

HOUSE BILL REPORT

SSB 5137

As Reported by House Committee On:
Commerce & Labor

Title: An act relating to revising the industry average unemployment contribution rates.

Brief Description: Modifying industry average unemployment contribution rates.

Sponsors: Senate Committee on Labor, Commerce, Research & Development (originally sponsored by Senators Kohl-Welles and Keiser; by request of Governor Gregoire).

Brief History:

Committee Activity:

Commerce & Labor: 3/23/07, 3/27/07 [DP].

Brief Summary of Substitute Bill

- Makes unemployment insurance contribution rates for new employers 90 percent, 100 percent, or 115 percent of average industry rates, depending on benefits charged and contributions paid by new employers in a three-year period.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 8 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Crouse, Green, Moeller and Williams.

Staff: Jill Reinmuth (786-7134).

Background:

Washington's unemployment insurance system requires covered employers to pay contributions on a percentage of taxable payroll. The contributions of covered employers are held in trust to pay benefits to unemployed workers. The contribution rates are the sum of an array calculation factor rate, a graduated social cost factor rate, and in some circumstances, a solvency surcharge.

For qualified employers:

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 array calculation factor rate depends on the employer's layoff experience. Employers are placed in one of 40 rate classes, with the array calculation factor rate ranging from 0 percent to 5.4 percent.
- A flat social cost factor rate is calculated as the difference between benefits paid and taxes paid, divided by total taxable payroll. The amount is then adjusted for the months of benefits in the trust fund. Employers pay a graduated social cost factor rate, ranging from 78 percent to 120 percent of the flat rate, depending on the employer's rate class.

Non-qualified employers include those who have had employees for two years or less as of April 1 of the previous year. For new employers:

- The array calculation factor rate is 115 percent of the average industry rate, but not less than 1 percent or more than 5.4 percent (the rate in rate class 40).
- The social cost factor rate is 115 percent of the average industry rate, but not more than the rate assigned to rate class 40.

Summary of Bill:

The array calculation factor rates and the social cost factor rates for new employers are:

- 90 percent of average industry rates if, in the three fiscal years prior to the computation date, benefits charged to new employers are less than 95 percent of contributions paid by new employers;
- 100 percent of average industry rates if benefits charged are at least 95 percent but less than 105 percent of contributions paid; and
- 115 percent of average industry rates if benefits charged are at least 105 percent of contributions paid.

The rates are subject to the following limitations:

- The array calculation factor rate may not be less than 1 percent or more than 5.4 percent (the rate in rate class 40).
- The social cost factor rate may not be more than the rate assigned to rate class 40.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This bill sets unemployment insurance rates for new employers. The Employment Security Department and the business community negotiated changes to address various concerns. A sliding scale based on the ratio of taxes paid to benefits paid is used to set the rates. This bill is part of the Governor's "Open for Business" initiative.

(Opposed) None.

Persons Testifying: Jill Will, Employment Security Department.

Persons Signed In To Testify But Not Testifying: None.