S-1317.3

SUBSTITUTE SENATE BILL 5252

State of Washington 56th Legislature 1999 Regular Session

By Senate Committee on Labor & Workforce Development (originally sponsored by Senators Fraser, Franklin, Kline and Prentice)

Read first time 03/01/1999.

AN ACT Relating to wage claims and collection; amending RCW 49.46.100, 49.48.020, 49.48.040, 49.48.050, 49.48.060, 49.48.070, 49.48.080, 43.84.092, and 43.84.092; adding new sections to chapter 49.48 RCW; creating a new section; prescribing penalties; providing an 5 effective date; and providing an expiration date.

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

7 <u>NEW SECTION.</u> Sec. 1. The legislature finds that over twenty-five thousand state residents per year file cases and complaints with the 8 department of labor and industries alleging they have been denied 9 10 payment for work they performed. Each month an average of over one million dollars in back wages is sought by workers. The legislature 11 12 further finds that greater enforcement of and compliance with minimum wage and wage payment laws is essential. The legislature intends that 13 14 interest on back wages may be assessed and civil penalties may be 15 imposed against employers that fail to comply with minimum wage and 16 wage payment laws. The legislature further intends that any such 17 penalties be deposited in a dedicated account, and be used by the department of labor and industries to administer and enforce wage 18 19 payment laws.

<u>NEW SECTION.</u> Sec. 2. A new section is added to chapter 49.48 RCW
 to read as follows:

3 (1) Every employer shall establish and maintain a regular payday,4 when all employees shall be paid the wages due them.

(2) The regular payday shall be at least once per month.

6 (3) This section does not prevent the employer from establishing 7 and maintaining regular paydays at more frequent intervals.

8 (4) This section does not prevent the employer from implementing a 9 regular payroll system in which wages from up to seven days before the 10 regular payday may be withheld from the covered pay period and included 11 in the next pay period.

12 (5) This section does not prevent any employer from entering into 13 a written agreement, prior to the rendering of any services, and 14 mutually satisfactory with the employees, as to the payment of wages at 15 a future date.

16 **Sec. 3.** RCW 49.46.100 and 1959 c 294 s 10 are each amended to read 17 as follows:

18 (1) Any employer who hinders or delays the director or ((his)) the 19 <u>director's</u> authorized representatives in the performance of ((his)) the director's duties in the enforcement of this chapter, or refuses to 20 admit the director or ((his)) the director's authorized representatives 21 to any place of employment, or fails to make, keep, and preserve any 22 23 records as required under the provisions of this chapter, or falsifies 24 any such record, or refuses to make any record accessible to the 25 director or ((his)) the director's authorized representatives upon demand, or refuses to furnish a sworn statement of such record or any 26 other information required for the proper enforcement of this chapter 27 to the director or ((his)) the director's authorized representatives 28 29 upon demand((, or pays or agrees to pay wages at a rate less than the rate applicable under this chapter, or otherwise violates any provision 30 of this chapter or of any regulation issued under this chapter)) shall 31 be deemed in violation of this chapter and shall((, upon conviction 32 therefor, be guilty of a gross misdemeanor. 33

34 (2) Any)) be assessed a civil penalty of not more than one thousand
 35 dollars depending on the size of the business and the gravity of the
 36 violation.

37 (2)(a) An employer who pays or agrees to pay wages at a rate less
 38 than the rate applicable under this chapter or any rule or order

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adopted under this chapter may be assessed civil penalties of an amount
 equal to twenty percent of the wage violation.

3 (b) An employer who willfully or repeatedly pays or agrees to pay 4 wages at a rate less than the rate applicable under this chapter or a 5 rule or order adopted under this chapter is in violation of this 6 chapter, and upon conviction, is guilty of a gross misdemeanor.

7 (c) An employer who fails to pay wages due as required by this
8 chapter may be assessed civil penalties of:

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(i) Fifty dollars for each failure to pay each worker; and

(ii) For each subsequent violation, or any willful or intentional
 violation, one hundred dollars for each failure to pay each worker,
 plus twenty-five percent of the amount of wages unlawfully withheld.

(d) An employer who does not pay all wages owed within seventy-two
 hours of an order issued by the department under RCW 49.48.040(1)(c)
 shall, in addition to any other applicable penalty, be assessed a civil
 penalty equal to three times the amount of wages due and not paid.

