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SENATE BILL 5999

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State of Washington                      60th Legislature                      2007 Regular Session

By Senators Clements, Holmquist, Hewitt, Honeyford and Parlette

Read first time 02/12/2007.                      Referred to Committee on Labor,  
Commerce, Research & Development.

1            AN ACT Relating to adjusting unemployment insurance contribution  
2 rates in order to maintain a stable unemployment compensation fund; and  
3 amending RCW 50.29.025.

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

5            **Sec. 1.** RCW 50.29.025 and 2006 c 13 s 4 are each amended to read  
6 as follows:

7            (1) Except as provided in subsections (2) and (4) of this section,  
8 the contribution rate for each employer subject to contributions under  
9 RCW 50.24.010 shall be determined under this subsection.

10            (a) A fund balance ratio shall be determined by dividing the  
11 balance in the unemployment compensation fund as of the September 30th  
12 immediately preceding the rate year by the total remuneration paid by  
13 all employers subject to contributions during the second calendar year  
14 preceding the rate year and reported to the department by the following  
15 March 31st. The division shall be carried to the fourth decimal place  
16 with the remaining fraction, if any, disregarded. The fund balance  
17 ratio shall be expressed as a percentage.

18            (b) The interval of the fund balance ratio, expressed as a  
19 percentage, shall determine which tax schedule in (e) of this

1 subsection shall be in effect for assigning tax rates for the rate  
2 year. The intervals for determining the effective tax schedule shall  
3 be:

| 4  | Interval of the           |              |
|----|---------------------------|--------------|
| 5  | Fund Balance Ratio        | Effective    |
| 6  | Expressed as a Percentage | Tax Schedule |
| 7  | 2.90 and above            | AA           |
| 8  | 2.10 to 2.89              | A            |
| 9  | 1.70 to 2.09              | B            |
| 10 | 1.40 to 1.69              | C            |
| 11 | 1.00 to 1.39              | D            |
| 12 | 0.70 to 0.99              | E            |
| 13 | Less than 0.70            | F            |

14 (c) An array shall be prepared, listing all qualified employers in  
15 ascending order of their benefit ratios. The array shall show for each  
16 qualified employer: (i) Identification number; (ii) benefit ratio;  
17 (iii) taxable payrolls for the four calendar quarters immediately  
18 preceding the computation date and reported to the department by the  
19 cut-off date; (iv) a cumulative total of taxable payrolls consisting of  
20 the employer's taxable payroll plus the taxable payrolls of all other  
21 employers preceding him or her in the array; and (v) the percentage  
22 equivalent of the cumulative total of taxable payrolls.

23 (d) Each employer in the array shall be assigned to one of twenty  
24 rate classes according to the percentage intervals of cumulative  
25 taxable payrolls set forth in (e) of this subsection: PROVIDED, That  
26 if an employer's taxable payroll falls within two or more rate classes,  
27 the employer and any other employer with the same benefit ratio shall  
28 be assigned to the lowest rate class which includes any portion of the  
29 employer's taxable payroll.

30 (e) Except as provided in RCW 50.29.026, the contribution rate for  
31 each employer in the array shall be the rate specified in the following  
32 tables for the rate class to which he or she has been assigned, as  
33 determined under (d) of this subsection, within the tax schedule which  
34 is to be in effect during the rate year:

