
HOUSE BILL 2603

State of Washington

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By Representatives Ebersole, Winsley, Sheldon, Jacobsen, Moyer, Ferguson, Dorn, Cantwell, Rasmussen, Jones, Franklin, Rayburn, Roland, Paris, Wang and J. Kohl

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1 AN ACT Relating to allocating employment security funds for the
2 purposes of creating a state job training trust fund; amending RCW
3 50.29.025; adding new sections to chapter 50.16 RCW; adding new
4 sections to chapter 50.24 RCW; adding a new section to chapter 28C.18
5 RCW; adding a new section to chapter 50.29 RCW; creating a new section;
6 prescribing penalties; and declaring an emergency.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 50.16 RCW
9 to read as follows:

10 The employment security reserve fund is created in the custody of
11 the state treasurer. All receipts from the reserve tax under section
12 2 of this act shall be deposited into the fund. The employment
13 security reserve fund is not available for appropriation for any
14 purpose other than the payment of unemployment benefits. Should the

1 unemployment compensation trust fund have insufficient funds to meet
2 benefit payment needs without requesting advances from the federal
3 government, the necessary funds shall be transferred to the
4 unemployment compensation trust fund. No payments may be made from the
5 employment security reserve fund nor transfers made except through
6 transfer to the unemployment compensation trust fund. Should the
7 legislature appropriate funds from the employment security reserve fund
8 inconsistent with federal requirements for the use of the unemployment
9 compensation trust fund or with the mandate of this act, the entire
10 balance in the employment security reserve fund shall be transferred
11 immediately into the unemployment insurance trust fund. Only the
12 commissioner or the commissioner's designee may authorize expenditures
13 from the account. The account is subject to allotment procedures under
14 chapter 43.88 RCW, but no appropriation is required for expenditures.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 50.24 RCW
16 to read as follows:

17 (1) A reserve tax is imposed on all covered employers required to
18 pay under RCW 50.24.010. The reserve tax is due and payable at the
19 same time and in the same manner as contributions under this chapter.
20 The reserve tax rate for all eligible, standard-rated and deficit
21 employers shall be equal to the rate for each employer in the array,
22 under RCW 50.29.025, specified in the following table for the rate
23 class to which the employer has been assigned, as determined under RCW
24 50.29.025(5), within the tax schedule which is to be in effect during
25 the rate year:

26	Percent of	
27	Cumulative	Schedules of Contributions Rates for
28	Taxable Payrolls	Effective Tax Schedule

1	Rate								
2	From	To	Class	A	B	C	D	E	F
3	0.00	5.00	1	0.096	0.116	0.196	0.296	0.376	0.496
4	5.01	10.00	2	0.096	0.156	0.236	0.336	0.416	0.536
5	10.01	15.00	3	0.116	0.196	0.276	0.356	0.456	0.576
6	15.01	20.00	4	0.156	0.236	0.316	0.396	0.496	0.616
7	20.01	25.00	5	0.196	0.276	0.356	0.436	0.536	0.636
8	25.01	30.00	6	0.236	0.316	0.396	0.476	0.556	0.656
9	30.01	35.00	7	0.276	0.356	0.436	0.516	0.596	0.676
10	35.01	40.00	8	0.316	0.396	0.476	0.556	0.636	0.716
11	40.01	45.00	9	0.356	0.436	0.516	0.596	0.676	0.756
12	45.01	50.00	10	0.396	0.476	0.556	0.636	0.716	0.796
13	50.01	55.00	11	0.456	0.516	0.596	0.676	0.756	0.816
14	55.01	60.00	12	0.496	0.556	0.636	0.716	0.796	0.856
15	60.01	65.00	13	0.536	0.596	0.676	0.756	0.836	0.896
16	65.01	70.00	14	0.576	0.636	0.716	0.796	0.876	0.936
17	70.01	75.00	15	0.616	0.676	0.756	0.836	0.916	0.956
18	75.01	80.00	16	0.656	0.716	0.796	0.876	0.936	0.976
19	80.01	85.00	17	0.696	0.756	0.836	0.916	0.976	0.996
20	85.01	90.00	18	0.776	0.836	0.916	0.976	0.996	1.036
21	90.01	95.00	19	0.856	0.916	0.996	1.016	1.036	1.076
22	95.01	100.00	20	0	0	0	0	0	0

23 (2) The contribution rate for each employer not qualified to be in
24 the array shall be twenty-five percent of the contribution rate
25 determined in RCW 50.29.025(7).

