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SENATE BILL 5925

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State of Washington

54th Legislature

1995 Regular Session

By Senator Pelz

Read first time 02/14/95. Referred to Committee on Labor, Commerce & Trade.

1 AN ACT Relating to determining unemployment insurance compensation  
2 rates; amending RCW 50.29.025; reenacting and amending RCW 50.29.025;  
3 creating a new section; providing an effective date; providing an  
4 expiration date; and declaring an emergency.

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

6 **Sec. 1.** RCW 50.29.025 and 1993 c 483 s 21 and 1993 c 226 s 13 are  
7 each reenacted and amended to read as follows:

8 The contribution rate for each employer shall be determined under  
9 this section.

10 (1) A fund balance ratio shall be determined by dividing the  
11 balance in the unemployment compensation fund as of the June 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 (2) The interval of the fund balance ratio, expressed as a  
19 percentage, shall determine which tax schedule in subsection (5) of

1 this section shall be in effect for assigning tax rates for the rate  
2 year except that during rate year 1995 tax schedule AA shall be in  
3 effect. The intervals for determining the effective tax schedule shall  
4 be:

5	Interval of the	Effective
6	Fund Balance Ratio	Tax Schedule
7	Expressed as a Percentage	
8	<del>((3.90))</del> <u>2.90</u> and above	AA
9	<del>((3.40 to 3.89))</del> <u>2.50 to 2.89</u>	A
10	<del>((2.90 to 3.39))</del> <u>2.10 to 2.49</u>	B
11	<del>((2.40 to 2.89))</del> <u>1.60 to 2.09</u>	C
12	<del>((1.90 to 2.39))</del> <u>1.10 to 1.59</u>	D
13	<del>((1.40 to 1.89))</del> <u>0.60 to 1.09</u>	E
14	Less than <del>((1.40))</del> <u>0.60</u>	F

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

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

31 (5) The contribution rate for each employer in the array shall be  
32 the rate specified in the following table for the rate class to which  
33 he or she has been assigned, as determined under subsection (4) of this  
34 section, within the tax schedule which is to be in effect during the  
35 rate year:

Percent of Cumulative Taxable Payrolls (Rate)										
Schedule of Contribution Rates for Effective Tax Schedule										
From	To	Class	AA	A	B	C	D	E	F	
0.00	5.00	1	0.48	0.36	0.46	0.86	1.36	1.76	2.36	
5.01	10.00	2	0.48	0.36	0.66	1.06	1.56	1.96	2.56	
10.01	15.00	3	0.58	0.46	0.86	1.26	1.66	2.16	2.76	
15.01	20.00	4	0.58	0.66	1.06	1.46	1.86	2.36	2.96	
20.01	25.00	5	0.78	0.86	1.26	1.66	2.06	2.56	3.06	
25.01	30.00	6	0.98	1.06	1.46	1.86	2.26	2.66	3.16	
30.01	35.00	7	1.08	1.26	1.66	2.06	2.46	2.86	3.26	
35.01	40.00	8	1.28	1.46	1.86	2.26	2.66	3.06	3.46	
40.01	45.00	9	1.48	1.66	2.06	2.46	2.86	3.26	3.66	
45.01	50.00	10	1.68	1.86	2.26	2.66	3.06	3.46	3.86	
50.01	55.00	11	1.98	2.16	2.46	2.86	3.26	3.66	3.96	
55.01	60.00	12	2.18	2.36	2.66	3.06	3.46	3.86	4.16	
60.01	65.00	13	2.38	2.56	2.86	3.26	3.66	4.06	4.36	
65.01	70.00	14	2.58	2.76	3.06	3.46	3.86	4.26	4.56	
70.01	75.00	15	2.88	2.96	3.26	3.66	4.06	4.46	4.66	
75.01	80.00	16	3.08	3.16	3.46	3.86	4.26	4.56	4.76	
80.01	85.00	17	3.28	3.36	3.66	4.06	4.46	4.76	4.86	
85.01	90.00	18	3.68	3.76	4.06	4.46	4.76	4.86	5.06	
90.01	95.00	19	4.08	4.16	4.46	4.86	4.96	5.06	5.26	
95.01	100.00	20	5.40	5.40	5.40	5.40	5.40	5.40	5.40	