|       |          | Percent of<br>Cumulative<br>Schedules of Contributions Rates<br>Taxable Payrolls<br>for Effective Tax Schedule |      |      |      |      |      |      |      |  |  |
|-------|----------|--|------|------|------|------|------|------|------|--|--|
|       |          | Rate   |      |      |      |      |      |      |      |  |  |
| From  | To Class | AA   | A    | B    | C    | D    | E    | F    |      |  |  |
| 0.00  | 5.00     | 1  | 0.47 | 0.47 | 0.57 | 0.97 | 1.47 | 1.87 | 2.47 |  |  |
| 5.01  | 10.00    | 2  | 0.47 | 0.47 | 0.77 | 1.17 | 1.67 | 2.07 | 2.67 |  |  |
| 10.01 | 15.00    | 3  | 0.57 | 0.57 | 0.97 | 1.37 | 1.77 | 2.27 | 2.87 |  |  |
| 15.01 | 20.00    | 4  | 0.57 | 0.73 | 1.11 | 1.51 | 1.90 | 2.40 | 2.98 |  |  |
| 20.01 | 25.00    | 5  | 0.72 | 0.92 | 1.30 | 1.70 | 2.09 | 2.59 | 3.08 |  |  |
| 25.01 | 30.00    | 6  | 0.91 | 1.11 | 1.49 | 1.89 | 2.29 | 2.69 | 3.18 |  |  |
| 30.01 | 35.00    | 7  | 1.00 | 1.29 | 1.69 | 2.08 | 2.48 | 2.88 | 3.27 |  |  |
| 35.01 | 40.00    | 8  | 1.19 | 1.48 | 1.88 | 2.27 | 2.67 | 3.07 | 3.47 |  |  |
| 40.01 | 45.00    | 9  | 1.37 | 1.67 | 2.07 | 2.47 | 2.87 | 3.27 | 3.66 |  |  |
| 45.01 | 50.00    | 10   | 1.56 | 1.86 | 2.26 | 2.66 | 3.06 | 3.46 | 3.86 |  |  |
| 50.01 | 55.00    | 11   | 1.84 | 2.14 | 2.45 | 2.85 | 3.25 | 3.66 | 3.95 |  |  |
| 55.01 | 60.00    | 12   | 2.03 | 2.33 | 2.64 | 3.04 | 3.44 | 3.85 | 4.15 |  |  |
| 60.01 | 65.00    | 13   | 2.22 | 2.52 | 2.83 | 3.23 | 3.64 | 4.04 | 4.34 |  |  |
| 65.01 | 70.00    | 14   | 2.40 | 2.71 | 3.02 | 3.43 | 3.83 | 4.24 | 4.54 |  |  |
| 70.01 | 75.00    | 15   | 2.68 | 2.90 | 3.21 | 3.62 | 4.02 | 4.43 | 4.63 |  |  |
| 75.01 | 80.00    | 16   | 2.87 | 3.09 | 3.42 | 3.81 | 4.22 | 4.53 | 4.73 |  |  |
| 80.01 | 85.00    | 17   | 3.27 | 3.47 | 3.77 | 4.17 | 4.57 | 4.87 | 4.97 |  |  |
| 85.01 | 90.00    | 18   | 3.67 | 3.87 | 4.17 | 4.57 | 4.87 | 4.97 | 5.17 |  |  |
| 90.01 | 95.00    | 19   | 4.07 | 4.27 | 4.57 | 4.97 | 5.07 | 5.17 | 5.37 |  |  |
| 95.01 | 100.00   | 20   | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 |  |  |

27 (f) The contribution rate for each employer not qualified to be in  
 28 the array shall be as follows:

29 (i) Employers who do not meet the definition of "qualified  
 30 employer" by reason of failure to pay contributions when due shall be  
 31 assigned a contribution rate two-tenths higher than that in rate class  
 32 20 for the applicable rate year, except employers who have an approved  
 33 agency-deferred payment contract by September 30 of the previous rate  
 34 year. If any employer with an approved agency-deferred payment  
 35 contract fails to make any one of the succeeding deferred payments or  
 36 fails to submit any succeeding tax report and payment in a timely  
 37 manner, the employer's tax rate shall immediately revert to a  
 38 contribution rate two-tenths higher than that in rate class 20 for the  
 39 applicable rate year; and

1 (ii) For all other employers not qualified to be in the array, the  
2 contribution rate shall be a rate equal to the average industry rate as  
3 determined by the commissioner; however, the rate may not be less than  
4 one percent.