26 (3) The terms and conditions of the provisions of this title that
27 apply to the payment and collection of contributions also apply to the
28 payment and collection of the reserve tax imposed under this section.

1 Moneys collected from an employer delinquent in paying reserve taxes
2 shall first be applied to pay any penalty and interest imposed under
3 the provisions of this title and shall then be applied pro rata to pay
4 delinquent contributions to the employment security reserve fund
5 created in section 1 of this act. Interest and penalties collected
6 under this section shall be paid into the administrative contingency
7 fund, and interest or penalties refunded under this subsection shall be
8 paid out of the same fund. Reserve taxes paid under this section may
9 not be deducted in whole or in part by any employer from the wages of
10 individuals in its employ. Reserve taxes collected under this section
11 shall be deposited into the employment security reserve account
12 established in section 1 of this act. Except as to reserve taxes
13 unpaid on the date on which they are due and payable, no reserve taxes
14 may be collected or paid into the reserve fund during a calendar year
15 if, as of December 31 of the preceding calendar year, the balance of
16 the reserve fund equals or exceeds two percent of the total state
17 contributions under this chapter for the preceding calendar year.

18 NEW SECTION. **Sec. 3.** A new section is added to chapter 50.24 RCW
19 to read as follows:

20 (1) The employment security reserve fund balance ratio shall be
21 determined by dividing the balance in the state reserve trust fund as
22 of the June 30th immediately preceding the rate year by the total
23 taxable wages paid by all employers subject to contributions during the
24 second calendar year preceding the rate year and reported to the
25 department by the following March 31st. The division shall be carried
26 to the fourth decimal place with the remaining fraction, if any,
27 disregarded. The fund balance ratio shall be expressed as a
28 percentage.

1 (2) If the employment security reserve fund balance ratio,
2 expressed as a percentage, exceeds two percent on June 30th, any amount
3 in excess of two percent shall be transferred to the unemployment
4 compensation trust fund.

5 NEW SECTION. **Sec. 4.** A new section is added to chapter 50.16 RCW
6 to read as follows:

7 The state job training trust fund is created in the state treasury.
8 All receipts from the interest earned from investment of the employment
9 security reserve account moneys shall be deposited into the state job
10 training trust fund. The purpose of the fund is to train and retrain
11 adults who need to learn vocational skills in order to be gainfully
12 employed. Expenditures from this fund may be used only for the
13 purposes of sections 5 and 6 of this act. Only the state treasurer or
14 the state treasurer's designee may authorize expenditures from the
15 account and only in accordance with the directions of the work force
16 training and education coordinating board in accordance with such rules
17 as the work force training and education board may adopt. The account
18 is subject to allotment procedures under chapter 43.88 RCW, but no
19 appropriation is required for expenditures.

20 NEW SECTION. **Sec. 5.** A new section is added to chapter 28C.18 RCW
21 to read as follows:

22 (1) The board shall give priority to funding training programs that
23 are established specifically for the benefit of unemployed workers or
24 workers who have received notice of long-term layoff or permanent
25 unemployment. The purpose of the state job training trust fund is to
26 train and retrain adults who need to learn vocational skills in order
27 to be gainfully employed. Other programs may be funded as determined

1 by the board in accordance with the board's duties as specified in RCW
2 28C.18.060(4).

3 (2) The board shall report annually to the legislature the
4 expenditures and disbursements made from the state job training trust
5 fund during the preceding calendar year, and the expenditures,
6 disbursements, and commitments made during the current calendar year to
7 date.

