she is in retraining.

An individual is eligible to receive training benefits if he or she is unlikely to return to employment in his or her principal occupation or previous industry because of a diminishing demand for his or her skills, worked in an occupation or with a particular set of skills for at least two of the last four years, and needs job-related training to find suitable employment in his or her labor market.

Individuals who are not eligible for training benefits include an individual on standby status, an individual who has a definite recall date, and an individual unemployed due to regular seasonal layoffs.

The individual must submit a training plan to the Department within 60 days of the individual's notification of the program's requirements. The individual must enter the approved training program within 90 days, be enrolled in training on a full-time basis, and

make satisfactory progress toward completion of the training plan. The training must target a high demand occupation and may include vocational training or courses needed as a prerequisite to that training. The training may not include courses primarily intended for completion of a baccalaureate degree.

The maximum amount of training benefits payable in an individual's benefit year is 52 times the individual's weekly benefit amount (less weeks of regular benefits and extended benefits paid). The weekly benefit amount is the same as the amount the individual receives as regular benefits. An individual may qualify for this program only once every five years.

Training benefits are subject to available funding. Funding is limited to \$20 million for each fiscal year. Any funds not obligated in one fiscal year may be carried forward to the next fiscal year.

#### Shared Work Program.

The shared work program was established in 1983. The program provides for the payment of partial unemployment compensation benefits "in situations where qualified employers elect to retain employees at reduced hours rather than instituting layoffs."

Employees may receive unemployment compensation under an employer's approved shared work plan only if certain criteria are met. One of these criteria is that the plan apply to at least 10 percent of the employees in an affected unit. Employees are restricted to a maximum of 26 weeks of benefits during any 12-month period.

#### Unemployment Taxes.

Employers are required to pay contributions (payroll taxes) to finance unemployment benefits, unless they are exempt from coverage or reimburse the Department for benefits paid to their former workers. Contribution rates are based, in part, on layoff experience and benefits charged to employers' experience rating accounts. They are also based, in part, on non-charged benefits and other socialized costs.

#### **Summary of Engrossed Substitute Bill:**

The Economic Security Act of 2009 is adopted. Unemployment benefits are temporarily increased, and the training benefits program and the shared work program are modified.

#### Unemployment Benefits.

An additional \$45 is added to an individual's weekly benefit amount. The minimum amount payable weekly is \$155. Corresponding increases are made to the maximum amount of regular benefits payable (maximum duration) and the maximum amount payable weekly.

These changes apply to all weeks of benefits for claims with an effective date on or after May 3, 2009, and before January 3, 2010. They also apply to weeks of benefits beginning on or after May 3, 2009, for claims with an effective date before that date. These changes do not apply to claims with an effective date on or after January 3, 2010.

### Training Benefits Program.

The eligibility requirements for the training benefits program are revised, and a reporting requirement is established.

In addition to certain dislocated workers, the following individuals are eligible for training benefits:

- an individual who earned an average hourly wage that is less than 130 percent of the state minimum wage, and whose earning potential would be enhanced through vocational training;
- an individual who recently served in the United States military or the Washington National Guard, was honorably discharged, and needs job-related training to find suitable employment in his or her labor market;
- an individual who is currently serving in the Washington National Guard, and needs job-related training to find suitable employment in his or her labor market; and
- an individual who is disabled due to an injury or illness, is unable to return to his or her previous occupation, and is in need of job-related training to obtain suitable employment in his or her labor market.

The requirement that dislocated workers demonstrate sufficient tenure is stricken. The exclusion for individuals unemployed due to regular seasonal layoffs is also stricken.

The individual must submit a training plan within 90 days (instead of 60 days) and enter the approved training program within 120 days (instead of 90 days) of the individual's notification of the program's requirements. The Employment Security Department (Department) may waive these deadlines for good cause. The individual must be enrolled in training on a full-time basis, except when a disability precludes such enrollment.

The Department must report annually to appropriate committees of the Legislature on the program's status and outcomes. The report must include: (1) a demographic analysis of the participants; (2) the employment and wage history of participants; (3) the duration of training benefits claimed; (4) an analysis of the training; and (5) an analysis of the program's administrative costs.

The changes making additional individuals eligible for training benefits apply to claims with an effective date on or after September 7, 2009. The other changes apply to claims with an effective date on or after April 5, 2009.

### Shared Work Program.

The requirement that the plan apply to at least 10 percent of the employees in affected units is stricken. Instead, an employer may enroll any number of employees in the shared work program.

The restriction on the number of weeks of shared work benefits is stricken. Instead of a cap of 26 weeks, an employee may receive his or her maximum entitlement.