5 (2) Beginning with contributions assessed for rate year 2005, the  
6 contribution rate for each employer subject to contributions under RCW  
7 50.24.010 shall be the sum of the array calculation factor rate and the  
8 graduated social cost factor rate determined under this subsection, and  
9 the solvency surcharge determined under RCW 50.29.041, if any.

10 (a) The array calculation factor rate shall be determined as  
11 follows:

12 (i) An array shall be prepared, listing all qualified employers in  
13 ascending order of their benefit ratios. The array shall show for each  
14 qualified employer: (A) Identification number; (B) benefit ratio; and  
15 (C) taxable payrolls for the four consecutive calendar quarters  
16 immediately preceding the computation date and reported to the  
17 employment security department by the cut-off date.

18 (ii) Each employer in the array shall be assigned to one of forty  
19 rate classes according to his or her benefit ratio as follows, and,  
20 except as provided in RCW 50.29.026 and subsection (4) of this section,  
21 the array calculation factor rate for each employer in the array shall  
22 be the rate specified in the rate class to which the employer has been  
23 assigned:

| Benefit Ratio |           | Rate  | Rate      |
|---------------|-----------|-------|-----------|
| At least      | Less than | Class | (percent) |
|               | 0.000001  | 1     | 0.00      |
| 0.000001      | 0.001250  | 2     | 0.13      |
| 0.001250      | 0.002500  | 3     | 0.25      |
| 0.002500      | 0.003750  | 4     | 0.38      |
| 0.003750      | 0.005000  | 5     | 0.50      |
| 0.005000      | 0.006250  | 6     | 0.63      |
| 0.006250      | 0.007500  | 7     | 0.75      |
| 0.007500      | 0.008750  | 8     | 0.88      |
| 0.008750      | 0.010000  | 9     | 1.00      |
| 0.010000      | 0.011250  | 10    | 1.15      |
| 0.011250      | 0.012500  | 11    | 1.30      |

|    |          |          |    |      |
|----|----------|----------|----|------|
| 1  | 0.012500 | 0.013750 | 12 | 1.45 |
| 2  | 0.013750 | 0.015000 | 13 | 1.60 |
| 3  | 0.015000 | 0.016250 | 14 | 1.75 |
| 4  | 0.016250 | 0.017500 | 15 | 1.90 |
| 5  | 0.017500 | 0.018750 | 16 | 2.05 |
| 6  | 0.018750 | 0.020000 | 17 | 2.20 |
| 7  | 0.020000 | 0.021250 | 18 | 2.35 |
| 8  | 0.021250 | 0.022500 | 19 | 2.50 |
| 9  | 0.022500 | 0.023750 | 20 | 2.65 |
| 10 | 0.023750 | 0.025000 | 21 | 2.80 |
| 11 | 0.025000 | 0.026250 | 22 | 2.95 |
| 12 | 0.026250 | 0.027500 | 23 | 3.10 |
| 13 | 0.027500 | 0.028750 | 24 | 3.25 |
| 14 | 0.028750 | 0.030000 | 25 | 3.40 |
| 15 | 0.030000 | 0.031250 | 26 | 3.55 |
| 16 | 0.031250 | 0.032500 | 27 | 3.70 |
| 17 | 0.032500 | 0.033750 | 28 | 3.85 |
| 18 | 0.033750 | 0.035000 | 29 | 4.00 |
| 19 | 0.035000 | 0.036250 | 30 | 4.15 |
| 20 | 0.036250 | 0.037500 | 31 | 4.30 |
| 21 | 0.037500 | 0.040000 | 32 | 4.45 |
| 22 | 0.040000 | 0.042500 | 33 | 4.60 |
| 23 | 0.042500 | 0.045000 | 34 | 4.75 |
| 24 | 0.045000 | 0.047500 | 35 | 4.90 |
| 25 | 0.047500 | 0.050000 | 36 | 5.05 |
| 26 | 0.050000 | 0.052500 | 37 | 5.20 |
| 27 | 0.052500 | 0.055000 | 38 | 5.30 |
| 28 | 0.055000 | 0.057500 | 39 | 5.35 |
| 29 | 0.057500 |          | 40 | 5.40 |

