

# HOUSE BILL REPORT

## HB 2613

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### As Reported by House Committee On: Labor & Workplace Standards

**Title:** An act relating to granting relief of unemployment benefit charges when discharge is required by law and removing outdated statutory language.

**Brief Description:** Granting relief of unemployment benefit charges when discharge is required by law and removing outdated statutory language.

**Sponsors:** Representatives Sells and Mosbrucker; by request of Employment Security Department.

#### **Brief History:**

##### **Committee Activity:**

Labor & Workplace Standards: 1/20/20, 1/23/20 [DPS].

#### **Brief Summary of Substitute Bill**

- Allows for employer relief of unemployment insurance benefit charges for claimants unable to satisfy a job prerequisite.
- Requires annual reports from the Employment Security Department to its Advisory Council on noncharged benefits due to the new relief of charges option.
- Removes outdated statutory provisions.

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### HOUSE COMMITTEE ON LABOR & WORKPLACE STANDARDS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Sells, Chair; Chapman, Vice Chair; Mosbrucker, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Gregerson, Hoff and Ormsby.

**Staff:** Lily Smith (786-7175).

#### **Background:**

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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.*

The unemployment compensation system provides partial wage replacement benefits for workers who are unemployed through no fault of their own. Eligible unemployed workers receive benefits based on their earnings in their base year. The Employment Security Department (Department) administers this system.

Most covered employers pay contributions through payroll taxes to finance benefits. The tax rate for these employers is experience rated so that the rate is determined, in part, by the benefits paid to its employees. Benefits are charged to base year employers on a pro rata basis according to the amount of wages paid to the claimant by the employer in the claimant's base year compared to the wages paid by all employers. Some benefits, however, are "noncharged" and are pooled within the unemployment system or "socialized."

Noncharged benefits include, for example, benefits paid to an individual later found to be ineligible. Other benefits may be noncharged if the employer requests relief from charging, for example, benefits paid to an individual that left voluntarily or was discharged for misconduct.

The Employment Security Advisory Council (ESAC) is tasked with assisting the Commissioner of the Department in creating policies and discussing problems in the administration of unemployment insurance. The ESAC consists in equal parts of representatives of employers, employees, and the general public.

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

An additional basis allowing an employer to request relief from benefit charges is established. An employer is eligible for relief from charges attributable to a claimant who was discharged because they were unable to satisfy a job prerequisite required by law or rule.

The Commissioner of the Department must annually report to the ESAC, beginning in 2021 and ending in 2030, the amount of noncharged benefits due to the new basis for relief from charges.

Outdated statutory provisions are removed, and conforming changes are made.

#### **Substitute Bill Compared to Original Bill:**

The new reporting requirement is changed to be on the amount of noncharged benefits due to the new relief from charges option related to mandated prerequisites, instead of on the existing relief from charges option related to Paid Family and Medical Leave.

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**Appropriation:** None.

**Fiscal Note:** Requested on January 14, 2020.

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

**Staff Summary of Public Testimony:**

(In support) This is a small but important change to allow for noncharging in very limited circumstances that are not up to an employer's discretion and often involve safety. Small employers can see a large increase in rates for these types of situations, so this is a matter of fairness. The bill would provide appropriate relief to employers while still allowing employees access to benefits. This could have prevented a situation where an employee lied on their application about pending charges and was eventually discharged, as required by law, but the employer was penalized through its experience rating. The bill would help protect vulnerable adults by supporting terminations where the employee presents a risk.

(Opposed) None.

**Persons Testifying:** Nick Streuli, Employment Security Department; and Jim Lowell.

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