Rate										
From	To	Class	AA	A	B	C	D	E	F	
0.00	5.00	1	0.36	0.36	0.46	0.86	1.36	1.76	2.36	
5.01	10.00	2	0.36	0.36	0.66	1.06	1.56	1.96	2.56	
10.01	15.00	3	0.46	0.46	0.86	1.26	1.66	2.16	2.76	
15.01	20.00	4	0.46	0.66	1.06	1.46	1.86	2.36	2.96	
20.01	25.00	5	0.66	0.86	1.26	1.66	2.06	2.56	3.06	
25.01	30.00	6	0.86	1.06	1.46	1.86	2.26	2.66	3.16	
30.01	35.00	7	0.96	1.26	1.66	2.06	2.46	2.86	3.26	
35.01	40.00	8	1.16	1.46	1.86	2.26	2.66	3.06	3.46	
40.01	45.00	9	1.36	1.66	2.06	2.46	2.86	3.26	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	1.86	2.16	2.46	2.86	3.26	3.66	3.96	
55.01	60.00	12	2.06	2.36	2.66	3.06	3.46	3.86	4.16	
60.01	65.00	13	2.26	2.56	2.86	3.26	3.66	4.06	4.36	
65.01	70.00	14	2.46	2.76	3.06	3.46	3.86	4.26	4.56	
70.01	75.00	15	2.76	2.96	3.26	3.66	4.06	4.46	4.66	
75.01	80.00	16	2.96	3.16	3.46	3.86	4.26	4.56	4.76	
80.01	85.00	17	3.16	3.36	3.66	4.06	4.46	4.76	4.86	
85.01	90.00	18	3.56	3.76	4.06	4.46	4.76	4.86	5.06	
90.01	95.00	19	3.96	4.16	4.46	4.86	4.96	5.06	5.26	

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

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

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

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

**Sec. 2.** RCW 50.29.025 and 1995 c . . . s 1 (section 1 of this act) are each amended to read as follows:

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

(1) A fund balance ratio shall be determined by dividing the balance in the unemployment compensation fund as of the June 30th immediately preceding the rate year by the total remuneration paid by all employers subject to contributions during the second calendar year preceding the rate year and reported to the department by the following March 31st. The division shall be carried to the fourth decimal place

1 with the remaining fraction, if any, disregarded. The fund balance  
2 ratio shall be expressed as a percentage.

3 (2) The interval of the fund balance ratio, expressed as a  
4 percentage, shall determine which tax schedule in subsection (5) of  
5 this section shall be in effect for assigning tax rates for the rate  
6 year (~~except that during rate year 1995 tax schedule AA shall be in~~  
7 ~~effect~~). The intervals for determining the effective tax schedule  
8 shall be:

9	Interval of the	
10	Fund Balance Ratio	Effective
11	Expressed as a Percentage	Tax Schedule
12	<del>((2.90))</del> <u>3.90</u> and above	AA
13	<del>((2.50 to 2.89))</del> <u>3.40 to 3.89</u>	A
14	<del>((2.10 to 2.49))</del> <u>2.90 to 3.39</u>	B
15	<del>((1.60 to 2.09))</del> <u>2.40 to 2.89</u>	C
16	<del>((1.10 to 1.59))</del> <u>1.90 to 2.39</u>	D
17	<del>((0.60 to 1.09))</del> <u>1.40 to 1.89</u>	E
18	Less than <del>((0.60))</del> <u>1.40</u>	F

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

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

35 (5) The contribution rate for each employer in the array shall be  
36 the rate specified in the following table for the rate class to which  
37 he or she has been assigned, as determined under subsection (4) of this

1 section, within the tax schedule which is to be in effect during the  
 2 rate year:

	Percent of		Schedule of Contribution Rates								
	Cumulative		for Effective Tax Schedule								
	Taxable Payrolls		Rate								
	From	To	Class	AA	A	B	C	D	E	F	
8	0.00	5.00	1	0.36	0.36	0.46	0.86	1.36	1.76	2.36	
9	5.01	10.00	2	0.36	0.36	0.66	1.06	1.56	1.96	2.56	
10	10.01	15.00	3	0.46	0.46	0.86	1.26	1.66	2.16	2.76	
11	15.01	20.00	4	0.46	0.66	1.06	1.46	1.86	2.36	2.96	
12	20.01	25.00	5	0.66	0.86	1.26	1.66	2.06	2.56	3.06	
13	25.01	30.00	6	0.86	1.06	1.46	1.86	2.26	2.66	3.16	
14	30.01	35.00	7	0.96	1.26	1.66	2.06	2.46	2.86	3.26	
15	35.01	40.00	8	1.16	1.46	1.86	2.26	2.66	3.06	3.46	
16	40.01	45.00	9	1.36	1.66	2.06	2.46	2.86	3.26	3.66	
17	45.01	50.00	10	1.56	1.86	2.26	2.66	3.06	3.46	3.86	
18	50.01	55.00	11	1.86	2.16	2.46	2.86	3.26	3.66	3.96	
19	55.01	60.00	12	2.06	2.36	2.66	3.06	3.46	3.86	4.16	
20	60.01	65.00	13	2.26	2.56	2.86	3.26	3.66	4.06	4.36	
21	65.01	70.00	14	2.46	2.76	3.06	3.46	3.86	4.26	4.56	
22	70.01	75.00	15	2.76	2.96	3.26	3.66	4.06	4.46	4.66	
23	75.01	80.00	16	2.96	3.16	3.46	3.86	4.26	4.56	4.76	
24	80.01	85.00	17	3.16	3.36	3.66	4.06	4.46	4.76	4.86	
25	85.01	90.00	18	3.56	3.76	4.06	4.46	4.76	4.86	5.06	
26	90.01	95.00	19	3.96	4.16	4.46	4.86	4.96	5.06	5.26	
27	95.01	100.00	20	5.40	5.40	5.40	5.40	5.40	5.40	5.40	

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

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

40 (b) The contribution rate for employers exempt as of December 31,  
 41 1989, who are newly covered under the section 78, chapter 380, Laws of

1 1989 amendment to RCW 50.04.150 and not yet qualified to be in the  
2 array shall be 2.5 percent for employers whose standard industrial code  
3 is "013", "016", "017", "018", "019", "021", or "081"; and

4 (c) For all other employers not qualified to be in the array, the  
5 contribution rate shall be a rate equal to the average industry rate as  
6 determined by the commissioner; however, the rate may not be less than  
7 one percent. Assignment of employers by the commissioner to industrial  
8 classification, for purposes of this subsection, shall be in accordance  
9 with established classification practices found in the "Standard  
10 Industrial Classification Manual" issued by the federal office of  
11 management and budget to the third digit provided in the Standard  
12 Industrial Classification code.

13 NEW SECTION. **Sec. 3.** (1) The employment security department in  
14 consultation with the senate and house of representatives standing  
15 committees shall undertake a study of the unemployment insurance trust  
16 fund and the financing provisions of the state's unemployment insurance  
17 law. The study shall examine:

18 (a) The historical costs of the state's unemployment program and  
19 provide estimates of the expected future costs of the program at  
20 average and recession levels;

21 (b) The ability of the current financing system along with other  
22 system models to meet expected average costs for the remainder of this  
23 decade and into the next century;

24 (c) The ability of the system to provide for a trust fund capable  
25 of paying benefits during projected future recessions; and

26 (d) The advantages and disadvantages of modifying the existing  
27 funding mechanism.

28 (2) The department may contract with a consulting firm in order to  
29 perform the study under this section.

30 (3) The department shall report to the legislature on the findings  
31 of its study, including recommendations for changes, if any, in the  
32 current financing provisions. The department shall deliver its final  
33 report to the legislature by January 1, 1996.

34 NEW SECTION. **Sec. 4.** (1) Section 1 of this act is necessary for  
35 the immediate preservation of the public peace, health, or safety, or  
36 support of the state government and its existing public institutions,  
37 and shall take effect immediately.

1 (2) Section 2 of this act shall take effect December 31, 1996.

2 NEW SECTION. **Sec. 5.** Section 2 of this act shall expire January  
3 1, 1998.

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