8 (3) The board may adopt rules necessary for the purposes of this
9 section.

10 NEW SECTION. **Sec. 6.** A new section is added to chapter 50.16 RCW
11 to read as follows:

12 Administrative costs for the collection of the reserve tax under
13 section 2 of this act, and any penalties or interest thereon, shall be
14 paid from the general fund until such time as the state job training
15 trust fund established in section 4 of this act has sufficient moneys
16 to cover the administrative costs, but in any event, no later than July
17 1, 1993. After July 1, 1993, those administrative costs shall be paid
18 from the state job training trust fund. The state treasurer shall
19 reimburse the general fund moneys paid under this section from the
20 state job training trust fund.

21 **Sec. 7.** RCW 50.29.025 and 1990 c 245 s 7 are each amended to read
22 as follows:

23 The contribution rate for each employer shall be determined under
24 this section.

25 (1) A fund balance ratio shall be determined by dividing the
26 balance in the unemployment compensation fund as of the June 30th
27 immediately preceding the rate year by the total remuneration paid by
28 all employers subject to contributions during the second calendar year

1 preceding the rate year and reported to the department by the following
2 March 31st. The division shall be carried to the fourth decimal place
3 with the remaining fraction, if any, disregarded. The fund balance
4 ratio shall be expressed as a percentage.

5 (2) The fund balance ratio, expressed as a percentage, shall be
6 increased by 0.60 to determine the adjusted fund balance ratio.
7 However, the increase for rate years 1993 and 1994 shall be 0.00 and
8 for rate year 1995 shall be 0.40.

9 (3) The interval of the fund balance ratio, expressed as a
10 percentage, shall determine which tax schedule in subsection ((+5))
11 (6) of this section shall be in effect for assigning tax rates for the
12 rate year. The intervals for determining the effective tax schedule
13 shall be:

14	Interval of the <u>Adjusted</u>	
15	Fund Balance Ratio	Effective
16	Expressed as a Percentage	Tax Schedule
17	3.40 and above	A
18	2.90 to 3.39	B
19	2.40 to 2.89	C
20	1.90 to 2.39	D
21	1.40 to 1.89	E
22	Less than 1.40	F

23 ((+3)) (4) An array shall be prepared, listing all qualified
24 employers in ascending order of their benefit ratios. The array shall
25 show for each qualified employer: (a) Identification number; (b)
26 benefit ratio; (c) taxable payrolls for the four calendar quarters
27 immediately preceding the computation date and reported to the

1 department by the cut-off date; (d) a cumulative total of taxable
 2 payrolls consisting of the employer's taxable payroll plus the taxable
 3 payrolls of all other employers preceding him or her in the array; and
 4 (e) the percentage equivalent of the cumulative total of taxable
 5 payrolls.

6 ~~((4))~~ (5) Each employer in the array shall be assigned to one of
 7 twenty rate classes according to the percentage intervals of cumulative
 8 taxable payrolls set forth in subsection ~~((5))~~ (6) of this section:
 9 PROVIDED, That if an employer's taxable payroll falls within two or
 10 more rate classes, the employer and any other employer with the same
 11 benefit ratio shall be assigned to the lowest rate class which includes
 12 any portion of the employer's taxable payroll.

13 ~~((5))~~ (6) The contribution rate for each employer in the array
 14 shall be the rate specified in the following table for the rate class
 15 to which he or she has been assigned, as determined under subsection
 16 ~~((4))~~ (5) of this section, within the tax schedule which is to be in
 17 effect during the rate year:

18 Percent of			19 Schedules of Contributions Rates for					
20 Cumulative			Effective Tax Schedule					
Taxable Payrolls								
21 Rate								
22 From	To	Class	A	B	C	D	E	F
23 0.00	5.00	1	((0.48—0.58—0.98—1.48—1.88—2.48))					
24			<u>0.384</u>	<u>0.464</u>	<u>0.784</u>	<u>1.184</u>	<u>1.504</u>	<u>1.984</u>
25 5.01	10.00	2	((0.48—0.78—1.18—1.68—2.08—2.68))					
26			<u>0.384</u>	<u>0.624</u>	<u>0.944</u>	<u>1.344</u>	<u>1.664</u>	<u>2.144</u>
27 10.01	15.00	3	((0.58—0.98—1.38—1.78—2.28—2.88))					

