
HOUSE BILL 2083

State of Washington 56th Legislature 1999 Regular Session

By Representatives Conway, Reardon, Kessler, Wolfe and Veloria

Read first time 02/15/1999. Referred to Committee on Commerce & Labor.

1 AN ACT Relating to the state reserve trust and state reserve
2 interest accounts; amending RCW 50.04.070, 50.04.072, 50.16.020, and
3 50.29.025; reenacting and amending RCW 50.16.010; adding a new section
4 to chapter 50.24 RCW; adding a new section to chapter 50.29 RCW;
5 creating new sections; providing an effective date; and declaring an
6 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 50.24 RCW
9 to read as follows:

10 (1) A state reserve trust account is established as a separate
11 account, identifiable and apart from all public moneys or funds of this
12 state. Contributions to this account shall accrue and become payable
13 by each employer described under RCW 50.04.080 for any calendar quarter
14 beginning on or after January 1, 2000, except employers described in
15 RCW 50.44.010 and 50.44.030 who have properly elected to make payments
16 in lieu of contributions, taxable local government employers as
17 described in RCW 50.44.035, employers who are required to make payments
18 in lieu of contributions, and those qualified employers assigned rate
19 class 20 under RCW 50.29.025, at a basic rate of four-tenths of one

1 percent. The amount of wages subject to tax shall be determined under
2 RCW 50.24.010.

3 (2)(a) Contributions under this section are due and must be paid by
4 each employer under rules that the commissioner may prescribe, and may
5 not be deducted, in whole or in part, from the remuneration of
6 individuals in the employ of the employer. A deduction in violation of
7 this section is unlawful.

8 (b) In the payment of a contribution under this section, a
9 fractional part of a cent shall be disregarded unless it amounts to
10 one-half cent or more, in which case it shall be increased to one cent.

11 (3) Money deposited in the state reserve trust account may be used
12 only for loans to the unemployment trust fund, as security for loans
13 from the federal unemployment insurance trust fund, and to pay the
14 administrative costs related to collection of contributions under this
15 section and administration of the state reserve trust account and the
16 state reserve interest account. An appropriation is not required for
17 expenditures.

18 (4)(a) Interest earned from investment of the state reserve trust
19 account shall be deposited in the state reserve interest account,
20 established as a separate account, identifiable and apart from all
21 public moneys or funds of this state. Moneys in the state reserve
22 interest account may be used only for addressing the costs of programs
23 specifically listed in this subsection and for refunds to eligible
24 employers as provided in (b) of this subsection.

25 (b) The commissioner shall make employer refunds under rules
26 adopted by the commissioner. The commissioner shall determine refund
27 amounts for rate year 2001 by December 31, 2000, and for each rate year
28 thereafter by December 31st of the year preceding the rate year. The
29 amount of the refund shall be calculated as a pro rata share of the
30 amount in the state reserve interest account as of June 30th of the
31 year of calculation and shall be based on the employer's taxable wages
32 in the fiscal year ending in the year of calculation multiplied by a
33 factor representing the ratio of the difference between the employer's
34 benefit ratio and contribution rate under RCW 50.29.025.

35 (c) An appropriation is not required for expenditures under this
36 section.

37 (d) As used in this subsection, "eligible employer" means an
38 employer whose contribution rate for a rate year under RCW 50.29.025 is
39 higher than the socialized cost rate for that rate year, as determined

1 by the commissioner, and is higher by twenty percent or more than the
2 employer's benefit ratio calculated under RCW 50.29.027 for a rate
3 year, expressed as a percentage.

4 **Sec. 2.** RCW 50.04.070 and 1985 ex.s. c 5 s 4 are each amended to
5 read as follows:

6 "Contributions" means the money payments due to the state
7 unemployment compensation fund as provided in RCW 50.24.010, to the
8 federal interest payment fund under RCW 50.16.070, to the state reserve
9 trust account under section 1 of this act, or to the special account in
10 the administrative contingency fund under RCW 50.24.014.

11 **Sec. 3.** RCW 50.04.072 and 1985 ex.s. c 5 s 5 are each amended to
12 read as follows:

13 The terms "contributions" and "payments in lieu of contributions"
14 used in this title, whether singular or plural, designate the money
15 payments to be made to the state unemployment compensation fund, to the
16 federal interest payment fund under RCW 50.16.070, to the state reserve
17 trust account under section 1 of this act, or to the special account in
18 the administrative contingency fund under RCW 50.24.014 and are deemed
19 to be taxes due to the state of Washington.

