

CERTIFICATION OF ENROLLMENT

ENGROSSED HOUSE BILL 2901

Chapter 149, Laws of 2002

(partial veto)

57th Legislature
2002 Regular Session

UNEMPLOYMENT INSURANCE

EFFECTIVE DATE: 6/13/02 - Except section 2, which becomes effective 3/26/02; and section 8, which becomes effective 1/1/05.

Passed by the House March 14, 2002
Yeas 64 Nays 33

FRANK CHOPP
Speaker of the House of Representatives

Passed by the Senate March 13, 2002
Yeas 35 Nays 14

BRAD OWEN
President of the Senate

Approved March 26, 2002, with the exception of section 14, which is vetoed.

GARY LOCKE
Governor of the State of Washington

CERTIFICATE

I, Cynthia Zehnder, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 2901** as passed by the House of Representatives and the Senate on the dates hereon set forth.

CYNTHIA ZEHNDER
Chief Clerk

FILED

March 26, 2002 - 12:20 p.m.

**Secretary of State
State of Washington**

ENGROSSED HOUSE BILL 2901

AS AMENDED BY THE SENATE

Passed Legislature - 2002 Regular Session

State of Washington 57th Legislature 2002 Regular Session

By Representatives Conway, Clements, Reardon, Berkey, Kenney, Santos,
Lovick, Chase, Simpson, Wood and Sullivan

Read first time 02/04/2002. Referred to Committee on Commerce & Labor.

1 AN ACT Relating to unemployment insurance; amending RCW 50.22.140,
2 50.22.150, 50.20.120, 50.24.010, 50.29.020, 50.29.025, 50.29.025,
3 50.29.010, 50.29.062, and 50.24.014; adding a new section to chapter
4 50.20 RCW; adding new sections to chapter 50.29 RCW; creating new
5 sections; providing an effective date; providing expiration dates; and
6 declaring an emergency.

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

8 **Sec. 1.** RCW 50.22.140 and 2000 2nd sp.s. c 1 s 916 are each
9 amended to read as follows:

10 (1) The employment security department is authorized to pay
11 training benefits under RCW 50.22.150, but may not obligate
12 expenditures beyond the limits specified in this section or as
13 otherwise set by the legislature. For the fiscal year ending June 30,
14 2000, the commissioner may not obligate more than twenty million
15 dollars for training benefits. For the two fiscal years ending June
16 30, 2002, the commissioner may not obligate more than sixty million
17 dollars for training benefits. Any funds not obligated in one fiscal
18 year may be carried forward to the next fiscal year. For each fiscal
19 year beginning after June 30, 2002, the commissioner may not obligate

1 more than twenty million dollars annually in addition to any funds
2 carried (~~over~~) forward from previous fiscal years. The department
3 shall develop a process to ensure that expenditures do not exceed
4 available funds and to prioritize access to funds when again available.

5 (2) After June 30, 2002, in addition to the amounts that may be
6 obligated under subsection (1) of this section, the commissioner may
7 obligate up to thirty-four million dollars for training benefits under
8 RCW 50.22.150 for individuals in the aerospace industry assigned the
9 standard industrial classification code "372" or the North American
10 industry classification system code "336411" whose claims are filed
11 before January 5, 2003. The funds provided in this subsection must be
12 fully obligated for training benefits for these individuals before the
13 funds provided in subsection (1) of this section may be obligated for
14 training benefits for these individuals. Any amount of the funds
15 specified in this subsection that is not obligated as permitted may not
16 be carried forward to any future period.

17 **Sec. 2.** RCW 50.22.150 and 2000 c 2 s 8 are each amended to read as
18 follows:

19 (1) Subject to availability of funds, training benefits are
20 available for an individual who is eligible for or has exhausted
21 entitlement to unemployment compensation benefits and who:

22 (a) Is a dislocated worker as defined in RCW 50.04.075;

23 (b) Except as provided under subsection (2) of this section, has
24 demonstrated, through a work history, sufficient tenure in an
25 occupation or in work with a particular skill set. This screening will
26 take place during the assessment process;

27 (c) Is, after assessment of demand for the individual's occupation
28 or skills in the individual's labor market, determined to need job-
29 related training to find suitable employment in his or her labor
30 market. Beginning July 1, 2001, the assessment of demand for the
31 individual's occupation or skill sets must be substantially based on
32 declining occupation or skill sets identified in local labor market
33 areas by the local work force development councils, in cooperation with
34 the employment security department and its labor market information
35 division, under subsection (~~(9)~~) (10) of this section;

36 (d) Develops an individual training program that is submitted to
37 the commissioner for approval within sixty days after the individual is

1 notified by the employment security department of the requirements of
2 this section;

3 (e) Enters the approved training program by ninety days after the
4 date of the notification, unless the employment security department
5 determines that the training is not available during the ninety-day
6 period, in which case the individual enters training as soon as it is
7 available; and

8 (f) Is enrolled in training approved under this section on a full-
9 time basis as determined by the educational institution, and is making
10 satisfactory progress in the training as certified by the educational
11 institution.

12 (2) Until June 30, 2002, the following individuals who meet the
13 requirements of subsection (1) of this section may, without regard to
14 the tenure requirements under subsection (1)(b) of this section,
15 receive training benefits as provided in this section:

16 (a) An exhaustee who has base year employment in the aerospace
17 industry assigned the standard industrial classification code "372" or
18 the North American industry classification system code "336411";

19 (b) An exhaustee who has base year employment in the forest
20 products industry, determined by the department, but including the
21 industries assigned the major group standard industrial classification
22 codes "24" and "26" or any equivalent codes in the North American
23 industry classification system code, and the industries involved in the
24 harvesting and management of logs, transportation of logs and wood
25 products, processing of wood products, and the manufacturing and
26 distribution of wood processing and logging equipment; or

27 (c) An exhaustee who has base year employment in the fishing
28 industry assigned the standard industrial classification code "0912" or
29 any equivalent codes in the North American industry classification
30 system code.

31 (3) An individual is not eligible for training benefits under this
32 section if he or she:

33 (a) Is a standby claimant who expects recall to his or her regular
34 employer;

35 (b) Has a definite recall date that is within six months of the
36 date he or she is laid off; or

37 (c) Is unemployed due to a regular seasonal layoff which
38 demonstrates a pattern of unemployment consistent with the provisions
39 of RCW 50.20.015. Regular seasonal layoff does not include layoff due

1 to permanent structural downsizing or structural changes in the
2 individual's labor market.

3 (4) The definitions in this subsection apply throughout this
4 section unless the context clearly requires otherwise.

5 (a) "Educational institution" means an institution of higher
6 education as defined in RCW 28B.10.016 or an educational institution as
7 defined in RCW 28C.04.410, including equivalent educational
8 institutions in other states.

9 (b) "Sufficient tenure" means earning a plurality of wages in a
10 particular occupation or using a particular skill set during the base
11 year and at least two of the four twelve-month periods immediately
12 preceding the base year.

13 (c) "Training benefits" means additional benefits paid under this
14 section.

15 (d) "Training program" means:

16 (i) An education program determined to be necessary as a
17 prerequisite to vocational training after counseling at the educational
18 institution in which the individual enrolls under his or her approved
19 training program; or

20 (ii) A vocational training program at an educational institution:

21 (A) That is targeted to training for a high demand occupation.
22 Beginning July 1, 2001, the assessment of high demand occupations
23 authorized for training under this section must be substantially based
24 on labor market and employment information developed by local work
25 force development councils, in cooperation with the employment security
26 department and its labor market information division, under subsection
27 (~~((+9))~~) (10) of this section;

28 (B) That is likely to enhance the individual's marketable skills
29 and earning power; and

30 (C) That meets the criteria for performance developed by the work
31 force training and education coordinating board for the purpose of
32 determining those training programs eligible for funding under Title I
33 of P.L. 105-220.

