

SENATE BILL REPORT

HB 1898

As Passed Senate, February 27, 2024

Title: An act relating to unemployment insurance benefit charging.

Brief Description: Concerning unemployment insurance benefit charging.

Sponsors: Representatives Schmidt, Fosse, Connors, Berry, Bronoske, Abbarno, Ormsby, Volz, Leavitt, Low, Reed, Graham, Kloba and Reeves; by request of Employment Security Department.

Brief History: Passed House: 1/25/24, 93-0.

Committee Activity: Labor & Commerce: 2/15/24, 2/19/24 [DP].

Floor Activity: Passed Senate: 2/27/24, 49-0.

Brief Summary of Bill

- Modifies provisions affecting the calculation of an employer's experience rating for unemployment insurance payroll taxes when the employer is exempt or otherwise relieved from directly paying for a former employee's benefits.
- Prohibits the Employment Security Department (ESD) from requiring an employer to file a written request for relief from benefit charges in certain instances where the employer is categorically exempt from paying for those charges.
- Allows ESD to waive the 30-day deadline for requesting relief from benefit charges based on good cause.

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass.

Signed by Senators Keiser, Chair; Conway, Vice Chair; Saldaña, Vice Chair; King, Ranking Member; Braun, Hansen, MacEwen, Schoesler and Stanford.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Susan Jones (786-7404)

Background: Unemployment Insurance. The unemployment insurance (UI) system, administered by the Employment Security Department (ESD), provides partial wage replacement for workers who are unemployed through no fault of their own. Benefits are financed through contributions paid by employers.

Employer Contributions to Unemployment Insurance. An employer's contributions are determined by multiple factors, including an experience rating based on the UI benefits paid to its former employees and the size of its payroll. Many UI benefits are proportionally charged to base-year employers according to the amount of wages paid to the person by each employer in the person's base year compared to the wages paid by all employers. State law provides certain exceptions where benefits are charged differently based on the circumstances causing the separation from employment or other factors. Depending on the exception, benefits could either be charged only to the separating employer or not be charged to any base-year employer. When the benefits are not charged to any base-year employer, those benefit costs are socialized and shared evenly by all employers participating in the UI system. For example, if a worker is eligible for benefits after separating from employment in order to relocate to be near the worker's minor child, then those benefits are not charged to any of the base-year employers. Those benefits costs are socialized in the UI system.

Relief of Benefit Charges. In some instances when an employer is charged for a worker's benefits, the employer may receive relief of those benefit charges based on certain criteria. This includes, for example, if the worker left work voluntarily for reasons not attributable to the employer, was discharged for misconduct, or was laid off as a result of a catastrophic incident, among others. To receive relief of those benefit charges, the employer must make a written request within 30 days following mailing of the initial determination of the benefits claim.

An employer cannot be relieved of charges if the payments were made because the employer failed to respond timely or adequately to a written request for information from ESD and the employer has demonstrated a certain pattern of such failures. In this instance, for a response to be considered adequate, the employer must have provided accurate information of sufficient quantity and quality that would allow a reasonable person to determine eligibility for benefits.

Summary of Bill: Certain modifications are made to the requirements and procedures pertaining to benefit charging.

An employer is relieved from benefit charging when ESD later finds the person is disqualified from receiving those benefits. In addition, certain provisions allowing for relief of charges based on categorical exemptions are modified to clarify that the relief applies to all base-year employers, not just the separating employer.

ESD may not require an employer to submit a written request in order to be relieved of benefit charges where state law provides those benefits should not be charged to employers. This includes, for example, benefits paid to a worker who:

- was later determined to be disqualified or ineligible for those benefits;
- is experiencing a temporary total disability;
- is receiving extended benefits;
- separated from employment as a means to protect themselves against domestic violence or stalking;
- separated from employment to enter an approved apprenticeship program;
- separated from employment because of illness or disability;
- separated from employment in order to care for a child or vulnerable adult; or
- separated from employment in order to relocate to be near his or her minor child.

When a written request for relief of benefit charges is required, ESD may waive the 30-day deadline based on good cause.

The provision restricting relief from benefit charges for employers that fail to respond to ESD is modified. In order for responses to be considered adequate, the employer must provide accurate information of sufficient quantity and quality that would allow a reasonable person to determine whether a individual is eligible for or qualified to receive benefits.

Certain cross-references are corrected, and certain language is modified to improve readability.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This bill helps employers. Last year, the Legislature expanded the voluntary quits. However, the employer has to apply to get credits for the benefits. This bill allows ESD to give the credit automatically. Over time, some benefit charge relief requires requests and some do not. ESD has the information for some claims and is able to automatically non-charge them. A lot of small employers do not have an HR department or know they have to apply to ESD. This is a response by ESD following up on discussions on voluntary quits.

Persons Testifying: PRO: Representative Suzanne Schmidt, Prime Sponsor; Caitlyn Jekel, WA State Employment Security Dept.

Persons Signed In To Testify But Not Testifying: No one.