(3) Upon a finding by the director that an employer who discharges 17 18 or in any other manner discriminates against any employee because such 19 employee has made any complaint to ((his)) the employer, to the director, or ((his)) the director's authorized representatives that 20 ((he has not been paid)) wages have not been paid in accordance with 21 the provisions of this chapter, or that the employer has violated any 22 provision of this chapter, or because such employee has caused to be 23 24 instituted or is about to cause to be instituted any proceeding under or related to this chapter, or because such employee has testified or 25 26 is about to testify in any such proceeding ((shall be deemed in violation of this chapter and shall, upon conviction therefor, be 27 guilty of a gross misdemeanor)), the director may require an employer 28 29 who has discharged or discriminated against an employee in violation of 30 this chapter to reinstate the employee to the same position with back pay and interest of up to one percent per month. 31

32 (4) Civil penalties imposed under this chapter shall be paid to the 33 director for deposit in the wage claim collection account. Civil 34 penalties may be recovered and other civil remedies authorized by this 35 chapter may be enforced in a civil action in the name of the department 36 brought in the superior court of the county where the violation is 37 alleged to have occurred, or the department may use the procedures for 38 collection of wages set forth in chapter 49.48 RCW. 1 Sec. 4. RCW 49.48.020 and 1971 ex.s. c 55 s 2 are each amended to
2 read as follows:

Any person, firm, or corporation which violates any of the provisions of ((RCW 49.48.010 through 49.48.030 and 49.48.060 shall be)) this chapter is guilty of a misdemeanor.

6 **Sec. 5.** RCW 49.48.040 and 1987 c 172 s 1 are each amended to read 7 as follows:

8 (1) The department of labor and industries ((may)) shall:

9 (a) Upon obtaining information indicating an employer may be 10 committing a violation under chapter((s)) 39.12, 49.46, ((and)) <u>or</u> 11 49.48 RCW, conduct investigations to ensure compliance with chapters 12 39.12, 49.46, and 49.48 RCW;

(b) <u>Upon completing an investigation, issue a written</u>
 <u>determination, including findings of fact, as to the alleged violation</u>
 <u>of this chapter or chapter 39.12 or 49.46 RCW:</u>

16 (c) Upon determining that a violation of this chapter or chapter 17 <u>39.12 or 49.46 RCW has occurred, order the payment of all wages owed</u> 18 the workers, including interest of up to one percent per month on back 19 <u>wages owed</u>, and institute actions necessary for the collection of the 20 sums determined owed; and

21 (((c))) (d) Take assignments of wage claims and prosecute actions 22 for the collection of wages ((of persons who are financially unable to 23 employ counsel)), and interest of up to one percent per month on back 24 wages owed when in the judgment of the director of the department the 25 claims are valid and enforceable in the courts, unless the workers 26 cancel such assignments or prosecute such actions with the assistance 27 of independent legal counsel or pro se.

(2) The director of the department or any authorized representative 28 29 may, for the purpose of carrying out ((RCW 49.48.040 through 49.48.080)) this chapter: (a) Issue subpoenas to compel the attendance 30 of witnesses or parties and the production of books, papers, or 31 records; (b) administer oaths and examine witnesses under oath; (c) 32 33 take the verification of proof of instruments of writing; and (d) take 34 depositions and affidavits. If assignments for wage claims are taken, court costs shall not be payable by the department for prosecuting such 35 36 suits.

37 (3) The director shall have a seal inscribed "Department of Labor38 and Industries--State of Washington" and all courts shall take judicial

notice of such seal. Obedience to subpoenas issued by the director or
 authorized representative shall be enforced by the courts in any
 county.

4 (4) The director or authorized representative shall have free access to all places and works of labor. Any employer or any agent or 5 employee of such employer who refuses the director or authorized 6 7 representative admission therein, or who, when requested by the 8 director or authorized representative, willfully neglects or refuses to 9 furnish the director or authorized representative any statistics or 10 information pertaining to ((his or her)) the lawful duties of the employee or agent, which statistics or information may be in ((his or 11 her)) the possession or under the control of the employer or agent, 12 13 shall be guilty of a misdemeanor.

14 (5) An action for relief under this section shall be commenced 15 within three years after the cause of action accrues, unless a longer 16 period of time applies under law.

17 **Sec. 6.** RCW 49.48.050 and 1935 c 96 s 2 are each amended to read 18 as follows:

Nothing herein contained shall be construed to limit the authority of the prosecuting attorney of any county to prosecute actions, both civil and criminal, for ((such)) violations of ((RCW 49.48.040 through 49.48.080 as may come to his knowledge)) this chapter, or to enforce the provisions ((hereof)) of this chapter independently and without specific direction of the director of labor and industries.

