
SUBSTITUTE HOUSE BILL 2603

State of Washington

52nd Legislature

1992 Regular Session

By House Committee on Trade & Economic Development (originally sponsored by Representatives Ebersole, Winsley, Sheldon, Jacobsen, Moyer, Ferguson, Dorn, Cantwell, Rasmussen, Jones, Franklin, Rayburn, Roland, Paris, Wang and J. Kohl)

Read first time 02/07/92.

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

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

18 (1) A reserve tax is imposed on all covered employers required to
19 pay under RCW 50.24.010. The reserve tax is due and payable at the
20 same time and in the same manner as contributions under this chapter.
21 The reserve tax rate class for all qualified employers shall be equal
22 to the rate class for each employer in the array, as determined under
23 RCW 50.29.025(5). The reserve tax schedule in effect for all qualified
24 employers shall be equal to the tax schedule in effect during the rate
25 year, as determined under RCW 50.29.025(2). The reserve tax rate for
26 all qualified employers is specified in the following table and is to
27 be in effect during the rate year:

28 Percent of

1 Cumulative Schedules of Contributions Rates for
 2 Taxable Payrolls Effective Tax Schedule

3	Rate								
4	From	To	Class	A	B	C	D	E	F
5	0.00	5.00	1	0.096	0.116	0.196	0.296	0.376	0.496
6	5.01	10.00	2	0.096	0.156	0.236	0.336	0.416	0.536
7	10.01	15.00	3	0.116	0.196	0.276	0.356	0.456	0.576
8	15.01	20.00	4	0.156	0.236	0.316	0.396	0.496	0.616
9	20.01	25.00	5	0.196	0.276	0.356	0.436	0.536	0.636
10	25.01	30.00	6	0.236	0.316	0.396	0.476	0.556	0.656
11	30.01	35.00	7	0.276	0.356	0.436	0.516	0.596	0.676
12	35.01	40.00	8	0.316	0.396	0.476	0.556	0.636	0.716
13	40.01	45.00	9	0.356	0.436	0.516	0.596	0.676	0.756
14	45.01	50.00	10	0.396	0.476	0.556	0.636	0.716	0.796
15	50.01	55.00	11	0.456	0.516	0.596	0.676	0.756	0.816
16	55.01	60.00	12	0.496	0.556	0.636	0.716	0.796	0.856
17	60.01	65.00	13	0.536	0.596	0.676	0.756	0.836	0.896
18	65.01	70.00	14	0.576	0.636	0.716	0.796	0.876	0.936
19	70.01	75.00	15	0.616	0.676	0.756	0.836	0.916	0.956
20	75.01	80.00	16	0.656	0.716	0.796	0.876	0.936	0.976
21	80.01	85.00	17	0.696	0.756	0.836	0.916	0.976	0.996
22	85.01	90.00	18	0.776	0.836	0.916	0.976	0.996	1.036
23	90.01	95.00	19	0.856	0.916	0.996	1.016	1.036	1.076
24	95.01	100.00	20	0	0	0	0	0	0

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

1 (3) The terms and conditions of the provisions of this title that
2 apply to the payment and collection of contributions also apply to the
3 payment and collection of the reserve tax imposed under this section.
4 Moneys collected from an employer delinquent in paying reserve taxes
5 shall first be applied to pay any penalty and interest imposed under
6 the provisions of this title and shall then be applied pro rata to pay
7 delinquent contributions to the employment security reserve fund
8 created in section 1 of this act. Interest and penalties collected
9 under this section shall be paid into the administrative contingency
10 fund, and interest or penalties refunded under this subsection shall be
11 paid out of the same fund. Reserve taxes paid under this section may
12 not be deducted in whole or in part by any employer from the wages of
13 individuals in its employ. Reserve taxes collected under this section
14 shall be deposited into the employment security reserve fund
15 established in section 1 of this act.

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

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

27 (2) If the employment security reserve fund balance ratio,
28 expressed as a percentage, exceeds two percent on December 31st, any

1 amount in excess of two percent shall be transferred to the
2 unemployment compensation fund.

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

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

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

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

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

1 to be gainfully employed. Other programs may be funded as determined
2 by the board in accordance with the board's duties as specified in RCW
3 28C.18.060(4).

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

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

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

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

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

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

26 (1) A fund balance ratio shall be determined by dividing the
27 balance in the unemployment compensation fund as of the June 30th
28 immediately preceding the rate year by the total remuneration paid by

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

6 (2) The fund balance ratio, expressed as a percentage, shall be
7 increased by 1.20 to determine the adjusted fund balance ratio.
8 However, the increase for rate years 1993 and 1994 shall be 0.00 and
9 for rate year 1995 shall be 0.40. The increase for rate year 1996
10 shall be 0.60 and for rate year 1997 shall be 1.00.

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

16	Interval of the <u>Adjusted</u>	
17	Fund Balance Ratio	Effective
18	Expressed as a Percentage	Tax Schedule
19	3.40 and above	A
20	2.90 to 3.39	B
21	2.40 to 2.89	C
22	1.90 to 2.39	D
23	1.40 to 1.89	E
24	Less than 1.40	F

25 ~~((+3))~~ (4) An array shall be prepared, listing all qualified
26 employers in ascending order of their benefit ratios. The array shall
27 show for each qualified employer: (a) Identification number; (b)

1 benefit ratio; (c) taxable payrolls for the four calendar quarters
 2 immediately preceding the computation date and reported to the
 3 department by the cut-off date; (d) a cumulative total of taxable
 4 payrolls consisting of the employer's taxable payroll plus the taxable
 5 payrolls of all other employers preceding him or her in the array; and
 6 (e) the percentage equivalent of the cumulative total of taxable
 7 payrolls.