20 **Sec. 4.** RCW 50.16.010 and 1993 c 483 s 7 and 1993 c 226 s 10 are
21 each reenacted and amended to read as follows:

22 (1) There shall be maintained as special funds, separate and apart
23 from all public moneys or funds of this state an unemployment
24 compensation fund, an administrative contingency fund, a state reserve
25 trust account, a state reserve interest account, and a federal interest
26 payment fund, which shall be administered by the commissioner
27 exclusively for the purposes of this title, and to which RCW 43.01.050
28 shall not be applicable.

29 (2) The unemployment compensation fund shall consist of

30 ((+1)) (a) all contributions and payments in lieu of contributions
31 collected pursuant to the provisions of this title,

32 ((+2)) (b) any property or securities acquired through the use of
33 moneys belonging to the fund,

34 ((+3)) (c) all earnings of such property or securities,

1 (~~(4)~~) (d) any moneys received from the federal unemployment
2 account in the unemployment trust fund in accordance with Title XII of
3 the social security act, as amended,

4 (~~(5)~~) (e) all money recovered on official bonds for losses
5 sustained by the fund,

6 (~~(6)~~) (f) all money credited to this state's account in the
7 unemployment trust fund pursuant to section 903 of the social security
8 act, as amended,

9 (~~(7)~~) (g) all money received from the federal government as
10 reimbursement pursuant to section 204 of the federal-state extended
11 compensation act of 1970 (84 Stat. 708-712; 26 U.S.C. Sec. 3304), and

12 (~~(8)~~) (h) all moneys received for the fund from any other source.

13 (3)(a) All moneys in the unemployment compensation fund shall be
14 commingled and undivided.

15 The administrative contingency fund shall consist of all interest
16 on delinquent contributions collected pursuant to this title, all fines
17 and penalties collected pursuant to the provisions of this title, all
18 sums recovered on official bonds for losses sustained by the fund, and
19 revenue received under RCW 50.24.014: PROVIDED, That all fees, fines,
20 forfeitures and penalties collected or assessed by a district court
21 because of the violation of a state law shall be remitted as provided
22 in chapter 3.62 RCW as now exists or is later amended.

23 (b) Moneys available in the administrative contingency fund, other
24 than money in the special account created under RCW 50.24.014, shall be
25 expended upon the direction of the commissioner, with the approval of
26 the governor, whenever it appears to him or her that such expenditure
27 is necessary for:

28 (~~(a)~~) (i) The proper administration of this title and no federal
29 funds are available for the specific purpose to which such expenditure
30 is to be made, provided, the moneys are not substituted for
31 appropriations from federal funds which, in the absence of such moneys,
32 would be made available.

33 (~~(b)~~) (ii) The proper administration of this title for which
34 purpose appropriations from federal funds have been requested but not
35 yet received, provided, the administrative contingency fund will be
36 reimbursed upon receipt of the requested federal appropriation.

37 (~~(c)~~) (iii) The proper administration of this title for which
38 compliance and audit issues have been identified that establish federal
39 claims requiring the expenditure of state resources in resolution.

1 Claims must be resolved in the following priority: First priority is
2 to provide services to eligible participants within the state; second
3 priority is to provide substitute services or program support; and last
4 priority is the direct payment of funds to the federal government.

5 (c) Money in the special account created under RCW 50.24.014 may
6 only be expended, after appropriation, for the purposes specified in
7 RCW 50.62.010, 50.62.020, 50.62.030, 50.04.070, 50.04.072, 50.16.010,
8 50.29.025, 50.24.014, 50.44.053, and 50.22.010.

9 (4) The state reserve trust account shall consist of contributions
10 collected under section 1 of this act and may be expended only for the
11 purposes specified in section 1 of this act. The state reserve
12 interest account shall consist of the interest earned on investment of
13 the state reserve trust account and may be expended only for the
14 purposes specified in section 1 of this act.

15 **Sec. 5.** RCW 50.16.020 and 1993 c 226 s 12 are each amended to read
16 as follows:

17 The commissioner shall designate a treasurer and custodian of the
18 unemployment compensation fund, the state reserve trust account, the
19 state reserve interest account, and ((of)) the administrative
20 contingency fund, who shall administer such funds in accordance with
21 the directions of the commissioner and shall issue his or her warrants
22 upon them in accordance with such regulations as the commissioner shall
23 prescribe. The treasurer and custodian shall maintain within the
24 unemployment compensation fund three separate accounts as follows:

- 25 (1) a clearing account,
26 (2) an unemployment trust fund account, and
27 (3) a benefit account.

