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**Commerce & Labor Committee**

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**HB 1278**

**Brief Description:** Modifying industry average unemployment contribution rates.

**Sponsors:** Representatives Conway, Simpson and Kenney; by request of Governor Gregoire.

**Brief Summary of Bill**

- Reduces unemployment insurance contribution rates for new employers from 115 percent of average industry rates to 100 percent of such rates.

**Hearing Date:** 2/2/07

**Staff:** Jill Reinmuth (786-7134).

**Background:**

Washington's unemployment insurance system requires covered employers to pay contributions on a percentage of taxable payroll. The contributions of covered employers are held in trust to pay benefits to unemployed workers. The contribution rates are the sum of an array calculation factor rate, a graduated social cost factor rate, and in some circumstances, a solvency surcharge.

For qualified employers:

- The array calculation factor rate depends on the employer's layoff experience. Employers are placed in one of 40 rate classes, with the array calculation factor rate ranging from 0 percent to 5.4 percent.
- A flat social cost factor rate is calculated as the difference between benefits paid and taxes paid, divided by total taxable payroll. The amount is then adjusted for the months of benefits in the trust fund. Employers pay a graduated social cost factor rate, ranging from 78 percent to 120 percent of the flat rate, depending on the employer's rate class.

Nonqualified employers include those who have had employees for two years or less as of April 1 of the previous year. For new employers:

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- The array calculation factor rate is the average industry rate plus 15 percent of that rate, but not less than 1 percent or more than 5.4 percent (the rate in rate class 40); and
- The social cost factor rate is the average industry rate plus 15 percent of that rate, but not more than the rate assigned to rate class 40.

**Summary of Bill:**

For new employers, unemployment insurance contribution rates are reduced from 115 percent of average industry rates to 100 percent of average industry rates:

- The array calculation factor rate is the average industry rate, but not less than 1 percent or more than 5.4 percent (the rate in rate class 40); and
- The social cost factor rate is the average industry rate, but not more than the rate assigned to rate class 40.

**Rules Authority:** The bill does not address the rule-making powers of an agency.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.