34 "Training program" does not include any course of education
35 primarily intended to meet the requirements of a baccalaureate or
36 higher degree, unless the training meets specific requirements for
37 certification, licensing, or for specific skills necessary for the
38 occupation.

39 (5) Benefits shall be paid as follows:

1 (a)(i) Except as provided in (a)(iii) of this subsection, for
2 exhaustees who are eligible under subsection (1) of this section, the
3 total training benefit amount shall be fifty-two times the individual's
4 weekly benefit amount, reduced by the total amount of regular benefits
5 and extended benefits paid, or deemed paid, with respect to the benefit
6 year; or

7 (ii) For exhaustees who are eligible under subsection (2) of this
8 section, for claims filed before June 30, 2002, the total training
9 benefit amount shall be seventy-four times the individual's weekly
10 benefit amount, reduced by the total amount of regular benefits and
11 extended benefits paid, or deemed paid, with respect to the benefit
12 year. ((Beginning with new claims filed after June 30, 2002, for
13 exhaustees eligible under subsection (2) of this section, the total
14 training benefit amount shall be fifty two times the individual's
15 weekly benefit amount, reduced by the total amount of regular benefits
16 and extended benefits paid, or deemed paid, with respect to the benefit
17 year)); or

18 (iii) For exhaustees eligible under subsection (1) of this section
19 from industries listed under subsection (2)(a) of this section, for
20 claims filed on or after June 30, 2002, but before January 5, 2003, the
21 total training benefit amount shall be seventy-four times the
22 individual's weekly benefit amount, reduced by the total amount of
23 regular benefits and extended benefits paid, or deemed paid, with
24 respect to the benefit year.

25 (b) The weekly benefit amount shall be the same as the regular
26 weekly amount payable during the applicable benefit year and shall be
27 paid under the same terms and conditions as regular benefits. The
28 training benefits shall be paid before any extended benefits but not
29 before any similar federally funded program.

30 (c) Training benefits are not payable for weeks more than two years
31 beyond the end of the benefit year of the regular claim.

32 (6) The requirement under RCW 50.22.010(10) relating to exhausting
33 regular benefits does not apply to an individual otherwise eligible for
34 training benefits under this section when the individual's benefit year
35 ends before his or her training benefits are exhausted and the
36 individual is eligible for a new benefit year. These individuals will
37 have the option of remaining on the original claim or filing a new
38 claim.

1 (7)(a) Except as provided in (b) of this subsection, individuals
2 who receive training benefits under this section or under any previous
3 additional benefits program for training are not eligible for training
4 benefits under this section for five years from the last receipt of
5 training benefits under this section or under any previous additional
6 benefits program for training.

7 (b) With respect to claims that are filed before January 5, 2003,
8 an individual in the aerospace industry assigned the standard
9 industrial code "372" or the North American industry classification
10 system code "336411" who received training benefits under this section,
11 and who had been making satisfactory progress in a training program but
12 did not complete the program, is eligible, without regard to the five-
13 year limitation of this section and without regard to the requirement
14 of subsection (1)(b) of this section, if applicable, to receive
15 training benefits under this section in order to complete that training
16 program. The total training benefit amount that applies to the
17 individual is seventy-four times the individual's weekly benefit
18 amount, reduced by the total amount of regular benefits paid, or deemed
19 paid, with respect to the benefit year in which the training program
20 resumed and, if applicable, reduced by the amount of training benefits
21 paid, or deemed paid, with respect to the benefit year in which the
22 training program commenced.

23 (8) An individual eligible to receive a trade readjustment
24 allowance under chapter 2 of Title II of the Trade Act of 1974, as
25 amended, shall not be eligible to receive benefits under this section
26 for each week the individual receives such trade readjustment
27 allowance. An individual eligible to receive emergency unemployment
28 compensation, so called, under any federal law, shall not be eligible
29 to receive benefits under this section for each week the individual
30 receives such compensation.

31 (9) All base year employers are interested parties to the approval
32 of training and the granting of training benefits.

33 ~~((+9))~~ (10) By July 1, 2001, each local work force development
34 council, in cooperation with the employment security department and its
35 labor market information division, must identify occupations and skill
36 sets that are declining and occupations and skill sets that are in high
37 demand. For the purposes of RCW 50.22.130 through 50.22.150 and
38 section 9, chapter 2, Laws of 2000, "high demand" means demand for
39 employment that exceeds the supply of qualified workers for occupations

1 or skill sets in a labor market area. Local work force development
2 councils must use state and locally developed labor market information.
3 Thereafter, each local work force development council shall update this
4 information annually or more frequently if needed.

5 ~~((10))~~ (11) The commissioner shall adopt rules as necessary to
6 implement this section.

7 NEW SECTION. **Sec. 3.** A new section is added to chapter 50.20 RCW
8 to read as follows:

9 (1) From July 1, 2002, to June 30, 2004, the maximum amount payable
10 weekly shall be four hundred ninety-six dollars.

11 (2) From July 1, 2004, to June 30, 2010, the maximum amount payable
12 weekly shall be seventy percent of the "average weekly wage" for the
13 calendar year preceding such June 30th, except that the maximum amount
14 payable weekly shall not increase by more than four percent each year.
15 If growth in the average annual wage causes growth in the maximum
16 amount payable weekly that exceeds four percent, then fifty percent of
17 the growth rate that exceeds four percent shall be added to the maximum
18 amount payable weekly in any of the subsequent three years. For years
19 in which the potential recaptured growth rate exceeds the growth rate
20 needed to reach four percent, the excess recaptured growth rate is
21 available to be added to the maximum amount payable weekly in the
22 remaining years in the three-year period. Each year, the department
23 shall add any excess recaptured growth rate to the maximum amount
24 payable weekly. Remaining portions of the excess additional growth
25 rate not applied within the three-year period shall lapse. The sum of
26 the growth rate and the excess additional growth rate shall not exceed
27 four percent.

28 (3) If the maximum amount payable weekly is less than seventy
29 percent of the average weekly wage on June 30, 2010, it shall be
30 restored to seventy percent of the average weekly wage using one of the
31 following methods. The maximum amount payable weekly may be restored:

32 (a) In equal increments in the four fiscal years ending on June 30,
33 2014; or (b) in increments which, together with the growth rate in the
34 maximum amount payable weekly, do not exceed nine percent in each
35 fiscal year. The applicable method is the method that restores the
36 maximum amount payable weekly to seventy percent of the average weekly
37 wage first.

1 **Sec. 4.** RCW 50.20.120 and 1993 c 483 s 12 are each amended to read
2 as follows:

3 (1) Subject to the other provisions of this title, benefits shall
4 be payable to any eligible individual during the individual's benefit
5 year in a maximum amount equal to the lesser of thirty times the weekly
6 benefit amount (determined hereinafter) or one-third of the
7 individual's base year wages under this title: PROVIDED, That as to
8 any week beginning on and after March 31, 1981, which falls in an
9 extended benefit period as defined in RCW 50.22.010(1), as now or
10 hereafter amended, an individual's eligibility for maximum benefits in
11 excess of twenty-six times his or her weekly benefit amount will be
12 subject to the terms and conditions set forth in RCW 50.22.020, as now
13 or hereafter amended.