1				<u>0.464</u>	<u>0.784</u>	<u>1.104</u>	<u>1.424</u>	<u>1.824</u>	<u>2.304</u>
2	15.01	20.00	4	((0.78	1.18	1.58	1.98	2.48	3.08))
3				<u>0.624</u>	<u>0.944</u>	<u>1.264</u>	<u>1.584</u>	<u>1.984</u>	<u>2.464</u>
4	20.01	25.00	5	((0.98	1.38	1.78	2.18	2.68	3.18))
5				<u>0.784</u>	<u>1.104</u>	<u>1.424</u>	<u>1.744</u>	<u>2.144</u>	<u>2.544</u>
6	25.01	30.00	6	((1.18	1.58	1.98	2.38	2.78	3.28))
7				<u>0.944</u>	<u>1.264</u>	<u>1.584</u>	<u>1.904</u>	<u>2.224</u>	<u>2.624</u>
8	30.01	35.00	7	((1.38	1.78	2.18	2.58	2.98	3.38))
9				<u>1.104</u>	<u>1.424</u>	<u>1.744</u>	<u>2.064</u>	<u>2.384</u>	<u>2.704</u>
10	35.01	40.00	8	((1.58	1.98	2.38	2.78	3.18	3.58))
11				<u>1.264</u>	<u>1.584</u>	<u>1.904</u>	<u>2.224</u>	<u>2.544</u>	<u>2.864</u>
12	40.01	45.00	9	((1.78	2.18	2.58	2.98	3.38	3.78))
13				<u>1.424</u>	<u>1.744</u>	<u>2.064</u>	<u>2.384</u>	<u>2.704</u>	<u>3.024</u>
14	45.01	50.00	10	((1.98	2.38	2.78	3.18	3.58	3.98))
15				<u>1.584</u>	<u>1.904</u>	<u>2.224</u>	<u>2.544</u>	<u>2.864</u>	<u>3.184</u>
16	50.01	55.00	11	((2.28	2.58	2.98	3.38	3.78	4.08))
17				<u>1.824</u>	<u>2.064</u>	<u>2.384</u>	<u>2.704</u>	<u>3.024</u>	<u>3.264</u>
18	55.01	60.00	12	((2.48	2.78	3.18	3.58	3.98	4.28))
19				<u>1.984</u>	<u>2.224</u>	<u>2.544</u>	<u>2.864</u>	<u>3.184</u>	<u>3.424</u>
20	60.01	65.00	13	((2.68	2.98	3.38	3.78	4.18	4.48))
21				<u>2.144</u>	<u>2.384</u>	<u>2.704</u>	<u>3.024</u>	<u>3.344</u>	<u>3.584</u>
22	65.01	70.00	14	((2.88	3.18	3.58	3.98	4.38	4.68))
23				<u>2.304</u>	<u>2.544</u>	<u>2.864</u>	<u>3.184</u>	<u>3.504</u>	<u>3.744</u>
24	70.01	75.00	15	((3.08	3.38	3.78	4.18	4.58	4.78))
25				<u>2.464</u>	<u>2.704</u>	<u>3.024</u>	<u>3.344</u>	<u>3.664</u>	<u>3.824</u>
26	75.01	80.00	16	((3.28	3.58	3.98	4.38	4.68	4.88))
27				<u>2.624</u>	<u>2.864</u>	<u>3.184</u>	<u>3.504</u>	<u>3.744</u>	<u>3.904</u>
28	80.01	85.00	17	((3.48	3.78	4.18	4.58	4.88	4.98))
29				<u>2.784</u>	<u>3.024</u>	<u>3.344</u>	<u>3.664</u>	<u>3.904</u>	<u>3.984</u>
30	85.01	90.00	18	((3.88	4.18	4.58	4.88	4.98	5.18))