28 All moneys payable to the unemployment compensation fund, upon
29 receipt thereof by the commissioner, shall be forwarded to the
30 treasurer, who shall immediately deposit them in the clearing account.
31 Refunds payable pursuant to the provisions of this title from the
32 unemployment compensation fund may be paid from the clearing account
33 upon warrants issued by the treasurer under the direction of the
34 commissioner: PROVIDED, HOWEVER, That refunds of interest or penalties
35 on delinquent contributions shall be paid from the administrative
36 contingency fund upon warrants issued by the treasurer under the
37 direction of the commissioner.

1 After clearance thereof, all other moneys in the clearing account
2 shall be immediately deposited with the Secretary of the Treasury of
3 the United States to the credit of the account of this state in the
4 unemployment trust fund, established and maintained pursuant to section
5 904 of the social security act, as amended, any provisions of law in
6 this state relating to the deposit, administration, release, or
7 disbursement of moneys in the possession or custody of this state to
8 the contrary notwithstanding.

9 The benefit account shall consist of all moneys requisitioned from
10 this state's account in the unemployment trust fund. Moneys in the
11 clearing and benefit accounts and in the administrative contingency
12 fund shall not be commingled with other state funds, but shall be
13 deposited by the treasurer, under the direction of the commissioner, in
14 any bank or public depository in which general funds of the state may
15 be deposited, but no public deposit insurance charge or premium shall
16 be paid out of the fund.

17 Such moneys shall be secured by said bank or public depository to
18 the same extent and in the same manner as required by the general
19 depository law of the state and collateral pledged shall be maintained
20 in a separate custody account.

21 The treasurer shall give a bond conditioned upon the faithful
22 performance of his or her duties as a custodian of the funds in an
23 amount fixed by the director of the department of general
24 administration and in a form prescribed by law or approved by the
25 attorney general. Premiums for said bond shall be paid from the
26 administration fund. All sums recovered on official bonds for losses
27 sustained by the unemployment compensation fund shall be deposited in
28 such fund. All sums recovered on official bonds for losses sustained
29 by the administrative contingency fund shall be deposited in such fund.

30 **Sec. 6.** RCW 50.29.025 and 1995 c 4 s 2 are each amended to read as
31 follows:

32 The contribution rate for each employer shall be determined under
33 this section.

34 (1) A fund balance ratio shall be determined by dividing the
35 balance in the unemployment compensation fund as of the June 30th
36 immediately preceding the rate year by the total remuneration paid by
37 all employers subject to contributions during the second calendar year
38 preceding the rate year and reported to the department by the following

1 March 31st and, beginning with the determination preceding rate year
2 2001, multiplied by 1.25. The ((division)) calculation shall be
3 carried to the fourth decimal place with the remaining fraction, if
4 any, disregarded. The fund balance ratio shall be expressed as a
5 percentage.

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

11	Interval of the	
12	Fund Balance Ratio	Effective
13	Expressed as a Percentage	Tax Schedule
14	2.90 and above	AA
15	2.50 to 2.89	A
16	2.10 to 2.49	B
17	1.70 to 2.09	C
18	1.30 to 1.69	D
19	1.00 to 1.29	E
20	Less than 1.00	F

21 (3) An array shall be prepared, listing all qualified employers in
22 ascending order of their benefit ratios. The array shall show for each
23 qualified employer: (a) Identification number; (b) benefit ratio; (c)
24 taxable payrolls for the four calendar quarters immediately preceding
25 the computation date and reported to the department by the cut-off
26 date; (d) a cumulative total of taxable payrolls consisting of the
27 employer's taxable payroll plus the taxable payrolls of all other
28 employers preceding him or her in the array; and (e) the percentage
29 equivalent of the cumulative total of taxable payrolls.

30 (4) Each employer in the array shall be assigned to one of twenty
31 rate classes according to the percentage intervals of cumulative
32 taxable payrolls set forth in subsection (5) of this section:
33 PROVIDED, That if an employer's taxable payroll falls within two or
34 more rate classes, the employer and any other employer with the same
35 benefit ratio shall be assigned to the lowest rate class which includes
36 any portion of the employer's taxable payroll.