14 (2) An individual's weekly benefit amount shall be an amount equal
15 to one twenty-fifth of the average quarterly wages of the individual's
16 total wages during the two quarters of the individual's base year in
17 which such total wages were highest. The maximum and minimum amounts
18 payable weekly shall be determined as of each June 30th to apply to
19 benefit years beginning in the twelve-month period immediately
20 following such June 30th. Except as provided in section 3 of this act,
21 the maximum amount payable weekly shall be seventy percent of the
22 "average weekly wage" for the calendar year preceding such June 30th.
23 The minimum amount payable weekly shall be fifteen percent of the
24 "average weekly wage" for the calendar year preceding such June 30th.
25 If any weekly benefit, maximum benefit, or minimum benefit amount
26 computed herein is not a multiple of one dollar, it shall be reduced to
27 the next lower multiple of one dollar.

28 **Sec. 5.** RCW 50.24.010 and 2000 c 2 s 2 are each amended to read as
29 follows:

30 (1) Contributions shall accrue and become payable by each employer
31 (except employers as described in RCW 50.44.010 who have properly
32 elected to make payments in lieu of contributions and those employers
33 who are required to make payments in lieu of contributions) for each
34 calendar year in which the employer is subject to this title at the
35 rate established pursuant to chapter 50.29 RCW.

36 (2) In each rate year, the amount of wages subject to tax for each
37 individual shall be one hundred fifteen percent of the amount of wages

1 subject to tax for the previous year rounded to the next lower one
2 hundred dollars, except that:

3 (a) For employers assigned under RCW 50.29.025 to rate class 1
4 through 18, the amount of wages subject to tax in any rate year shall
5 not exceed eighty percent of the "average annual wage for contributions
6 purposes" for the second preceding calendar year rounded to the next
7 lower one hundred dollars. ~~((However, the amount subject to tax shall~~
8 ~~be twenty four thousand three hundred dollars for rate year 2000.))~~

9 (b) For employers assigned under RCW 50.29.025 to rate class 19
10 through 20E, and contribution paying employers not qualified to be in
11 the array under RCW 50.29.025(6), the amount of wages subject to tax:

12 (i) For rate year 2003, shall not exceed eighty-five percent of the
13 "average annual wage for contributions purposes" for the second
14 preceding calendar year rounded to the next lower one hundred dollars.

15 (ii) For rate year 2004 and thereafter, shall not exceed ninety
16 percent of the "average annual wage for contributions purposes" for the
17 second preceding calendar year rounded to the next lower one hundred
18 dollars.

19 (3) In making computations under this section and RCW 50.29.010,
20 wages paid based on services for employers making payments in lieu of
21 contributions shall not be considered remuneration. Moneys paid from
22 the fund, based on services performed for employers who make payments
23 in lieu of contributions, which have not been reimbursed to the fund as
24 of any June 30 shall be deemed an asset of the unemployment
25 compensation fund, to the extent that such moneys exceed the amount of
26 payments in lieu of contributions which the commissioner has previously
27 determined to be uncollectible: PROVIDED, FURTHER, That the amount
28 attributable to employment with the state shall also include interest
29 as provided for in RCW 50.44.020.

30 (4)(a) Contributions shall become due and be paid by each employer
31 to the treasurer for the unemployment compensation fund in accordance
32 with such regulations as the commissioner may prescribe, and shall not
33 be deducted, in whole or in part, from the remuneration of individuals
34 in employment of the employer. Any deduction in violation of the
35 provisions of this section shall be unlawful.

36 (b) In the payment of any contributions, a fractional part of a
37 cent shall be disregarded unless it amounts to one-half cent or more,
38 in which case it shall be increased to one cent.

1 **Sec. 6.** RCW 50.29.020 and 2000 c 2 s 3 are each amended to read as
2 follows:

3 (1) An experience rating account shall be established and
4 maintained for each employer, except employers as described in RCW
5 50.44.010 and 50.44.030 who have properly elected to make payments in
6 lieu of contributions, taxable local government employers as described
7 in RCW 50.44.035, and those employers who are required to make payments
8 in lieu of contributions, based on existing records of the employment
9 security department. Benefits paid to any eligible individuals shall
10 be charged to the experience rating accounts of each of such
11 individual's employers during the individual's base year in the same
12 ratio that the wages paid by each employer to the individual during the
13 base year bear to the wages paid by all employers to that individual
14 during that base year, except as otherwise provided in this section.

15 (2) The legislature finds that certain benefit payments, in whole
16 or in part, should not be charged to the experience rating accounts of
17 employers except those employers described in RCW 50.44.010 and
18 50.44.030 who have properly elected to make payments in lieu of
19 contributions, taxable local government employers described in RCW
20 50.44.035, and those employers who are required to make payments in
21 lieu of contributions, as follows:

22 (a) Benefits paid to any individuals later determined to be
23 ineligible shall not be charged to the experience rating account of any
24 contribution paying employer.

25 (b) Benefits paid to an individual filing under the provisions of
26 chapter 50.06 RCW shall not be charged to the experience rating account
27 of any contribution paying employer only if:

28 (i) The individual files under RCW 50.06.020(1) after receiving
29 crime victims' compensation for a disability resulting from a nonwork-
30 related occurrence; or

31 (ii) The individual files under RCW 50.06.020(2).

32 (c) Benefits paid which represent the state's share of benefits
33 payable as extended benefits defined under RCW 50.22.010(6) shall not
34 be charged to the experience rating account of any contribution paying
35 employer.

36 (d) In the case of individuals who requalify for benefits under RCW
37 50.20.050 or 50.20.060, benefits based on wage credits earned prior to
38 the disqualifying separation shall not be charged to the experience

1 rating account of the contribution paying employer from whom that
2 separation took place.

3 (e) In the case of individuals identified under RCW 50.20.015,
4 benefits paid with respect to a calendar quarter, which exceed the
5 total amount of wages earned in the state of Washington in the higher
6 of two corresponding calendar quarters included within the individual's
7 determination period, as defined in RCW 50.20.015, shall not be charged
8 to the experience rating account of any contribution paying employer.

9 ~~((f) Benefits paid under RCW 50.22.150 shall not be charged to the
10 experience rating account of any contribution paying employer.))~~

11 (3)(a) A contribution-paying base year employer, not otherwise
12 eligible for relief of charges for benefits under this section, may
13 receive such relief if the benefit charges result from payment to an
14 individual who:

15 (i) Last left the employ of such employer voluntarily for reasons
16 not attributable to the employer;

17 (ii) Was discharged for misconduct connected with his or her work
18 not a result of inability to meet the minimum job requirements;

19 (iii) Is unemployed as a result of closure or severe curtailment of
20 operation at the employer's plant, building, work site, or other
21 facility. This closure must be for reasons directly attributable to a
22 catastrophic occurrence such as fire, flood, or other natural disaster;
23 or

24 (iv) Continues to be employed on a regularly scheduled permanent
25 part-time basis by a base year employer and who at some time during the
26 base year was concurrently employed and subsequently separated from at
27 least one other base year employer. Benefit charge relief ceases when
28 the employment relationship between the employer requesting relief and
29 the claimant is terminated. This subsection does not apply to shared
30 work employers under chapter 50.60 RCW.