30 (b) The graduated social cost factor rate shall be determined as  
31 follows:

32 (i)~~((A))~~ Except as provided in ~~((b)(i)(B) and (C) of this))~~  
33 subsection (4) of this section, the commissioner shall calculate the  
34 flat social cost factor for a rate year by dividing the total social  
35 cost by the total taxable payroll. The division shall be carried to  
36 the second decimal place with the remaining fraction disregarded unless  
37 it amounts to five hundredths or more, in which case the second decimal

1 place shall be rounded to the next higher digit. The flat social cost  
2 factor shall be expressed as a percentage.

3 ~~((B) If, on the cut-off date, the balance in the unemployment  
4 compensation fund is determined by the commissioner to be an amount  
5 that will provide more than ten months of unemployment benefits, the  
6 commissioner shall calculate the flat social cost factor for the rate  
7 year immediately following the cut-off date by reducing the total  
8 social cost by the dollar amount that represents the number of months  
9 for which the balance in the unemployment compensation fund on the cut-  
10 off date will provide benefits above ten months and dividing the result  
11 by the total taxable payroll. However, the calculation under this  
12 subsection (2)(b)(i)(B) for a rate year may not result in a flat social  
13 cost factor that is more than four tenths lower than the calculation  
14 under (b)(i)(A) of this subsection for that rate year.~~

15 ~~For the purposes of this subsection, the commissioner shall  
16 determine the number of months of unemployment benefits in the  
17 unemployment compensation fund using the benefit cost rate for the  
18 average of the three highest calendar benefit cost rates in the twenty  
19 consecutive completed calendar years immediately preceding the cut-off  
20 date or a period of consecutive calendar years immediately preceding  
21 the cut-off date that includes three recessions, if longer.~~

22 ~~(C) The minimum flat social cost factor calculated under this  
23 subsection (2)(b) shall be six tenths of one percent, except that if  
24 the balance in the unemployment compensation fund is determined by the  
25 commissioner to be an amount that will provide:~~

26 ~~(I) At least twelve months but less than fourteen months of  
27 unemployment benefits, the minimum shall be five tenths of one percent;  
28 or~~

29 ~~(II) At least fourteen months of unemployment benefits, the minimum  
30 shall be five tenths of one percent, except that, for employers in rate  
31 class 1, the minimum shall be forty five hundredths of one percent.)~~

32 (ii)(A) Except as provided in (b)(ii)(B) of this subsection and  
33 subsection (4) of this section, the graduated social cost factor rate  
34 for each employer in the array is the flat social cost factor  
35 multiplied by the percentage specified as follows for the rate class to  
36 which the employer has been assigned in (a)(ii) of this subsection,  
37 except that the sum of an employer's array calculation factor rate and  
38 the graduated social cost factor rate may not exceed six and five-

1 tenths percent or, for employers whose North American industry  
2 classification system code is within "111," "112," "1141," "115,"  
3 "3114," "3117," "42448," or "49312," may not exceed six percent through  
4 rate year 2007 and may not exceed five and seven-tenths percent for  
5 rate year 2008 and thereafter:

6 (I) Rate class 1 - 78 percent;

7 (II) Rate class 2 - 82 percent;

8 (III) Rate class 3 - 86 percent;

9 (IV) Rate class 4 - 90 percent;

10 (V) Rate class 5 - 94 percent;

11 (VI) Rate class 6 - 98 percent;

12 (VII) Rate class 7 - 102 percent;

13 (VIII) Rate class 8 - 106 percent;

14 (IX) Rate class 9 - 110 percent;

15 (X) Rate class 10 - 114 percent;

16 (XI) Rate class 11 - 118 percent; and

17 (XII) Rate classes 12 through 40 - 120 percent.