These changes take effect April 5, 2009.

#### Unemployment Taxes.

The additional \$45 and the training benefits are not charged to the experience rating accounts of employers. The additional \$45 is not considered when calculating the flat social cost factor rate.

**Appropriation:** None.

**Fiscal Note:** Requested on 2/1/09.

**Effective Date:** The act contains an emergency clause and takes effect April 5, 2009.

#### **Staff Summary of Public Testimony:**

(In support) Everywhere you turn, the recession is weighing on Washington families. Unemployment insurance is complicated, but the stimulus package is simple. It increases benefits, and makes changes to existing programs. These changes will stimulate the economy.

Given the harsh economic climate, the stimulus package is critical. To do nothing would be a mistake. The cost of increased benefits is \$193 million. If you put that money in the hands of unemployed workers, they will spend it in their communities and generate revenue for the state.

Depending on the multiplier (whether it is \$1.65 for every dollar of benefits or \$2.15 for every dollar of benefits), the stimulus package will increase purchasing power by \$300 to \$400 million. Unemployed workers will spend benefits on groceries, rent, and utilities.

Data runs show that the trust fund can absorb the costs of this proposal and stay solvent.

The increase in the minimum benefit doesn't cost much, but makes a huge difference to those families. The Governor's proposal already benefits low-wage workers more than others, but it is reasonable to do even more, so long as solvency is maintained.

The training benefit provisions make sense. Many are denied because they do not meet the application deadline. There shouldn't be extra barriers in their way. The Employment Security Department (Department) requests that the effective date for the expansion of the training benefits program be deferred. This change is needed so that the Department may focus on implementing benefit increases. Rather than delay expansion, additional resources should be provided to get people into training as soon as possible.

The reporting requirement does not add cost. Since the program was established, the Department has collected data and reported regularly to the Workforce Board.

Changes to the shared work program were included in the Governor's stimulus package because the program helps avoid layoffs.

It is important to come up with a conformity solution that meets the needs of the federal government, is amenable to business and labor, and meets the requirements of the UI Modernization Act so that the state may receive all available incentive dollars from the Reed Act distribution. Some benefit changes should be aligned with permanent tax changes. The stimulus package does not preclude the conformity fix.

(Concerns) It is hard to argue that the state cannot afford the \$45 increase when it has \$4 billion in the trust fund. However, it is hard to support permanent changes. The focus should be on keeping jobs and adding jobs.

(Opposed) Conformity is the business community's number one issue. The conformity proposal should move forward before the stimulus package. The business community has come together on a conformity proposal, and is ready to begin discussions of that issue. The bill is ready, and the data runs will be ready soon.

Before a stimulus package is passed, the costs of conforming to federal law need to be mitigated and incentives to keep people employed need to be established. Businesses will take a huge cost hit to conform to federal law. Moving back to two-quarter charging will increase ineffective charges, and also increase socialized costs.

Tax cuts would have required fast action. Without tax cuts, there is time to discuss conformity before moving forward on a stimulus package. There is time to think about the big picture and to plan for responsible, long-term, sustainable management of the trust fund.

With a deepening recession, it is not an appropriate time to increase benefits. At this point, the length and depth of the recession are unknown. Washington workers already have the fifth highest benefit, and its employers pay the second highest taxes.

The increase in the minimum benefit will impact tax rates. When businesses are laying off employees and moving to higher rate classes, increased benefits will move them to even higher rate classes. Higher taxes are not needed when the state is trying to get out of a recession.

Washington needs a climate for job retention. This is best accomplished with fiscal stability and investments in higher education. There also needs to be an aggressive plan to save the manufacturing sector.

Only a small group of business people were contacted regarding the stimulus package. Many others were not. They were not able to explore the full range of options. The stimulus package will not benefit all businesses. Consumer demand is not the nature of many businesses, such as Boeing and other manufacturers.

**Persons Testifying:** (In support) Marc Baldwin, Governor's Office; Karen Lee and Joel Sacks, Employment Security Department; Dave Johnson, Washington State Building Construction Trades Council; Jeff Johnson, Washington State Labor Council; and Cody Arledge, Sheet Metal Workers Local 66.

(Concerns) Dan Fazio, Washington Farm Bureau.

(Opposed) Christine Swanson, Associated General Contractors; Nancy Hiteshue, Washington Roundtable; Donna Steward, Association of Washington Business; Carolyn Logue, Washington Food Industry; and Gary Smith, Independent Business Association.

**Persons Signed In To Testify But Not Testifying:** None.