31 (b) The employer requesting relief of charges under this subsection
32 must request relief in writing within thirty days following mailing to
33 the last known address of the notification of the valid initial
34 determination of such claim, stating the date and reason for the
35 separation or the circumstances of continued employment. The
36 commissioner, upon investigation of the request, shall determine
37 whether relief should be granted.

1 **Sec. 7.** RCW 50.29.025 and 2000 c 2 s 4 are each amended to read as
2 follows:

3 The contribution rate for each employer subject to contributions
4 under RCW 50.24.010 shall be determined under this section.

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

13 (2) The interval of the fund balance ratio, expressed as a
14 percentage, shall determine which tax schedule in subsection (5) of
15 this section shall be in effect for assigning tax rates for the rate
16 year, except that during rate year 2004 tax schedule C shall be in
17 effect unless a lower tax schedule is determined to be in effect by the
18 interval of the fund balance ratio. The intervals for determining the
19 effective tax schedule shall be:

20	Interval of the	
21	Fund Balance Ratio	Effective
22	Expressed as a Percentage	Tax Schedule
23	2.90 and above	AA
24	2.10 to 2.89	A
25	1.70 to 2.09	B
26	1.40 to 1.69	C
27	1.00 to 1.39	D
28	0.70 to 0.99	E
29	Less than 0.70	F

30 (3) An array shall be prepared, listing all qualified employers in
31 ascending order of their benefit ratios. The array shall show for each
32 qualified employer: (a) Identification number; (b) benefit ratio; (c)
33 taxable payrolls for the four calendar quarters immediately preceding
34 the computation date and reported to the department by the cut-off
35 date; (d) a cumulative total of taxable payrolls consisting of the
36 employer's taxable payroll plus the taxable payrolls of all other

1 employers preceding him or her in the array; and (e) the percentage
 2 equivalent of the cumulative total of taxable payrolls.

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

10 (5)(a) Except as provided in RCW 50.29.026 and sections 9 and 10 of
 11 this act, the contribution rate for each employer in the array shall be
 12 the rate specified in the following tables for the rate class to which
 13 he or she has been assigned, as determined under subsection (4) of this
 14 section, within the tax schedule which is to be in effect during the
 15 rate year:

16 ((Percent of
 17 Cumulative Schedules of Contributions Rates
 18 Taxable Payrolls for Effective Tax Schedule

19 Rate

20 From To Class AA A B C D E F

21	0.00	5.00	1	0.47	0.47	0.57	0.97	1.47	1.87	2.47
22	5.01	10.00	2	0.47	0.47	0.77	1.17	1.67	2.07	2.67
23	10.01	15.00	3	0.57	0.57	0.97	1.37	1.77	2.27	2.87
24	15.01	20.00	4	0.57	0.73	1.11	1.51	1.90	2.40	2.98
25	20.01	25.00	5	0.72	0.92	1.30	1.70	2.09	2.59	3.08
26	25.01	30.00	6	0.91	1.11	1.49	1.89	2.29	2.69	3.18
27	30.01	35.00	7	1.00	1.29	1.69	2.08	2.48	2.88	3.27
28	35.01	40.00	8	1.19	1.48	1.88	2.27	2.67	3.07	3.47
29	40.01	45.00	9	1.37	1.67	2.07	2.47	2.87	3.27	3.66
30	45.01	50.00	10	1.56	1.86	2.26	2.66	3.06	3.46	3.86
31	50.01	55.00	11	1.84	2.14	2.45	2.85	3.25	3.66	3.95
32	55.01	60.00	12	2.03	2.33	2.64	3.04	3.44	3.85	4.15
33	60.01	65.00	13	2.22	2.52	2.83	3.23	3.64	4.04	4.34
34	65.01	70.00	14	2.40	2.71	3.02	3.43	3.83	4.24	4.54
35	70.01	75.00	15	2.68	2.90	3.21	3.62	4.02	4.43	4.63
36	75.01	80.00	16	2.87	3.09	3.69	3.81	4.22	4.53	4.73
37	80.01	85.00	17	3.27	3.47	3.77	4.17	4.57	4.87	4.97
38	85.01	90.00	18	3.67	3.87	4.17	4.57	4.87	4.97	5.17
39	90.01	95.00	19	4.07	4.27	4.57	4.97	5.07	5.17	5.37
40	95.01	100.00	20	5.40	5.40	5.40	5.40	5.40	5.40	5.40))

		<u>Percent of</u>									
		<u>Cumulative</u>									
		<u>Schedules of Contributions Rates</u>									
		<u>for Effective Tax Schedule</u>									
		<u>Taxable Payrolls</u>									
		<u>Rate</u>									
	<u>From</u>	<u>To</u>	<u>Class</u>	<u>AA</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	
6	0.00	5.00	1	0.47	0.47	0.62	1.02	1.47	1.87	2.47	
7	5.01	10.00	2	0.47	0.47	0.82	1.22	1.67	2.07	2.67	
8	10.01	15.00	3	0.57	0.57	1.02	1.42	1.77	2.27	2.87	
9	15.01	20.00	4	0.57	0.73	1.16	1.56	1.90	2.40	2.98	
10	20.01	25.00	5	0.72	0.92	1.30	1.70	2.09	2.59	3.08	
11	25.01	30.00	6	0.91	1.11	1.49	1.89	2.29	2.69	3.18	
12	30.01	35.00	7	1.00	1.29	1.69	2.08	2.48	2.88	3.27	
13	35.01	40.00	8	1.19	1.48	1.88	2.27	2.67	3.07	3.47	
14	40.01	45.00	9	1.37	1.67	2.07	2.47	2.87	3.27	3.66	
15	45.01	50.00	10	1.56	1.86	2.26	2.66	3.06	3.46	3.86	
16	50.01	55.00	11	1.84	2.14	2.45	2.85	3.25	3.66	3.95	
17	55.01	60.00	12	2.03	2.33	2.64	3.04	3.44	3.85	4.15	
18	60.01	65.00	13	2.22	2.52	2.83	3.23	3.64	4.04	4.34	
19	65.01	70.00	14	2.40	2.71	3.02	3.43	3.83	4.24	4.54	
20	70.01	75.00	15	2.68	2.90	3.21	3.62	4.02	4.43	4.63	
21	75.01	80.00	16	2.87	3.09	3.42	3.81	4.22	4.53	4.73	
22	80.01	85.00	17	3.27	3.47	3.77	4.17	4.57	4.87	4.97	
23	85.01	90.00	18	3.67	3.87	4.17	4.57	4.87	4.97	5.17	
24	90.01	95.00	19	4.10	4.30	4.60	5.00	5.10	5.20	5.40	
25	95.01	100.00	20								
26			20A	5.40	5.40	5.40	5.40	5.40	5.55	5.60	
27			20B	5.40	5.45	5.50	5.55	5.60	5.65	5.70	
28			20C	5.50	5.55	5.60	5.65	5.70	5.75	5.80	
29			20D	5.60	5.65	5.70	5.75	5.80	5.85	5.90	
30			20E	5.70	5.75	5.80	5.85	5.90	5.95	6.00	

31 (b) Employers assigned to rate class 20 shall be assigned to one of
32 the rate classes 20A through E as follows:

33 (i) Employers with a benefit ratio of less than 0.054000 shall be
34 assigned to rate class 20A;

35 (ii) Employers with a benefit ratio of at least 0.054000 but less
36 than 0.063000 shall be assigned to rate class 20B;

37 (iii) Employers with a benefit ratio of at least 0.063000 but less
38 than 0.068000 shall be assigned to rate class 20C;

39 (iv) Employers with a benefit ratio of at least 0.068000 but less
40 than 0.075000 shall be assigned to rate class 20D; and

1 (v) Employers with a benefit ratio of 0.075000 or higher shall be
2 assigned to rate class 20E.