1				<u>3.104</u>	<u>3.344</u>	<u>3.664</u>	<u>3.904</u>	<u>3.984</u>	<u>4.144</u>
2	90.01	95.00	19	((4.28	4.58	4.98	5.08	5.18	5.38))
3				<u>3.424</u>	<u>3.664</u>	<u>3.984</u>	<u>4.064</u>	<u>4.144</u>	<u>4.304</u>
4	95.01	100.00	20	5.40	5.40	5.40	5.40	5.40	5.40

5 ~~((6))~~ (7) The contribution rate for each employer not qualified
6 to be in the array shall be as follows:

7 (a) Employers who do not meet the definition of "qualified
8 employer" by reason of failure to pay contributions when due shall be
9 assigned the contribution rate of ~~((five and four tenths))~~ four and
10 thirty-two one-hundredths percent, except employers who have an
11 approved agency-deferred payment contract by September 30 of the
12 previous rate year. If any employer with an approved agency-deferred
13 payment contract fails to make any one of the succeeding deferred
14 payments or fails to submit any succeeding tax report and payment in a
15 timely manner, the employer's tax rate shall immediately revert to
16 ~~((five and four tenths))~~ four and forty-two one-hundredths percent for
17 the current rate year;

18 (b) The contribution rate for employers exempt as of December 31,
19 1989, who are newly covered under the section 78, chapter 380, Laws of
20 1989 amendment to RCW 50.04.150 and not yet qualified to be in the
21 array shall be ~~((2.5))~~ 2.0 percent for employers whose standard
22 industrial code is "013", "016", "017", "018", "019", "021", or "081";
23 and

24 (c) For all other employers not qualified to be in the array, the
25 contribution rate shall be a rate equal to the average industry rate as
26 determined by the commissioner; however, the rate may not be less than
27 one percent. Assignment of employers by the commissioner to industrial
28 classification, for purposes of this subsection, shall be in accordance
29 with established classification practices found in the "Standard

1 Industrial Classification Manual" issued by the federal office of
2 management and budget to the third digit provided in the Standard
3 Industrial Classification code.

4 NEW SECTION. **Sec. 8.** A new section is added to chapter 50.29 RCW
5 to read as follows:

6 For the purpose of simplification of employer reports, the
7 "combined contribution rate" shall be used in the calculation of
8 employer taxes. The combined contribution rate shall include the
9 regular contribution rate as determined in RCW 50.29.025, the reserve
10 tax contribution rate as determined in section 2 of this act, and the
11 special contribution rate required under RCW 50.24.014. No mention of
12 the "combined contribution rate" can be made on any tax form or
13 publication unless the form or publication specifically identifies the
14 specific contributions. No combined contribution rate may be quoted on
15 a form unless the specific component rates are also quoted. The sole
16 purpose of the combined contribution rate is to allow an employer to
17 perform a single calculation on a tax return rather than three separate
18 calculations.

19 NEW SECTION. **Sec. 9.** If any part of this act is found to be
20 in conflict with federal requirements that are a prescribed condition
21 to the allocation of federal funds to the state or the eligibility of
22 employers in this state for federal unemployment tax credits, the
23 conflicting part of this act is hereby declared to be inoperative
24 solely to the extent of the conflict, and such finding or determination
25 shall not affect the operation of the remainder of this act. The rules
26 under this act shall meet federal requirements that are a necessary
27 condition to the receipt of federal funds by the state or the granting
28 of federal unemployment tax credits to employers in this state.

1 NEW SECTION. **Sec. 10.** If any provision of this act or its
2 application to any person or circumstance is held invalid, the
3 remainder of the act or the application of the provision to other
4 persons or circumstances is not affected.

5 NEW SECTION. **Sec. 11.** This act is necessary for the immediate
6 preservation of the public peace, health, or safety, or support of the
7 state government and its existing public institutions, and shall take
8 effect immediately.