25 **Sec. 7.** RCW 49.48.060 and 1971 ex.s. c 55 s 4 are each amended to 26 read as follows:

27 (1) If upon investigation by the director, after taking assignments 28 of any wage claim under RCW 49.48.040, it appears to the director that 29 the employer is representing to ((his)) employees that ((he)) the employer is able to pay wages for their services and that the employees 30 31 are not being paid for their services or if the director determines an 32 employer has repeatedly violated the provisions of this chapter or chapter 39.12 or 49.46 RCW, requiring payment of wages, the director 33 may require the employer to give a bond in such sum as the director 34 35 deems reasonable and adequate in the circumstances, with sufficient 36 surety, conditioned that the employer will for a definite future period

not exceeding six months conduct ((his)) business and pay ((his))
 employees in accordance with the laws of the state of Washington.

3 (2) If within ten days after demand for such bond the employer 4 fails to provide the same, the director may commence a suit against the 5 employer in the superior court of appropriate jurisdiction to compel 6 ((him)) the employer to furnish such bond or cease doing business until 7 ((he)) the employer has done so. The employer shall have the burden of 8 proving the amount thereof to be excessive.

9 (3) If the court finds that there is just cause for requiring such 10 bond and that the same is reasonable, necessary or appropriate to secure ((the)) prompt payment of the wages of the employees of such 11 employer and ((his)) compliance with ((RCW 49.48.010 through 12 49.48.080)) this chapter, the court shall enjoin such employer from 13 doing business in this state until the requirement is met, or shall 14 15 make other, and may make further, orders appropriate to compel 16 compliance with the requirement.

17 Upon being informed of a wage claim against an employer or former employer, the director shall, if such claim appears to be just, 18 19 immediately notify the employer or former employer, of such claim by 20 mail. If the employer or former employer fails to pay the claim or make satisfactory explanation to the director of ((his)) the failure to 21 do so, within thirty days thereafter, the employer or former employer 22 23 shall be liable to a penalty of ((ten)) twenty percent of that portion 24 of the claim found to be justly due. The director shall have a cause 25 of action against the employer or former employer for the recovery of 26 such penalty, and the same may be included in any subsequent action by 27 the director on said wage claim, or may be exercised separately after adjustment of such wage claim without court action. 28

29 <u>NEW SECTION.</u> Sec. 8. A new section is added to chapter 49.48 RCW 30 to read as follows:

The wage claim collection account is created in the custody of the 31 32 state treasurer. All monetary penalties collected under this chapter 33 shall be deposited into the account. Expenditures from the account may 34 be used only for the purposes of administering and enforcing this chapter. Only the director or the director's designee may authorize 35 36 expenditures from the account. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not 37 38 required for expenditures.

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1 **Sec. 9.** RCW 49.48.070 and 1935 c 96 s 4 are each amended to read 2 as follows:

3 It shall be the duty of the director of labor and industries to 4 inquire diligently for any violations of ((RCW 49.48.040 through 5 49.48.080)) this chapter, and to institute the actions for penalties 6 herein provided, and to enforce generally the provisions of ((RCW 7 49.48.040 through 49.48.080)) this chapter.

8 **Sec. 10.** RCW 49.48.080 and 1935 c 96 s 5 are each amended to read 9 as follows:

Nothing in ((RCW 49.48.040 through 49.48.080)) this chapter except RCW 49.48.115 and 49.48.120 shall apply to the payment of wages or compensation of employees directly employed by any county, incorporated city or town, or other municipal corporation. Nor shall anything ((herein)) in this chapter except RCW 49.48.115 and 49.48.120 apply to employees, directly employed by the state, any department, bureau, office, board, commission or institution hereof.

17 **Sec. 11.** RCW 43.84.092 and 1997 c 218 s 5 are each amended to read 18 as follows:

(1) All earnings of investments of surplus balances in the state
treasury shall be deposited to the treasury income account, which
account is hereby established in the state treasury.

22 (2) The treasury income account shall be utilized to pay or receive 23 funds associated with federal programs as required by the federal cash 24 management improvement act of 1990. The treasury income account is 25 subject in all respects to chapter 43.88 RCW, but no appropriation is 26 required for refunds or allocations of interest earnings required by 27 the cash management improvement act. Refunds of interest to the 28 federal treasury required under the cash management improvement act 29 fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or 30 31 from the federal government pursuant to the cash management improvement 32 act. The office of financial management may direct transfers of funds 33 between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or 34 35 allocations shall occur prior to the distributions of earnings set 36 forth in subsection (4) of this section.