3 (c) The maximum contribution rate for employers whose standard
4 industrial classification code is within major group "01," "02," or
5 "07," or is code "5148," or the equivalent code in the North American
6 industry classification system code, may not exceed the rate in rate
7 class 20A for the applicable rate year.

8 (6) Except as provided in sections 9 and 10 of this act, the
9 contribution rate for each employer not qualified to be in the array
10 shall be as follows:

11 (a) Employers who do not meet the definition of "qualified
12 employer" by reason of failure to pay contributions when due shall be
13 assigned a contribution rate two-tenths higher than that in rate class
14 20E for the applicable rate year, except employers who have an approved
15 agency-deferred payment contract by September 30 of the previous rate
16 year. If any employer with an approved agency-deferred payment
17 contract fails to make any one of the succeeding deferred payments or
18 fails to submit any succeeding tax report and payment in a timely
19 manner, the employer's tax rate shall immediately revert to a
20 contribution rate two-tenths higher than that in rate class 20E for the
21 applicable rate year; and

22 (b) For all other employers not qualified to be in the array, the
23 contribution rate shall be a rate equal to the average industry rate as
24 determined by the commissioner; however, the rate may not be less than
25 one percent. Assignment of employers by the commissioner to industrial
26 classification, for purposes of this section, shall be in accordance
27 with established classification practices found in the "Standard
28 Industrial Classification Manual" issued by the federal office of
29 management and budget to the third digit provided in the standard
30 industrial classification code, or in the North American industry
31 classification system code.

32 **Sec. 8.** RCW 50.29.025 and 2000 c 2 s 4 are each amended to read as
33 follows:

34 The contribution rate for each employer subject to contributions
35 under RCW 50.24.010 shall be determined under this section.

36 (1) A fund balance ratio shall be determined by dividing the
37 balance in the unemployment compensation fund as of the September 30th
38 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 interval of the fund balance ratio, expressed as a
7 percentage, shall determine which tax schedule in subsection (5) of
8 this section shall be in effect for assigning tax rates for the rate
9 year. The intervals for determining the effective tax schedule shall
10 be:

11	Interval of the	
12	Fund Balance Ratio	Effective
13	Expressed as a Percentage	Tax Schedule
14	2.90 and above	AA
15	2.10 to 2.89	A
16	1.70 to 2.09	B
17	1.40 to 1.69	C
18	1.00 to 1.39	D
19	0.70 to 0.99	E
20	Less than 0.70	F

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

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

1 (5)(a) Except as provided in RCW 50.29.026 and sections 9 and 10 of
 2 this act, the contribution rate for each employer in the array shall be
 3 the rate specified in the following tables for the rate class to which
 4 he or she has been assigned, as determined under subsection (4) of this
 5 section, within the tax schedule which is to be in effect during the
 6 rate year:

7 ((Percent of
 8 Cumulative Schedules of Contributions Rates
 9 Taxable Payrolls for Effective Tax Schedule

10 Rate

11 From To Class AA A B C D E F

12 0.00 5.00 1 0.47 0.47 0.57 0.97 1.47 1.87 2.47

13 5.01 10.00 2 0.47 0.47 0.77 1.17 1.67 2.07 2.67

14 10.01 15.00 3 0.57 0.57 0.97 1.37 1.77 2.27 2.87

15 15.01 20.00 4 0.57 0.73 1.11 1.51 1.90 2.40 2.98

16 20.01 25.00 5 0.72 0.92 1.30 1.70 2.09 2.59 3.08

17 25.01 30.00 6 0.91 1.11 1.49 1.89 2.29 2.69 3.18

18 30.01 35.00 7 1.00 1.29 1.69 2.08 2.48 2.88 3.27

19 35.01 40.00 8 1.19 1.48 1.88 2.27 2.67 3.07 3.47

20 40.01 45.00 9 1.37 1.67 2.07 2.47 2.87 3.27 3.66

21 45.01 50.00 10 1.56 1.86 2.26 2.66 3.06 3.46 3.86

22 50.01 55.00 11 1.84 2.14 2.45 2.85 3.25 3.66 3.95

23 55.01 60.00 12 2.03 2.33 2.64 3.04 3.44 3.85 4.15

24 60.01 65.00 13 2.22 2.52 2.83 3.23 3.64 4.04 4.34

25 65.01 70.00 14 2.40 2.71 3.02 3.43 3.83 4.24 4.54

26 70.01 75.00 15 2.68 2.90 3.21 3.62 4.02 4.43 4.63

27 75.01 80.00 16 2.87 3.09 3.69 3.81 4.22 4.53 4.73

28 80.01 85.00 17 3.27 3.47 3.77 4.17 4.57 4.87 4.97

29 85.01 90.00 18 3.67 3.87 4.17 4.57 4.87 4.97 5.17

30 90.01 95.00 19 4.07 4.27 4.57 4.97 5.07 5.17 5.37

31 95.01 100.00 20 5.40 5.40 5.40 5.40 5.40 5.40 5.40))