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

15 ~~((5))~~ (6) The contribution rate for each employer in the array
 16 shall be the rate specified in the following table for the rate class
 17 to which he or she has been assigned, as determined under subsection
 18 ~~((4))~~ (5) of this section, within the tax schedule which is to be in
 19 effect during the rate year:

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

1				<u>0.384</u>	<u>0.624</u>	<u>0.944</u>	<u>1.344</u>	<u>1.664</u>	<u>2.144</u>
2	10.01	15.00	3	((0.58	0.98	1.38	1.78	2.28	2.88))
3				<u>0.464</u>	<u>0.784</u>	<u>1.104</u>	<u>1.424</u>	<u>1.824</u>	<u>2.304</u>
4	15.01	20.00	4	((0.78	1.18	1.58	1.98	2.48	3.08))
5				<u>0.624</u>	<u>0.944</u>	<u>1.264</u>	<u>1.584</u>	<u>1.984</u>	<u>2.464</u>
6	20.01	25.00	5	((0.98	1.38	1.78	2.18	2.68	3.18))
7				<u>0.784</u>	<u>1.104</u>	<u>1.424</u>	<u>1.744</u>	<u>2.144</u>	<u>2.544</u>
8	25.01	30.00	6	((1.18	1.58	1.98	2.38	2.78	3.28))
9				<u>0.944</u>	<u>1.264</u>	<u>1.584</u>	<u>1.904</u>	<u>2.224</u>	<u>2.624</u>
10	30.01	35.00	7	((1.38	1.78	2.18	2.58	2.98	3.38))
11				<u>1.104</u>	<u>1.424</u>	<u>1.744</u>	<u>2.064</u>	<u>2.384</u>	<u>2.704</u>
12	35.01	40.00	8	((1.58	1.98	2.38	2.78	3.18	3.58))
13				<u>1.264</u>	<u>1.584</u>	<u>1.904</u>	<u>2.224</u>	<u>2.544</u>	<u>2.864</u>
14	40.01	45.00	9	((1.78	2.18	2.58	2.98	3.38	3.78))
15				<u>1.424</u>	<u>1.744</u>	<u>2.064</u>	<u>2.384</u>	<u>2.704</u>	<u>3.024</u>
16	45.01	50.00	10	((1.98	2.38	2.78	3.18	3.58	3.98))
17				<u>1.584</u>	<u>1.904</u>	<u>2.224</u>	<u>2.544</u>	<u>2.864</u>	<u>3.184</u>
18	50.01	55.00	11	((2.28	2.58	2.98	3.38	3.78	4.08))
19				<u>1.824</u>	<u>2.064</u>	<u>2.384</u>	<u>2.704</u>	<u>3.024</u>	<u>3.264</u>
20	55.01	60.00	12	((2.48	2.78	3.18	3.58	3.98	4.28))
21				<u>1.984</u>	<u>2.224</u>	<u>2.544</u>	<u>2.864</u>	<u>3.184</u>	<u>3.424</u>
22	60.01	65.00	13	((2.68	2.98	3.38	3.78	4.18	4.48))
23				<u>2.144</u>	<u>2.384</u>	<u>2.704</u>	<u>3.024</u>	<u>3.344</u>	<u>3.584</u>
24	65.01	70.00	14	((2.88	3.18	3.58	3.98	4.38	4.68))
25				<u>2.304</u>	<u>2.544</u>	<u>2.864</u>	<u>3.184</u>	<u>3.504</u>	<u>3.744</u>
26	70.01	75.00	15	((3.08	3.38	3.78	4.18	4.58	4.78))
27				<u>2.464</u>	<u>2.704</u>	<u>3.024</u>	<u>3.344</u>	<u>3.664</u>	<u>3.824</u>
28	75.01	80.00	16	((3.28	3.58	3.98	4.38	4.68	4.88))
29				<u>2.624</u>	<u>2.864</u>	<u>3.184</u>	<u>3.504</u>	<u>3.744</u>	<u>3.904</u>
30	80.01	85.00	17	((3.48	3.78	4.18	4.58	4.88	4.98))

1				<u>2.784</u>	<u>3.024</u>	<u>3.344</u>	<u>3.664</u>	<u>3.904</u>	<u>3.984</u>
2	85.01	90.00	18	((3.88	4.18	4.58	4.88	4.98	5.18))
3				<u>3.104</u>	<u>3.344</u>	<u>3.664</u>	<u>3.904</u>	<u>3.984</u>	<u>4.144</u>
4	90.01	95.00	19	((4.28	4.58	4.98	5.08	5.18	5.38))
5				<u>3.424</u>	<u>3.664</u>	<u>3.984</u>	<u>4.064</u>	<u>4.144</u>	<u>4.304</u>
6	95.01	100.00	20	5.40	5.40	5.40	5.40	5.40	5.40

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

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

19 (b) The contribution rate for employers exempt as of December 31,
20 1989, who are newly covered under the section 78, chapter 380, Laws of
21 1989 amendment to RCW 50.04.150 and not yet qualified to be in the
22 array shall be ~~((2.5))~~ 2.0 percent for employers whose standard
23 industrial code is "013", "016", "017", "018", "019", "021", or "081";
24 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

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

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

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

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

1 condition to the receipt of federal funds by the state or the granting
2 of federal unemployment tax credits to employers in this state.

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

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