

REVIEW OF ACTIVITIES RELATING TO UNEMPLOYMENT INSURANCE

1993-94: Joint Task Force on Unemployment Insurance

- 1994 Report

The Task Force reviewed the socialized costs of the Washington unemployment system and recommended eliminating several reasons for the noncharging of benefits paid to claimants, including benefits paid:

- in combined wage claims with another state.
- to individuals claiming after a period of temporary disability.
- to workers in training (programs for timber workers and under HB 1988).

These changes were adopted in the 1995 Legislative Session.

The Task Force also recommended that the Legislature review eligibility for noncharging related to "voluntary quits" and only noncharge for those claims that are clearly out of the employer's control.

The Task Force recommended continuing its study of various issues, including socialized costs in the system.

- 1995 Report

In its tax and fiscal policy recommendations, the Task Force reported that it was unable to agree on recommendations to address reductions in ineffective charging or further changes in noncharging benefits.

1998: Tax Equity Study (Vroman Report)

In 1998, the Employment Security Department, in consultation with a business and labor work group, contracted with Dr. Wayne Vroman, of the Urban Institute, to conduct a review of the tax equity issues in the Washington unemployment insurance system. Dr. Vroman made four recommendations:

- eliminate MLFA noncharging.
- explore ways of reducing noncharging associated with voluntary quits.
- reduce ineffective charging by increasing the maximum tax rate.
- analyze the high rate of employer turnover.

2000: SHB 3077

Various benefits and tax changes were made, including the establishment of the training benefits program and a change in the number of weeks of work needed to requalify for benefits (from 5 to 7 weeks). Among the tax changes were the following:

- Reduction of the trigger ratios that determine which tax schedule is in effect.
- Reduction of tax rates in rate classes 4 through 16 to reduce the average tax rate in each schedule.
- Freezing of the taxable wage base for one year and, after that, changing the calculation for determining the taxable wage base from using one year of wage data to using an average of three years of wage data.

2002: EHB 2901

EHB 2901 also made various changes in unemployment benefits and taxes. Most of the tax provisions were referred to, and subsequently rejected by, the people in Referendum Measure 53.

What took effect:

- The maximum weekly benefit amount (WBA) is frozen at \$496 until June 30, 2004, and the growth in the WBA is capped at 4 percent until 2010, with provisions for recapturing some of the lost growth under certain conditions.
- The training benefits period was extended for aerospace workers who filed before January 5, 2003 (allowing up to 74 weeks of benefits while in training).
- An insolvency surcharge is in effect for 2003 and 2004, but the 2003 surcharge did not trigger on.
- New employers are allowed to qualify for the tax array after two years of experience.
- The noncharging of training benefits under SHB 3077 is changed to require charging of

these benefits.

What did not take effect:

- Various changes to contribution rates and the tax array, including dividing rate class 20 into 5 subclasses and increasing the maximum rate of 5.4 percent to a range of maximum rates from 5.7 to 6.0 percent, depending on the schedule in effect.
 - A cap on the maximum rate for the agriculture industry at rate class 20A (from 5.4 to 5.6 percent).
 - A cap on the tax schedule for 2004 at no higher than Schedule C.
 - An increase in the taxable wage base for employers in rate classes 19 and 20A through E and unqualified employers.
 - An equity surcharge, beginning with rate year 2005, on all contribution-paying employers (except employers in fishing and food processing in rate classes 20A through E) with ineffective charges in at least three of the last four years.
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