32 Percent of
 33 Cumulative Schedules of Contributions Rates
 34 Taxable Payrolls for Effective Tax Schedule

35 Rate

36 From To Class AA A B C D E F

37 0.00 5.00 1 0.47 0.47 0.62 1.02 1.47 1.87 2.47

38 5.01 10.00 2 0.47 0.47 0.82 1.22 1.67 2.07 2.67

39 10.01 15.00 3 0.57 0.57 1.02 1.42 1.77 2.27 2.87

40 15.01 20.00 4 0.57 0.73 1.14 1.54 1.90 2.40 2.98

1	<u>20.01</u>	<u>25.00</u>	<u>5</u>	<u>0.72</u>	<u>0.92</u>	<u>1.30</u>	<u>1.70</u>	<u>2.09</u>	<u>2.59</u>	<u>3.08</u>
2	<u>25.01</u>	<u>30.00</u>	<u>6</u>	<u>0.91</u>	<u>1.03</u>	<u>1.44</u>	<u>1.89</u>	<u>2.29</u>	<u>2.69</u>	<u>3.18</u>
3	<u>30.01</u>	<u>35.00</u>	<u>7</u>	<u>1.00</u>	<u>1.17</u>	<u>1.61</u>	<u>2.08</u>	<u>2.48</u>	<u>2.88</u>	<u>3.27</u>
4	<u>35.01</u>	<u>40.00</u>	<u>8</u>	<u>1.19</u>	<u>1.35</u>	<u>1.79</u>	<u>2.27</u>	<u>2.67</u>	<u>3.07</u>	<u>3.47</u>
5	<u>40.01</u>	<u>45.00</u>	<u>9</u>	<u>1.37</u>	<u>1.52</u>	<u>1.97</u>	<u>2.47</u>	<u>2.87</u>	<u>3.27</u>	<u>3.66</u>
6	<u>45.01</u>	<u>50.00</u>	<u>10</u>	<u>1.56</u>	<u>1.69</u>	<u>2.15</u>	<u>2.66</u>	<u>3.06</u>	<u>3.46</u>	<u>3.86</u>
7	<u>50.01</u>	<u>55.00</u>	<u>11</u>	<u>1.84</u>	<u>1.95</u>	<u>2.33</u>	<u>2.85</u>	<u>3.25</u>	<u>3.66</u>	<u>3.95</u>
8	<u>55.01</u>	<u>60.00</u>	<u>12</u>	<u>2.03</u>	<u>2.12</u>	<u>2.51</u>	<u>3.04</u>	<u>3.44</u>	<u>3.85</u>	<u>4.15</u>
9	<u>60.01</u>	<u>65.00</u>	<u>13</u>	<u>2.22</u>	<u>2.29</u>	<u>2.69</u>	<u>3.23</u>	<u>3.64</u>	<u>4.04</u>	<u>4.34</u>
10	<u>65.01</u>	<u>70.00</u>	<u>14</u>	<u>2.40</u>	<u>2.47</u>	<u>2.87</u>	<u>3.43</u>	<u>3.83</u>	<u>4.24</u>	<u>4.54</u>
11	<u>70.01</u>	<u>75.00</u>	<u>15</u>	<u>2.64</u>	<u>2.68</u>	<u>3.05</u>	<u>3.62</u>	<u>4.02</u>	<u>4.43</u>	<u>4.63</u>
12	<u>75.01</u>	<u>80.00</u>	<u>16</u>	<u>2.81</u>	<u>2.87</u>	<u>3.25</u>	<u>3.81</u>	<u>4.22</u>	<u>4.53</u>	<u>4.73</u>
13	<u>80.01</u>	<u>85.00</u>	<u>17</u>	<u>3.27</u>	<u>3.30</u>	<u>3.58</u>	<u>4.17</u>	<u>4.57</u>	<u>4.87</u>	<u>4.97</u>
14	<u>85.01</u>	<u>90.00</u>	<u>18</u>	<u>3.67</u>	<u>3.87</u>	<u>4.17</u>	<u>4.57</u>	<u>4.87</u>	<u>4.97</u>	<u>5.17</u>
15	<u>90.01</u>	<u>95.00</u>	<u>19</u>	<u>4.10</u>	<u>4.30</u>	<u>4.60</u>	<u>5.00</u>	<u>5.10</u>	<u>5.20</u>	<u>5.40</u>
16	<u>95.01</u>	<u>100.00</u>	<u>20</u>							
17			<u>20A</u>	<u>5.40</u>	<u>5.40</u>	<u>5.40</u>	<u>5.40</u>	<u>5.40</u>	<u>5.55</u>	<u>5.60</u>
18			<u>20B</u>	<u>5.40</u>	<u>5.45</u>	<u>5.50</u>	<u>5.55</u>	<u>5.60</u>	<u>5.65</u>	<u>5.70</u>
19			<u>20C</u>	<u>5.50</u>	<u>5.55</u>	<u>5.60</u>	<u>5.65</u>	<u>5.70</u>	<u>5.75</u>	<u>5.80</u>
20			<u>20D</u>	<u>5.60</u>	<u>5.65</u>	<u>5.70</u>	<u>5.75</u>	<u>5.80</u>	<u>5.85</u>	<u>5.90</u>
21			<u>20E</u>	<u>5.70</u>	<u>5.75</u>	<u>5.80</u>	<u>5.85</u>	<u>5.90</u>	<u>5.95</u>	<u>6.00</u>

22 (b) Employers assigned to rate class 20 shall be assigned to one of
23 the rate classes 20A through E as follows:

24 (i) Employers with a benefit ratio of less than 0.054000 shall be
25 assigned to rate class 20A;

26 (ii) Employers with a benefit ratio of at least 0.054000 but less
27 than 0.063000 shall be assigned to rate class 20B;

28 (iii) Employers with a benefit ratio of at least 0.063000 but less
29 than 0.068000 shall be assigned to rate class 20C;

30 (iv) Employers with a benefit ratio of at least 0.068000 but less
31 than 0.075000 shall be assigned to rate class 20D; and

32 (v) Employers with a benefit ratio of 0.075000 or higher shall be
33 assigned to rate class 20E.

34 (c) The maximum contribution rate for employers whose standard
35 industrial classification code is within major group "01," "02," or
36 "07," or is code "5148," or the equivalent code in the North American
37 industry classification system code, may not exceed the rate in rate
38 class 20A for the applicable rate year.

39 (6) Except as provided in sections 9 and 10 of this act, the
40 contribution rate for each employer not qualified to be in the array
41 shall be as follows:

1 (a) Employers who do not meet the definition of "qualified
2 employer" by reason of failure to pay contributions when due shall be
3 assigned a contribution rate two-tenths higher than that in rate class
4 20E for the applicable rate year, except employers who have an approved
5 agency-deferred payment contract by September 30 of the previous rate
6 year. If any employer with an approved agency-deferred payment
7 contract fails to make any one of the succeeding deferred payments or
8 fails to submit any succeeding tax report and payment in a timely
9 manner, the employer's tax rate shall immediately revert to a
10 contribution rate two-tenths higher than that in rate class 20E for the
11 applicable rate year; and

12 (b) For all other employers not qualified to be in the array, the
13 contribution rate shall be a rate equal to the average industry rate as
14 determined by the commissioner; however, the rate may not be less than
15 one percent. Assignment of employers by the commissioner to industrial
16 classification, for purposes of this section, shall be in accordance
17 with established classification practices found in the "Standard
18 Industrial Classification Manual" issued by the federal office of
19 management and budget to the third digit provided in the standard
20 industrial classification code, or in the North American industry
21 classification system code.

22 NEW SECTION. **Sec. 9.** A new section is added to chapter 50.29 RCW
23 to read as follows:

24 For rate years 2003 and 2004, the contribution rate of each
25 employer subject to contributions under RCW 50.24.010 shall include, in
26 addition to the contribution rate under RCW 50.29.025, an insolvency
27 surcharge of fifteen one-hundredths of one percent. However, the
28 insolvency surcharge is not in effect:

29 (1) For rate year 2003, if, before January 1, 2003, federal Reed
30 act moneys are transferred to the account of this state pursuant to
31 section 903 of the social security act (42 U.S.C. Sec. 1103), as
32 amended, in an amount equal to or greater than fifteen one-hundredths
33 of one percent multiplied by the amount of total taxable payroll for
34 fiscal year 2002.

35 (2) For rate year 2004, if the fund balance ratio under RCW
36 50.29.025 is equal to or greater than 1.40 on September 30, 2003.

1 NEW SECTION. **Sec. 10.** A new section is added to chapter 50.29 RCW
2 to read as follows:

3 (1) Beginning with contributions assessed for rate year 2005, the
4 contribution rate of each employer subject to contributions under RCW
5 50.24.010 shall include, in addition to the contribution rate under RCW
6 50.29.025, an equity surcharge as determined under this section if the
7 employer's experience rating account has ineffective charges in at
8 least three of the four completed fiscal years immediately preceding
9 the computation date. The commissioner shall determine the equity
10 surcharge rate for a rate year for each applicable employer as follows:

11 (a) If the employer's net ineffective charges are equal to or less
12 than zero, no equity surcharge is applicable to the employer. If the
13 employer's net ineffective charges are greater than zero, an equity
14 surcharge is applicable to the employer.

15 (b) An employer's equity surcharge rate for a rate year is equal to
16 the net ineffective charges divided by the employer's taxable payroll,
17 expressed as a percentage.

18 (2) The equity surcharge may not exceed four-tenths of one percent,
19 except that for any given rate year the maximum surcharge is six-tenths
20 of one percent if the commissioner determines that the total
21 ineffective charges in the completed fiscal year immediately preceding
22 the computation date is greater than fifteen percent of the total
23 benefits paid in that fiscal year.