37 (5) The contribution rate for each employer in the array shall be
38 the rate specified in the following tables for the rate class to which

1 he or she has been assigned, as determined under subsection (4) of this
 2 section, within the tax schedule which is to be in effect during the
 3 rate year:

		Percent of Cumulative Schedules of Contributions Rates Taxable Payrolls for Effective Tax Schedule								
		Rate								
From	To	Class	AA	A	B	C	D	E	F	
0.00	5.00	1	((0.48 0.48 0.58 0.98 1.48 1.88 2.48))	<u>.08</u>	<u>.08</u>	<u>.18</u>	<u>.58</u>	<u>1.08</u>	<u>1.48</u>	<u>2.08</u>
5.01	10.00	2	((0.48 0.48 0.78 1.18 1.68 2.08 2.68))	<u>.08</u>	<u>.08</u>	<u>.38</u>	<u>.88</u>	<u>1.28</u>	<u>1.68</u>	<u>2.28</u>
10.01	15.00	3	((0.58 0.58 0.98 1.38 1.78 2.28 2.88))	<u>.18</u>	<u>.18</u>	<u>.58</u>	<u>.98</u>	<u>1.38</u>	<u>1.88</u>	<u>2.48</u>
15.01	20.00	4	((0.58 0.78 1.18 1.58 1.98 2.48 3.08))	<u>.18</u>	<u>.38</u>	<u>.78</u>	<u>1.18</u>	<u>1.58</u>	<u>2.08</u>	<u>2.68</u>
20.01	25.00	5	((0.78 0.98 1.38 1.78 2.18 2.68 3.18))	<u>.38</u>	<u>.58</u>	<u>.98</u>	<u>1.38</u>	<u>1.78</u>	<u>2.28</u>	<u>2.78</u>
25.01	30.00	6	((0.98 1.18 1.58 1.98 2.38 2.78 3.28))	<u>.58</u>	<u>.78</u>	<u>1.18</u>	<u>1.58</u>	<u>1.98</u>	<u>2.38</u>	<u>2.88</u>
30.01	35.00	7	((1.08 1.38 1.78 2.18 2.58 2.98 3.38))	<u>.68</u>	<u>.98</u>	<u>1.38</u>	<u>1.78</u>	<u>2.18</u>	<u>2.58</u>	<u>2.98</u>
35.01	40.00	8	((1.28 1.58 1.98 2.38 2.78 3.18 3.58))	<u>.88</u>	<u>1.18</u>	<u>1.58</u>	<u>1.98</u>	<u>2.38</u>	<u>2.78</u>	<u>3.18</u>
40.01	45.00	9	((1.48 1.78 2.18 2.58 2.98 3.38 3.78))	<u>1.08</u>	<u>1.38</u>	<u>1.78</u>	<u>2.18</u>	<u>2.58</u>	<u>2.98</u>	<u>3.38</u>
45.01	50.00	10	((1.68 1.98 2.38 2.78 3.18 3.58 3.98))	<u>1.28</u>	<u>1.58</u>	<u>1.98</u>	<u>2.38</u>	<u>2.78</u>	<u>3.18</u>	<u>3.58</u>
50.01	55.00	11	((1.98 2.28 2.58 2.98 3.38 3.78 4.08))	<u>1.58</u>	<u>1.88</u>	<u>2.18</u>	<u>2.58</u>	<u>2.98</u>	<u>3.38</u>	<u>3.68</u>
55.01	60.00	12	((2.18 2.48 2.78 3.18 3.58 3.98 4.28))	<u>1.78</u>	<u>2.08</u>	<u>2.38</u>	<u>2.78</u>	<u>3.18</u>	<u>3.58</u>	<u>3.88</u>
60.01	65.00	13	((2.38 2.68 2.98 3.38 3.78 4.18 4.48))	<u>1.98</u>	<u>2.28</u>	<u>2.58</u>	<u>2.98</u>	<u>3.38</u>	<u>3.78</u>	<u>4.08</u>
65.01	70.00	14	((2.58 2.88 3.18 3.58 3.98 4.38 4.68))	<u>2.18</u>	<u>2.48</u>	<u>2.78</u>	<u>3.18</u>	<u>3.58</u>	<u>3.98</u>	<u>4.28</u>
70.01	75.00	15	((2.88 3.08 3.38 3.78 4.18 4.58 4.78))	<u>2.48</u>	<u>2.68</u>	<u>2.98</u>	<u>3.38</u>	<u>3.78</u>	<u>4.18</u>	<u>4.38</u>
75.01	80.00	16	((3.08 3.28 3.58 3.98 4.38 4.68 4.88))	<u>2.68</u>	<u>2.88</u>	<u>3.18</u>	<u>3.58</u>	<u>3.98</u>	<u>4.28</u>	<u>4.48</u>
80.01	85.00	17	((3.28 3.48 3.78 4.18 4.58 4.88 4.98))	<u>2.88</u>	<u>3.08</u>	<u>3.38</u>	<u>3.78</u>	<u>4.18</u>	<u>4.48</u>	<u>4.58</u>
85.01	90.00	18	((3.68 3.88 4.18 4.58 4.88 4.98 5.18))	<u>3.28</u>	<u>3.48</u>	<u>3.78</u>	<u>4.18</u>	<u>4.48</u>	<u>4.58</u>	<u>4.78</u>