(3) Except for the provisions of RCW 43.84.160, the treasury income 1 2 account may be utilized for the payment of purchased banking services 3 on behalf of treasury funds including, but not limited to, depository, 4 safekeeping, and disbursement functions for the state treasury and 5 affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for 6 7 payments to financial institutions. Payments shall occur prior to 8 distribution of earnings set forth in subsection (4) of this section. 9 (4) Monthly, the state treasurer shall distribute the earnings 10 credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury 11

12 income account except:

13 The following accounts and funds shall receive their (a) proportionate share of earnings based upon each account's and fund's 14 15 average daily balance for the period: The capitol building 16 construction account, the Cedar River channel construction and 17 operation account, the Central Washington University capital projects account, the charitable, educational, penal 18 and reformatory 19 institutions account, the common school construction fund, the county criminal justice assistance account, the county sales and use tax 20 equalization account, the data processing building construction 21 22 account, the deferred compensation administrative account, the deferred 23 compensation principal account, the department of retirement systems 24 expense account, the drinking water assistance account, the Eastern 25 Washington University capital projects account, the education 26 construction fund, the emergency reserve fund, the federal forest revolving account, the health services account, the public health 27 services account, the health system capacity account, the personal 28 29 health services account, the highway infrastructure account, the 30 industrial insurance premium refund account, the judges' retirement account, the judicial retirement administrative account, the judicial 31 retirement principal account, the local leasehold excise tax account, 32 the local real estate excise tax account, the local sales and use tax 33 34 account, the medical aid account, the mobile home park relocation fund, 35 the municipal criminal justice assistance account, the municipal sales and use tax equalization account, the natural resources deposit 36 37 account, the perpetual surveillance and maintenance account, the public employees' retirement system plan I account, the public employees' 38 39 retirement system plan II account, the Puyallup tribal settlement

account, the resource management cost account, the site closure 1 2 account, the special wildlife account, the state employees' insurance account, the state employees' insurance reserve account, the state 3 4 investment board expense account, the state investment board commingled 5 trust fund accounts, the supplemental pension account, the teachers' retirement system plan I account, the teachers' retirement system plan 6 7 II account, the transportation infrastructure account, the tuition 8 recovery trust fund, the University of Washington bond retirement fund, 9 the University of Washington building account, the volunteer fire 10 fighters' relief and pension principal account, the volunteer fire 11 fighters' relief and pension administrative account, the wage claim 12 collection account, the Washington judicial retirement system account, 13 the Washington law enforcement officers' and fire fighters' system plan 14 I retirement account, the Washington law enforcement officers' and fire 15 fighters' system plan II retirement account, the Washington state 16 patrol retirement account, the Washington State University building 17 account, the Washington State University bond retirement fund, the water pollution control revolving fund, and the Western Washington 18 19 University capital projects account. Earnings derived from investing 20 balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific 21 permanent fund, and the state university permanent fund shall be 22 23 allocated to their respective beneficiary accounts. All earnings to be 24 distributed under this subsection (4)(a) shall first be reduced by the 25 allocation to the state treasurer's service fund pursuant to RCW 26 43.08.190.

27 (b) The following accounts and funds shall receive eighty percent of their proportionate share of earnings based upon each account's or 28 29 fund's average daily balance for the period: The aeronautics account, 30 the aircraft search and rescue account, the central Puget Sound public transportation account, the city hardship assistance account, the 31 county arterial preservation account, the department of licensing 32 33 services account, the economic development account, the essential rail 34 assistance account, the essential rail banking account, the ferry bond 35 retirement fund, the gasohol exemption holding account, the grade crossing protective fund, the high capacity transportation account, the 36 37 highway bond retirement fund, the highway construction stabilization account, the highway safety account, the marine operating fund, the 38 39 motor vehicle fund, the motorcycle safety education account, the

pilotage account, the public transportation systems account, the Puget 1 2 Sound capital construction account, the Puget Sound ferry operations account, the recreational vehicle account, the rural arterial trust 3 4 account, the safety and education account, the small city account, the 5 special category C account, the state patrol highway account, the transfer relief account, the transportation capital facilities account, 6 7 the transportation equipment fund, the transportation fund, the 8 transportation improvement account, the transportation revolving loan 9 account, and the urban arterial trust account.

(5) In conformance with Article II, section 37 of the state
 Constitution, no treasury accounts or funds shall be allocated earnings
 without the specific affirmative directive of this section.