24 (3) This section does not apply to an employer in rate class 20A
25 through 20E whose assigned standard industrial classification code is
26 within major group "09" or is "203," or the equivalent codes in the
27 North American industry classification system code.

28 (4) For purposes of this section:

29 (a) "Ineffective charges" means the dollar amount charged in the
30 previous four completed fiscal years to an employer's experience rating
31 account attributable to unemployment benefits paid to claimants that
32 exceed the contributions paid by the respective employer in those four
33 fiscal years.

34 (b) "Net ineffective charges" means the sum of the employer's
35 ineffective charges as defined in (a) of this subsection reduced by the
36 employer's estimated contributions.

37 (c) "Estimated contributions" means the employer's taxable payroll
38 multiplied by the employer's contribution rate assigned under RCW
39 50.29.025 for the next applicable rate year.

1 (d) "Taxable payroll" means the amount of wages subject to tax for
2 the employer as determined under RCW 50.24.010 in the completed fiscal
3 year immediately preceding the computation date.

4 **Sec. 11.** RCW 50.29.010 and 1987 c 213 s 2 are each amended to read
5 as follows:

6 As used in this chapter:

7 (1) "Computation date" means July 1st of any year;

8 (2) "Cut-off date" means September 30th next following the
9 computation date;

10 (3) "Qualification date" means April 1st of the (~~third~~) second
11 year preceding the computation date;

12 (4) "Rate year" means the calendar year immediately following the
13 computation date;

14 (5) "Payroll" means all wages (as defined for contribution
15 purposes) paid by an employer to individuals in his or her employment;

16 (6) "Qualified employer" means any employer who (~~(1)~~) (a)
17 reported some employment in the twelve-month period beginning with the
18 qualification date, (~~(2)~~) (b) had no period of four or more
19 consecutive calendar quarters for which he or she reported no
20 employment in the two calendar years immediately preceding the
21 computation date, and (~~(3)~~) (c) has submitted by the cut-off date all
22 reports, contributions, interest, and penalties required under this
23 title for the period preceding the computation date. Unpaid
24 contributions, interest, and penalties may be disregarded for the
25 purposes of this section if they constitute less than either one
26 hundred dollars or one-half of one percent of the employer's total tax
27 reported for the twelve-month period immediately preceding the
28 computation date. Late reports, contributions, penalties, or interest
29 from employment defined under RCW 50.04.160 may be disregarded for the
30 purposes of this section if showing is made to the satisfaction of the
31 commissioner that an otherwise qualified employer acted in good faith
32 and that forfeiture of qualification for a reduced contribution rate
33 because of such delinquency would be inequitable.

34 **Sec. 12.** RCW 50.29.062 and 1996 c 238 s 1 are each amended to read
35 as follows:

36 Predecessor and successor employer contribution rates shall be
37 computed in the following manner:

1 (1) If the successor is an employer, as defined in RCW 50.04.080,
2 at the time of the transfer, its contribution rate shall remain
3 unchanged for the remainder of the rate year in which the transfer
4 occurs. From and after January 1 following the transfer, the
5 successor's contribution rate for each rate year shall be based on its
6 experience with payrolls and benefits including the experience of the
7 acquired business or portion of a business from the date of transfer,
8 as of the regular computation date for that rate year.

9 (2) If the successor is not an employer at the time of the
10 transfer, it shall pay contributions at the lowest rate determined
11 under either of the following:

12 (a)(i) For transfers before January 1, 1997, the contribution rate
13 of the rate class assigned to the predecessor employer at the time of
14 the transfer for the remainder of that rate year and continuing until
15 the successor qualifies for a different rate in its own right;

16 (ii) For transfers on or after January 1, 1997, the contribution
17 rate of the rate class assigned to the predecessor employer at the time
18 of the transfer for the remainder of that rate year. Any experience
19 relating to the assignment of that rate class attributable to the
20 predecessor is transferred to the successor. Beginning with the
21 January 1 following the transfer, the successor's contribution rate
22 shall be based on the transferred experience of the acquired business
23 and the successor's experience after the transfer; or

24 (b) The contribution rate equal to the average industry rate as
25 determined by the commissioner, but not less than one percent, and
26 continuing until the successor qualifies for a different rate in its
27 own right. Assignment of employers by the commissioner to industrial
28 classification, for purposes of this subsection, must be in accordance
29 with established classification practices found in the "Standard
30 Industrial Classification Manual" issued by the federal office of
31 management and budget to the third digit provided in the standard
32 industrial classification code, or in the North American industry
33 classification code system.

34 (3) If the successor is not an employer at the time of the transfer
35 and simultaneously acquires the business or a portion of the business
36 of two or more employers in different rate classes, its rate from the
37 date the transfer occurred until the end of that rate year and until it
38 qualifies in its own right for a new rate, shall be the highest rate
39 class applicable at the time of the acquisition to any predecessor

1 employer who is a party to the acquisition, but not less than one
2 percent.

3 (4) If the successor is not an employer at the time of the
4 transfer, the taxable wage base applicable to the predecessor employer
5 at the time of the transfer shall continue to apply to the successor
6 employer for the remainder of the rate year in which the transfer
7 occurs.

8 (5) The contribution rate on any payroll retained by a predecessor
9 employer shall remain unchanged for the remainder of the rate year in
10 which the transfer occurs.

11 ~~((+5+))~~ (6) In all cases, from and after January 1 following the
12 transfer, the predecessor's contribution rate for each rate year shall
13 be based on its experience with payrolls and benefits as of the regular
14 computation date for that rate year including the experience of the
15 acquired business or portion of business up to the date of transfer:
16 PROVIDED, That if all of the predecessor's business is transferred to
17 a successor or successors, the predecessor shall not be a qualified
18 employer until it satisfies the requirements of a "qualified employer"
19 as set forth in RCW 50.29.010.

20 In addition to contributions at rates computed under this section,
21 predecessor and successor employers are subject to contributions under
22 rates computed as provided in sections 9 and 10 of this act.

23 **Sec. 13.** RCW 50.24.014 and 2000 c 2 s 15 are each amended to read
24 as follows:

25 (1)(a) A separate and identifiable account to provide for the
26 financing of special programs to assist the unemployed is established
27 in the administrative contingency fund. Contributions to this account
28 shall accrue and become payable by each employer, except employers as
29 described in RCW 50.44.010 and 50.44.030 who have properly elected to
30 make payments in lieu of contributions, taxable local government
31 employers as described in RCW 50.44.035, and those employers who are
32 required to make payments in lieu of contributions, at a basic rate of
33 two one-hundredths of one percent. The amount of wages subject to tax
34 shall be determined under RCW 50.24.010.