1	90.01	95.00	19	((4.08	4.28	4.58	4.98	5.08	5.18	5.38))
2				<u>3.68</u>	<u>3.88</u>	<u>4.18</u>	<u>4.58</u>	<u>4.68</u>	<u>4.78</u>	<u>4.98</u>
3	95.01	100.00	20	5.40	5.40	5.40	5.40	5.40	5.40	5.40
4										

5 (6) The contribution rate for each employer not qualified to be in
6 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)) a contribution rate ((of five and six tenths percent))~~
10 that is two-tenths percent higher than the maximum rate in effect in
11 the applicable rate year, except employers who have an approved agency-
12 deferred payment contract by September 30 of the previous rate year.
13 If any employer with an approved agency-deferred payment contract fails
14 to make any one of the succeeding deferred payments or fails to submit
15 any succeeding tax report and payment in a timely manner, the
16 employer's tax rate shall immediately revert ~~((to five and six tenths~~
17 ~~percent))~~ for the current rate year to a rate that is two-tenths
18 percent higher than the maximum rate in effect in the applicable rate
19 year;

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

25 (c) For all other employers not qualified to be in the array, the
26 contribution rate shall be a rate equal to the average industry rate as
27 determined by the commissioner; however, the rate may not be less than
28 one percent. Assignment of employers by the commissioner to industrial
29 classification, for purposes of this subsection, shall be in accordance
30 with established classification practices found in the "Standard
31 Industrial Classification Manual" issued by the federal office of
32 management and budget to the third digit provided in the Standard
33 Industrial Classification code.

34 NEW SECTION. Sec. 7. A new section is added to chapter 50.29 RCW
35 to read as follows:

36 For the purpose of simplification of employer reports, the
37 "combined contribution rate" shall be used in the calculation of
38 employer taxes. The combined contribution rate shall include the

1 regular contribution rate as determined under RCW 50.29.025, and the
2 special contribution rates required under RCW 50.24.014 and section 1
3 of this act. A mention of the "combined contribution rate" may not be
4 made on a tax form or publication unless the form or publication
5 specifically identifies the specific contributions. The combined
6 contribution rate may not be quoted on a form unless the specific
7 component rates are also quoted. The sole purpose of the combined
8 contribution rate is to allow an employer to perform a single
9 calculation on a tax return rather than several separate calculations.

10 NEW SECTION. **Sec. 8.** If any part of this act is found to be in
11 conflict with federal requirements that are a prescribed condition to
12 the allocation of federal funds to the state or the eligibility of
13 employers in this state for federal unemployment tax credits, the
14 conflicting part of this act is inoperative solely to the extent of the
15 conflict, and the finding or determination does not affect the
16 operation of the remainder of this act. Rules adopted under this act
17 must meet federal requirements that are a necessary condition to the
18 receipt of federal funds by the state or the granting of federal
19 unemployment tax credits to employers in this state.

20 NEW SECTION. **Sec. 9.** If any provision of this act or its
21 application to any person or circumstance is held invalid, the
22 remainder of the act or the application of the provision to other
23 persons or circumstances is not affected.

24 NEW SECTION. **Sec. 10.** Sections 1, 6, and 7 of this act apply to
25 tax rate years beginning on or after January 1, 2000.

26 NEW SECTION. **Sec. 11.** This act is necessary for the immediate
27 preservation of the public peace, health, or safety, or support of the
28 state government and its existing public institutions, and takes effect
29 July 1, 1999.

--- END ---