13 **Sec. 12.** RCW 43.84.092 and 1998 c 341 s 708 are each amended to 14 read as follows:

(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

18 (2) The treasury income account shall be utilized to pay or receive 19 funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is 20 subject in all respects to chapter 43.88 RCW, but no appropriation is 21 required for refunds or allocations of interest earnings required by 22 23 the cash management improvement act. Refunds of interest to the 24 federal treasury required under the cash management improvement act 25 fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or 26 from the federal government pursuant to the cash management improvement 27 The office of financial management may direct transfers of funds 28 act. 29 between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. 30 Refunds or allocations shall occur prior to the distributions of earnings set 31 forth in subsection (4) of this section. 32

(3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for

payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section. (4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:

7 following accounts and funds shall receive their (a) The 8 proportionate share of earnings based upon each account's and fund's 9 average daily balance for the period: The capitol building 10 construction account, the Cedar River channel construction and operation account, the Central Washington University capital projects 11 account, the charitable, educational, penal 12 and reformatory 13 institutions account, the common school construction fund, the county criminal justice assistance account, the county sales and use tax 14 15 equalization account, the data processing building construction 16 account, the deferred compensation administrative account, the deferred 17 compensation principal account, the department of retirement systems expense account, the drinking water assistance account, the Eastern 18 19 Washington University capital projects account, the education 20 construction fund, the emergency reserve fund, the federal forest revolving account, the health services account, the public health 21 services account, the health system capacity account, the personal 22 23 health services account, the highway infrastructure account, the 24 industrial insurance premium refund account, the judges' retirement 25 account, the judicial retirement administrative account, the judicial 26 retirement principal account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax 27 account, the medical aid account, the mobile home park relocation fund, 28 29 the municipal criminal justice assistance account, the municipal sales 30 and use tax equalization account, the natural resources deposit 31 account, the perpetual surveillance and maintenance account, the public employees' retirement system plan I account, the public employees' 32 retirement system plan II account, the Puyallup tribal settlement 33 34 account, the resource management cost account, the site closure 35 account, the special wildlife account, the state employees' insurance account, the state employees' insurance reserve account, the state 36 37 investment board expense account, the state investment board commingled trust fund accounts, the supplemental pension account, the teachers' 38 39 retirement system plan I account, the teachers' retirement system

and plan III account, the transportation 1 combined plan II 2 infrastructure account, the tuition recovery trust fund, the University of Washington bond retirement fund, the University of Washington 3 4 building account, the volunteer fire fighters' relief and pension principal account, the volunteer fire fighters' relief and pension 5 administrative account, the wage claim collection account, the 6 7 Washington judicial retirement system account, the Washington law 8 enforcement officers' and fire fighters' system plan I retirement 9 account, the Washington law enforcement officers' and fire fighters' system plan II retirement account, the Washington school employees' 10 retirement system combined plan II and III account, the Washington 11 state patrol retirement account, the Washington State University 12 13 building account, the Washington State University bond retirement fund, the water pollution control revolving fund, and the Western Washington 14 15 University capital projects account. Earnings derived from investing 16 balances of the agricultural permanent fund, the normal school 17 permanent fund, the permanent common school fund, the scientific permanent fund, and the state university permanent fund shall be 18 19 allocated to their respective beneficiary accounts. All earnings to be 20 distributed under this subsection (4)(a) shall first be reduced by the allocation to the state treasurer's service fund pursuant to RCW 21 22 43.08.190.

(b) The following accounts and funds shall receive eighty percent 23 24 of their proportionate share of earnings based upon each account's or 25 fund's average daily balance for the period: The aeronautics account, 26 the aircraft search and rescue account, the central Puget Sound public 27 transportation account, the city hardship assistance account, the county arterial preservation account, the department of licensing 28 29 services account, the economic development account, the essential rail 30 assistance account, the essential rail banking account, the ferry bond 31 retirement fund, the gasohol exemption holding account, the grade crossing protective fund, the high capacity transportation account, the 32 33 highway bond retirement fund, the highway construction stabilization 34 account, the highway safety account, the marine operating fund, the 35 motor vehicle fund, the motorcycle safety education account, the pilotage account, the public transportation systems account, the Puget 36 37 Sound capital construction account, the Puget Sound ferry operations account, the recreational vehicle account, the rural arterial trust 38 39 account, the safety and education account, the small city account, the

1 special category C account, the state patrol highway account, the 2 transfer relief account, the transportation capital facilities account, 3 the transportation equipment fund, the transportation fund, the 4 transportation improvement account, the transportation revolving loan 5 account, and the urban arterial trust account.

6 (5) In conformance with Article II, section 37 of the state 7 Constitution, no treasury accounts or funds shall be allocated earnings 8 without the specific affirmative directive of this section.

9 <u>NEW SECTION.</u> Sec. 13. Section 11 of this act expires September 1, 10 2000.

11 <u>NEW SECTION.</u> **Sec. 14.** Section 12 of this act takes effect 12 September 1, 2000.

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