18 (B) For contributions assessed beginning July 1, 2005, through  
19 December 31, 2007, for employers whose North American industry  
20 classification system code is "111," "112," "1141," "115," "3114,"  
21 "3117," "42448," or "49312," the graduated social cost factor rate is  
22 zero.

23 (iii) For the purposes of this section:

24 (A) "Total social cost" means the amount calculated by subtracting  
25 the array calculation factor contributions paid by all employers with  
26 respect to the four consecutive calendar quarters immediately preceding  
27 the computation date and paid to the employment security department by  
28 the cut-off date from the total unemployment benefits paid to claimants  
29 in the same four consecutive calendar quarters. To calculate the flat  
30 social cost factor for rate year 2005, the commissioner shall calculate  
31 the total social cost using the array calculation factor contributions  
32 that would have been required to be paid by all employers in the  
33 calculation period if (a) of this subsection had been in effect for the  
34 relevant period.

35 (B) "Total taxable payroll" means the total amount of wages subject  
36 to tax, as determined under RCW 50.24.010, for all employers in the  
37 four consecutive calendar quarters immediately preceding the

1 computation date and reported to the employment security department by  
2 the cut-off date.

3 (c) The array calculation factor rate for each employer not  
4 qualified to be in the array shall be as follows:

5 (i) Employers who do not meet the definition of "qualified  
6 employer" by reason of failure to pay contributions when due shall be  
7 assigned an array calculation factor rate two-tenths higher than that  
8 in rate class 40, except employers who have an approved agency-deferred  
9 payment contract by September 30th of the previous rate year. If any  
10 employer with an approved agency-deferred payment contract fails to  
11 make any one of the succeeding deferred payments or fails to submit any  
12 succeeding tax report and payment in a timely manner, the employer's  
13 tax rate shall immediately revert to an array calculation factor rate  
14 two-tenths higher than that in rate class 40; and

15 (ii) For all other employers not qualified to be in the array, the  
16 array calculation factor rate shall be a rate equal to the average  
17 industry array calculation factor rate as determined by the  
18 commissioner, plus fifteen percent of that amount; however, the rate  
19 may not be less than one percent or more than the array calculation  
20 factor rate in rate class 40.

21 (d) The graduated social cost factor rate for each employer not  
22 qualified to be in the array shall be as follows:

23 (i) For employers whose array calculation factor rate is determined  
24 under (c)(i) of this subsection, the social cost factor rate shall be  
25 the social cost factor rate assigned to rate class 40 under (b)(ii) of  
26 this subsection.

27 (ii) For employers whose array calculation factor rate is  
28 determined under (c)(ii) of this subsection, the social cost factor  
29 rate shall be a rate equal to the average industry social cost factor  
30 rate as determined by the commissioner, plus fifteen percent of that  
31 amount, but not more than the social cost factor rate assigned to rate  
32 class 40 under (b)(ii) of this subsection.

33 (3) Assignment of employers by the commissioner to industrial  
34 classification, for purposes of this section, shall be in accordance  
35 with established classification practices found in the "Standard  
36 Industrial Classification Manual" issued by the federal office of  
37 management and budget to the third digit provided in the standard



1 industrial classification code, or in the North American industry  
2 classification system code.

3 (4) Notwithstanding anything to the contrary, the department's goal  
4 is to maintain, at all times, eleven to thirteen months of unemployment  
5 insurance benefits in the unemployment compensation fund. Beginning  
6 January 1, 2008, the department shall adjust the contribution rates,  
7 including the array calculation factor and the social cost factor rates  
8 on an annual basis to accomplish this goal. The department shall  
9 maintain the same proportionate shares of these rates that exist  
10 between each rate class as of the effective date of this act. In no  
11 circumstance may the department set contribution rates that exceed the  
12 maximum rates allowed under subsection (2)(b)(ii)(A) of this section,  
13 nor may the department set the maximum tax rate below the minimum  
14 maximum tax rate required by the federal department of labor. The  
15 department shall accomplish this goal through rule and shall report to  
16 the legislature annually, before the rates are adjusted.

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