35 (b) A separate and identifiable account is established in the
36 administrative contingency fund for financing the employment security
37 department's administrative cost under RCW 50.22.150 ~~((and))~~, the costs
38 under RCW 50.22.150(9), and the administrative cost under chapter

1 . . . , Laws of 2002 (this act). Contributions to this account shall
2 accrue and become payable by each employer, except employers as
3 described in RCW 50.44.010 and 50.44.030 who have properly elected to
4 make payments in lieu of contributions, taxable local government
5 employers as described in RCW 50.44.035, those employers who are
6 required to make payments in lieu of contributions, those employers
7 described under RCW 50.29.025(6)(b), and those qualified employers
8 assigned one of the rate classes 20A through 20E under RCW 50.29.025,
9 at a basic rate of one one-hundredth of one percent. The amount of
10 wages subject to tax shall be determined under RCW 50.24.010. (~~Any~~
11 ~~amount of contributions payable under this subsection (1)(b) that~~
12 ~~exceeds the amount that would have been collected at a rate of four~~
13 ~~one thousandths of one percent must be deposited in the unemployment~~
14 ~~compensation trust fund.))~~

15 (c) For the first calendar quarter of 1994 only, the basic two one-
16 hundredths of one percent contribution payable under (a) of this
17 subsection shall be increased by one-hundredth of one percent to a
18 total rate of three one-hundredths of one percent. The proceeds of
19 this incremental one-hundredth of one percent shall be used solely for
20 the purposes described in section 22, chapter 483, Laws of 1993, and
21 for the purposes of conducting an evaluation of the call center
22 approach to unemployment insurance under section 5, chapter 161, Laws
23 of 1998. During the 1997-1999 fiscal biennium, any surplus from
24 contributions payable under this subsection (c) may be deposited in the
25 unemployment compensation trust fund, used to support tax and wage
26 automated systems projects that simplify and streamline employer
27 reporting, or both.

28 (2)(a) Contributions under this section shall become due and be
29 paid by each employer under rules as the commissioner may prescribe,
30 and shall not be deducted, in whole or in part, from the remuneration
31 of individuals in the employ of the employer. Any deduction in
32 violation of this section is unlawful.

33 (b) In the payment of any contributions under this section, a
34 fractional part of a cent shall be disregarded unless it amounts to
35 one-half cent or more, in which case it shall be increased to one cent.

36 (3) If the commissioner determines that federal funding has been
37 increased to provide financing for the services specified in chapter
38 50.62 RCW, the commissioner shall direct that collection of

1 contributions under this section be terminated on the following January
2 1st.

3 *NEW SECTION. Sec. 14. (1) There is hereby created a joint task
4 force on unemployment insurance, composed of the following members:

5 (a) Four members of the senate labor, commerce and financial
6 institutions committee, two from each of the major caucuses, to be
7 appointed by the president of the senate;

8 (b) Four members of the house of representatives commerce and labor
9 committee, two from each of the major caucuses, to be appointed by the
10 speaker of the house of representatives;

11 (c) At least one legislative member from each house of the
12 legislature shall represent a district east of the Cascade mountains;
13 and

14 (d) Up to eight members appointed jointly by the president of the
15 senate and the speaker of the house of representatives, representing
16 business and labor in equal numbers. The business representatives
17 shall be selected from nominations submitted by statewide business
18 organizations, representing a cross-section of industries. The labor
19 representatives shall be selected from nominations submitted by
20 statewide labor organizations representing a cross-section of
21 industries. Business and labor members shall include at least one
22 person representing each of the following industries or economic
23 sectors: Aerospace, construction, agriculture, small business,
24 information technology, and retail.

25 (2) The employment security department unemployment insurance
26 advisory committee shall provide administrative, technical, and
27 clerical assistance to the joint task force on unemployment insurance.

28 (3) The senate committee services and the office of program
29 research shall provide the staff support as mutually agreed by the
30 cochairs of the joint task force on unemployment insurance. The task
31 force shall designate the cochairs.

32 (4) The members of the joint task force on unemployment insurance
33 shall not be compensated but the legislative members may be reimbursed
34 for travel expenses as provided in RCW 43.03.050 and 43.03.060. The
35 task force shall minimize travel costs, and shall meet only in Olympia
36 or Lacey, Washington. Other meetings and conferences that may be
37 deemed necessary shall be held by teleconference or written submittal,
38 which may be via e-mail.

1 (5) The joint task force on unemployment insurance shall appoint a
2 technical advisory committee to assist in the development of
3 legislative proposals and recommendations. Representatives of small
4 business, construction industry, aerospace, information technology,
5 agriculture, and retail shall be included on the technical advisory
6 committee, on an ad hoc basis. Business and labor, and rural and urban
7 interests shall all be represented.

8 (6) The joint task force on unemployment insurance shall study the
9 following issues:

10 (a) Tax equity proposals, including tax rates and distribution of
11 tax effects;

12 (b) Social costs;

13 (c) Improvement in administrative costs and efficiencies;

14 (d) Experience rating systems;

15 (e) Effectiveness of the implementation of this act in achieving
16 equity;

17 (f) Trust fund adequacy, including examination of establishment of
18 an earmarked state trust fund managed by the Washington state
19 investment board;

20 (g) The effect of this act upon business insolvency rates in
21 Washington state;

22 (h) Ways to reduce any inequitable effects of noncharged benefits
23 caused by statutory individual benefits on the employer unemployment
24 insurance burden. For purposes of this section, "individual benefits"
25 means benefits paid to individuals who are considered to have left work
26 voluntarily for good cause under RCW 50.20.050(2);

27 (i) Benefit structure and costs, including the improved direction
28 of benefits to those in need;

29 (j) Analysis to improve understanding of the high rate of employer
30 turnover in Washington state; and

31 (k) Any other issues deemed appropriate by the task force.

32 (7) The joint task force on unemployment insurance shall report its
33 findings and make recommendations to the legislature by December 31,
34 2003. In the event that the task force is divided regarding an issue
35 that is subject to a recommendation, the task force, with the
36 assistance of the technical advisory committee, will articulate and
37 submit more than one proposal or option for legislative consideration.

38 *Sec. 14 was vetoed. See message at end of chapter.

1 NEW SECTION. **Sec. 15.** If any part of this act is found to be in
2 conflict with federal requirements that are a prescribed condition to
3 the allocation of federal funds to the state or the eligibility of
4 employers in this state for federal unemployment tax credits, the
5 conflicting part of this act is inoperative solely to the extent of the
6 conflict, and the finding or determination does not affect the
7 operation of the remainder of this act. Rules adopted under this act
8 must meet federal requirements that are a necessary condition to the
9 receipt of federal funds by the state or the granting of federal
10 unemployment tax credits to employers in this state.

11 NEW SECTION. **Sec. 16.** If any provision of this act or its
12 application to any person or circumstance is held invalid, the
13 remainder of the act or the application of the provision to other
14 persons or circumstances is not affected.

15 NEW SECTION. **Sec. 17.** (1) Section 3 of this act applies beginning
16 with claims that have an effective date on or after July 7, 2002.

17 (2) Sections 5 and 7 of this act apply to rate years beginning on
18 or after January 1, 2003.

19 (3) Section 6 of this act applies to benefits charged to the
20 experience rating accounts of employers for claims that have an
21 effective date on or after July 7, 2002.

22 (4) Section 8 of this act applies to rate years beginning on or
23 after January 1, 2005.

24 NEW SECTION. **Sec. 18.** (1) Sections 7 and 9 of this act expire
25 January 1, 2005.

26 (2) Section 3 of this act expires July 1, 2014.

27 NEW SECTION. **Sec. 19.** (1) Section 2 of this act is necessary for
28 the immediate preservation of the public peace, health, or safety, or
29 support of the state government and its existing public institutions,
30 and takes effect immediately.

31 (2) Section 8 of this act takes effect January 1, 2005.

Passed the House March 14, 2002.

Passed the Senate March 13, 2002.

Approved by the Governor March 26, 2002, with the exception of
certain items that were vetoed.

Filed in Office of Secretary of State March 26, 2002.

1 Note: Governor's explanation of partial veto is as follows: