S-1621.3	

SUBSTITUTE SENATE BILL 5809

State of Washington 61st Legislature 2009 Regular Session

By Senate Labor, Commerce & Consumer Protection (originally sponsored by Senator Hargrove)

READ FIRST TIME 02/25/09.

- 1 AN ACT Relating to workforce employment and training; amending RCW
- 2 50.29.025, 50.24.014, and 50.20.---; adding a new section to chapter
- 3 50.22 RCW; creating new sections; providing an effective date;
- 4 providing an expiration date; and declaring an emergency.
- 5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 6 <u>NEW SECTION.</u> **Sec. 1.** It is the purpose of this act to reduce the amount paid by employers in the state to the unemployment compensation
- 8 fund by one-tenth of one percent of taxable wages.
- 9 It is also the purpose of this act to establish a separate fund for
- 10 workforce training grants for dislocated workers. This fund shall
- 11 consist of contributions of one-tenth of one percent of taxable wages.
- 12 It is the intent of the legislature that this act not result in any
- 13 net increase in employer tax rates.
- 14 Sec. 2. RCW 50.29.025 and 2007 c 51 s 1 are each amended to read
- 15 as follows:
- 16 (1) Except as provided in subsection (2) of this section, the
- 17 contribution rate for each employer subject to contributions under RCW
- 18 50.24.010 shall be determined under this subsection.

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- (a) A fund balance ratio shall be determined by dividing the balance in the unemployment compensation fund as of the September 30th immediately preceding the rate year by the total remuneration paid by all employers subject to contributions during the second calendar year preceding the rate year and reported to the department by the following March 31st. The division shall be carried to the fourth decimal place with the remaining fraction, if any, disregarded. The fund balance ratio shall be expressed as a percentage.
- (b) The interval of the fund balance ratio, expressed as a percentage, shall determine which tax schedule in (e) of this subsection shall be in effect for assigning tax rates for the rate year. The intervals for determining the effective tax schedule shall be:

14	Interval of the	
15	Fund Balance Ratio	Effective
16	Expressed as a Percentage	Tax Schedule
17	2.90 and above	AA
18	2.10 to 2.89	A
19	1.70 to 2.09	В
20	1.40 to 1.69	C
21	1.00 to 1.39	D
22	0.70 to 0.99	E
23	Less than 0.70	F

- (c) An array shall be prepared, listing all qualified employers in ascending order of their benefit ratios. The array shall show for each qualified employer: (i) Identification number; (ii) benefit ratio; (iii) taxable payrolls for the four calendar quarters immediately preceding the computation date and reported to the department by the cut-off date; (iv) a cumulative total of taxable payrolls consisting of the employer's taxable payroll plus the taxable payrolls of all other employers preceding him or her in the array; and (v) the percentage equivalent of the cumulative total of taxable payrolls.
- (d) Each employer in the array shall be assigned to one of twenty rate classes according to the percentage intervals of cumulative taxable payrolls set forth in (e) of this subsection: PROVIDED, That

if an employer's taxable payroll falls within two or more rate classes, the employer and any other employer with the same benefit ratio shall be assigned to the lowest rate class which includes any portion of the employer's taxable payroll.

(e) Except as provided in RCW 50.29.026, the contribution rate for each employer in the array shall be the rate specified in the following tables for the rate class to which he or she has been assigned, as determined under (d) of this subsection, within the tax schedule which is to be in effect during the rate year:

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1.87 2.47
2.07 2.67
2.27 2.87
2.40 2.98
2.59 3.08
2.69 3.18
2.88 3.27
3.07 3.47
3.27 3.66
3.46 3.86
3.66 3.95
3.85 4.15
4.04 4.34
4.24 4.54
4.43 4.63
4.53 4.73
4.87 4.97
4.97 5.17
5.17 5.37

- (f) The contribution rate for each employer not qualified to be in the array shall be as follows:
- (i) Employers who do not meet the definition of "qualified employer" by reason of failure to pay contributions when due shall be

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assigned a contribution rate two-tenths higher than that in rate class 20 for the applicable rate year, except employers who have an approved agency-deferred payment contract by September 30 of the previous rate year. If any employer with an approved agency-deferred payment contract fails to make any one of the succeeding deferred payments or fails to submit any succeeding tax report and payment in a timely manner, the employer's tax rate shall immediately revert to a contribution rate two-tenths higher than that in rate class 20 for the applicable rate year; and

- (ii) For all other employers not qualified to be in the array, the contribution rate shall be a rate equal to the average industry rate as determined by the commissioner; however, the rate may not be less than one percent.
- (2) Beginning with contributions assessed for rate year 2005, the contribution rate for each employer subject to contributions under RCW 50.24.010 shall be the sum of the array calculation factor rate and the graduated social cost factor rate determined under this subsection, and the solvency surcharge determined under RCW 50.29.041, if any.
- (a) The array calculation factor rate shall be determined as follows:
- (i) An array shall be prepared, listing all qualified employers in ascending order of their benefit ratios. The array shall show for each qualified employer: (A) Identification number; (B) benefit ratio; and (C) taxable payrolls for the four consecutive calendar quarters immediately preceding the computation date and reported to the employment security department by the cut-off date.
- (ii) Each employer in the array shall be assigned to one of forty rate classes according to his or her benefit ratio as follows, and, except as provided in RCW 50.29.026, the array calculation factor rate for each employer in the array shall be the rate specified in the rate class to which the employer has been assigned:

32	Benefit Ratio		Rate	Rate
33	At least	Less than	Class	(percent)
34		0.000001	1	0.00
35	0.000001	0.001250	2	0.13
36	0.001250	0.002500	3	0.25

1	0.002500	0.003750	4	0.38
2	0.003750	0.005000	5	0.50
3	0.005000	0.006250	6	0.63
4	0.006250	0.007500	7	0.75
5	0.007500	0.008750	8	0.88
6	0.008750	0.010000	9	1.00
7	0.010000	0.011250	10	1.15
8	0.011250	0.012500	11	1.30
9	0.012500	0.013750	12	1.45
10	0.013750	0.015000	13	1.60
11	0.015000	0.016250	14	1.75
12	0.016250	0.017500	15	1.90
13	0.017500	0.018750	16	2.05
14	0.018750	0.020000	17	2.20
15	0.020000	0.021250	18	2.35
16	0.021250	0.022500	19	2.50
17	0.022500	0.023750	20	2.65
18	0.023750	0.025000	21	2.80
19	0.025000	0.026250	22	2.95
20	0.026250	0.027500	23	3.10
21	0.027500	0.028750	24	3.25
22	0.028750	0.030000	25	3.40
23	0.030000	0.031250	26	3.55
24	0.031250	0.032500	27	3.70
25	0.032500	0.033750	28	3.85
26	0.033750	0.035000	29	4.00
27	0.035000	0.036250	30	4.15
28	0.036250	0.037500	31	4.30
29	0.037500	0.040000	32	4.45
30	0.040000	0.042500	33	4.60
31	0.042500	0.045000	34	4.75
32	0.045000	0.047500	35	4.90
33	0.047500	0.050000	36	5.05
34	0.050000	0.052500	37	5.20
35	0.052500	0.055000	38	5.30
36	0.055000	0.057500	39	5.35
37	0.057500		40	5.40

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1 (b) The graduated social cost factor rate shall be determined as follows:

- (i)(A) Except as provided in (b)(i)(B) and (C) of this subsection, the commissioner shall calculate the flat social cost factor for a rate year by dividing the total social cost by the total taxable payroll. The division shall be carried to the second decimal place with the remaining fraction disregarded unless it amounts to five hundredths or more, in which case the second decimal place shall be rounded to the next higher digit. The flat social cost factor shall be expressed as a percentage.
- (B) If, on the cut-off date, the balance in the unemployment compensation fund is determined by the commissioner to be an amount that will provide more than ten months of unemployment benefits, the commissioner shall calculate the flat social cost factor for the rate year immediately following the cut-off date by reducing the total social cost by the dollar amount that represents the number of months for which the balance in the unemployment compensation fund on the cut-off date will provide benefits above ten months and dividing the result by the total taxable payroll. However, the calculation under this subsection (2)(b)(i)(B) for a rate year may not result in a flat social cost factor that is more than four-tenths lower than the calculation under (b)(i)(A) of this subsection for that rate year.

For the purposes of this subsection, the commissioner shall determine the number of months of unemployment benefits in the unemployment compensation fund using the benefit cost rate for the average of the three highest calendar benefit cost rates in the twenty consecutive completed calendar years immediately preceding the cut-off date or a period of consecutive calendar years immediately preceding the cut-off date that includes three recessions, if longer.

- (C) The minimum flat social cost factor calculated under this subsection (2)(b) shall be six-tenths of one percent, except that if the balance in the unemployment compensation fund is determined by the commissioner to be an amount that will provide:
- (I) At least twelve months but less than fourteen months of unemployment benefits, the minimum shall be five-tenths of one percent; or
- (II) At least fourteen months of unemployment benefits, the minimum

shall be five-tenths of one percent, except that, for employers in rate class 1, the minimum shall be forty-five hundredths of one percent.

- (ii)(A) Except as provided in (b)(ii)(B) and (C) of this subsection, the graduated social cost factor rate for each employer in the array is the flat social cost factor multiplied by the percentage specified as follows for the rate class to which the employer has been assigned in (a)(ii) of this subsection, except that the sum of an employer's array calculation factor rate and the graduated social cost factor rate may not exceed six and five-tenths percent or, for employers whose North American industry classification system code is within "111," "112," "1141," "115," "3114," "3117," "42448," or "49312," may not exceed six percent through rate year 2007 and may not exceed five and seven-tenths percent for rate year 2008 and thereafter:
- 14 (I) Rate class 1 78 percent;

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- 15 (II) Rate class 2 82 percent;
- 16 (III) Rate class 3 86 percent;
 - (IV) Rate class 4 90 percent;
- 18 (V) Rate class 5 94 percent;
- 19 (VI) Rate class 6 98 percent;
- 20 (VII) Rate class 7 102 percent;
- 21 (VIII) Rate class 8 106 percent;
- 22 (IX) Rate class 9 110 percent;
- 23 (X) Rate class 10 114 percent;
- 24 (XI) Rate class 11 118 percent; and
- 25 (XII) Rate classes 12 through 40 120 percent.
- 26 (B) For contributions assessed beginning July 1, 2005, through 27 December 31, 2007, for employers whose North American industry 28 classification system code is "111," "112," "1141," "115," "3114," 29 "3117," "42448," or "49312," the graduated social cost factor rate is 30 zero.
 - (C) For tax rate year 2010, one-tenth of one percent shall be subtracted from the graduated social cost factor rate, if the graduated social cost factor rate equals or exceeds one-tenth of one percent, and that rate shall be transferred to the rate established in RCW 50.24.014(1)(a) for the separate and identifiable account in the administrative contingency fund.
- 37 (iii) For the purposes of this section:

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(A) "Total social cost" means the amount calculated by subtracting the array calculation factor contributions paid by all employers with respect to the four consecutive calendar quarters immediately preceding the computation date and paid to the employment security department by the cut-off date from the total unemployment benefits paid to claimants in the same four consecutive calendar quarters. To calculate the flat social cost factor for rate year 2005, the commissioner shall calculate the total social cost using the array calculation factor contributions that would have been required to be paid by all employers in the calculation period if (a) of this subsection had been in effect for the relevant period.

- (B) "Total taxable payroll" means the total amount of wages subject to tax, as determined under RCW 50.24.010, for all employers in the four consecutive calendar quarters immediately preceding the computation date and reported to the employment security department by the cut-off date.
- (c) For employers who do not meet the definition of "qualified employer" by reason of failure to pay contributions when due:
- (i) The array calculation factor rate shall be two-tenths higher than that in rate class 40, except employers who have an approved agency-deferred payment contract by September 30th of the previous rate year. If any employer with an approved agency-deferred payment contract fails to make any one of the succeeding deferred payments or fails to submit any succeeding tax report and payment in a timely manner, the employer's tax rate shall immediately revert to an array calculation factor rate two-tenths higher than that in rate class 40; and
- (ii) The social cost factor rate shall be the social cost factor rate assigned to rate class 40 under (b)(ii) of this subsection. For tax rate year 2010, one-tenth of one percent shall be subtracted from the social cost factor rate, if the social cost factor rate equals or exceeds one-tenth of one percent, and that rate shall be transferred to the rate established in RCW 50.24.014(1)(a) for the separate and identifiable account in the administrative contingency fund.
 - (d) For all other employers not qualified to be in the array:
 - (i) For rate years 2005, 2006, and 2007:
- 37 (A) The array calculation factor rate shall be a rate equal to the 38 average industry array calculation factor rate as determined by the

commissioner, plus fifteen percent of that amount; however, the rate may not be less than one percent or more than the array calculation factor rate in rate class 40; and

- (B) The social cost factor rate shall be a rate equal to the average industry social cost factor rate as determined by the commissioner, plus fifteen percent of that amount, but not more than the social cost factor rate assigned to rate class 40 under (b)(ii) of this subsection.
 - (ii) Beginning with contributions assessed for rate year 2008:
- (A) The array calculation factor rate shall be a rate equal to the average industry array calculation factor rate as determined by the commissioner, multiplied by the history factor, but not less than one percent or more than the array calculation factor rate in rate class 40;
- (B) The social cost factor rate shall be a rate equal to the average industry social cost factor rate as determined by the commissioner, multiplied by the history factor, but not more than the social cost factor rate assigned to rate class 40 under (b)(ii) of this subsection. For tax rate year 2010, one-tenth of one percent shall be subtracted from the social cost factor rate, if the social cost factor rate equals or exceeds one-tenth of one percent, and that rate shall be transferred to the rate established in RCW 50.24.014(1)(a) for the separate and identifiable account in the administrative contingency fund; and
- (C) The history factor shall be based on the total amounts of benefits charged and contributions paid in the three fiscal years ending prior to the computation date by employers not qualified to be in the array, other than employers in (c) of this subsection, who were first subject to contributions in the calendar year ending three years prior to the computation date. The commissioner shall calculate the history ratio by dividing the total amount of benefits charged by the total amount of contributions paid in this three-year period by these employers. The division shall be carried to the second decimal place with the remaining fraction disregarded unless it amounts to five one-hundredths or more, in which case the second decimal place shall be rounded to the next higher digit. The commissioner shall determine the history factor according to the history ratio as follows:

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1		History		History
2		Ratio		Factor
3				(percent)
4		At least	Less than	
5	(I)		.95	90
6	(II)	.95	1.05	100
7	(III)	1.05		115

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(3) Assignment of employers by the commissioner to industrial classification, for purposes of this section, shall be in accordance with established classification practices found in the "Standard Industrial Classification Manual" issued by the federal office of management and budget to the third digit provided in the standard industrial classification code, or in the North American industry classification system code.

Sec. 3. RCW 50.24.014 and 2007 c 327 s 2 are each amended to read as follows: 16

(1)(a) A separate and identifiable account to provide for the financing of special programs to assist the unemployed is established in the administrative contingency fund. All money in this account shall be expended solely for the purposes of this title and for no other purposes whatsoever. Contributions to this account shall accrue and become payable by each employer, except employers as described in RCW 50.44.010 and 50.44.030 who have properly elected to make payments lieu of contributions, taxable local government employers described in RCW 50.44.035, and those employers who are required to make payments in lieu of contributions, at a basic rate of two onehundredths of one percent. The amount of wages subject to tax shall be determined under RCW 50.24.010. <u>Using the rate transferred from the</u> social cost factor rate in RCW 50.29.025(2) (b)(ii)(C), (c)(ii), and (d)(ii)(B), the account may also be used for the administration and provision of workforce training grants under section 4 of this act until the funds from the rate transfer are expended or no later than June 30, 2012. These funds shall not replace or supplant any existing enrollments, programs, support services, or funding sources.

- (b) A separate and identifiable account is established in the 1 administrative contingency fund for financing the employment security 2 department's administrative cost under RCW 50.22.150 and the costs 3 4 under RCW 50.22.150(10). All money in this account shall be expended solely for the purposes of this title and for no other purposes 5 whatsoever. Contributions to this account shall accrue and become 6 7 payable by each employer, except employers as described in RCW 8 50.44.010 and 50.44.030 who have properly elected to make payments in lieu of contributions, taxable local government employers as described 9 10 in RCW 50.44.035, those employers who are required to make payments in lieu of contributions, those employers 11 described 12 50.29.025(1)(f)(ii), and those qualified employers assigned rate class 13 20 or rate class 40, as applicable, under RCW 50.29.025, at a basic 14 rate of one one-hundredth of one percent. The amount of wages subject to tax shall be determined under RCW 50.24.010. Any amount of 15 contributions payable under this subsection (1)(b) that exceeds the 16 17 amount that would have been collected at a rate of four one-thousandths 18 of one percent must be deposited in the account created in (a) of this 19 subsection.
 - (2)(a) Contributions under this section shall become due and be paid by each employer under rules as the commissioner may prescribe, and shall not be deducted, in whole or in part, from the remuneration of individuals in the employ of the employer. Any deduction in violation of this section is unlawful.

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- (b) In the payment of any contributions under this section, a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to one cent.
- (3) If the commissioner determines that federal funding has been increased to provide financing for the services specified in chapter 50.62 RCW, the commissioner shall direct that collection of contributions under this section be terminated on the following January 1st.
- 33 <u>NEW SECTION.</u> **Sec. 4.** A new section is added to chapter 50.22 RCW to read as follows:
 - (1) Subject to availability of funds, workforce training grants are available to workforce development councils and eligible colleges to serve individuals who are eligible for or have exhausted entitlement to

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unemployment compensation benefits and who are receiving or eligible to receive training benefits under RCW 50.22.150 or 50.22.--- (section 4, chapter . . . (Engrossed Substitute House Bill No. 1906), Laws of 2009) and are enrolled in a high demand training program.

- (2) The employment security department shall consult the state board for community and technical colleges and the workforce training and education coordinating board to identify high demand training programs that are consistent with workforce training priorities and based upon the comprehensive plan for workforce training developed by the workforce training and education coordinating board.
- (3) Workforce training grants can be used for the following purposes for individuals eligible under subsection (1) of this section: Expenses related to educational and career counseling services, training plan development, and referral to appropriate training programs in high demand occupations; increased capacity at community and technical colleges to make training programs in high demand occupations available; financial aid for eligible students enrolled at an institution of higher education as defined in RCW 28B.10.016 or an educational institution as defined in RCW 28C.04.410; and job development and referral services.
- (4) The employment security department shall disperse funds for workforce training grants to the state board for community and technical colleges. The state board for community and technical colleges shall review proposals submitted jointly by workforce development councils and eligible colleges and award funds through a competitive process. Preference shall be given to proposals emphasizing health care workers and energy efficiency workers.
- (5) The employment security department and the state board for community and technical colleges shall jointly establish rules that provide for the awarding of workforce training grants from the administrative contingency fund defined in RCW 50.24.014(1)(a).
- (6) After the first year of the program, if funds are not fully expended, the employment security department may broaden individual eligibility criteria.
- (7) Workforce training grants cannot be used to replace or supplant any existing enrollments, programs, support services, or funding sources.

- Sec. 5. RCW 50.20.--- and 2009 c 3 s 2 are each amended to read as follows:
 - (1) This section applies beginning May 3, 2009.

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- (2)(a) For claims with an effective date before May 3, 2009, in weeks of unemployment beginning on or after May 3, 2009, individual's weekly benefit amount shall be the amount established under RCW 50.20.120 and subsection (3) of this section plus an additional ((forty-five)) thirty-one dollars. For individuals who have a balance of regular unemployment benefits available, the weekly benefit amount under this subsection (2)(a) is payable for all remaining weeks of regular, extended, emergency, supplemental, additional benefits on that claim. For individuals who have exhausted regular benefits but have a balance of training benefits available as provided in section 4 of this act or RCW 50.22.150, the weekly benefit amount under this subsection (2)(a) is payable for all remaining weeks of training benefits, but not for weeks of extended, emergency, supplemental, or additional benefits on that claim unless specifically authorized under federal or state law.
 - (b) For claims with an effective date on or after May 3, 2009, and before January 3, 2010, an individual's weekly benefit amount shall be the amount established under RCW 50.20.120 and subsection (3) of this section plus an additional ((forty-five)) thirty-one dollars. The weekly benefit amount under this subsection (2)(b) is payable for all weeks of regular, extended, emergency, supplemental, or additional benefits on that claim.
 - (3)(a) For benefit years beginning before May 3, 2009, in weeks of unemployment beginning on or after May 3, 2009, the minimum amount payable weekly shall be one hundred fifty-five dollars. For individuals who have a balance of regular unemployment benefits available, the minimum amount payable weekly under this subsection (3)(a) is payable for all remaining weeks of regular, extended, emergency, supplemental, or additional benefits on that claim. For individuals who have exhausted regular benefits but have a balance of training benefits available as provided in section 4 of this act or RCW 50.22.150, the minimum amount payable weekly under this subsection (3)(a) is payable for all remaining weeks of training benefits, but not for weeks of extended, emergency, supplemental, or additional benefits

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on that claim unless specifically authorized under federal or state law.

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- (b) For benefit years beginning on or after May 3, 2009, and before January 3, 2010, the minimum amount payable weekly shall be one hundred fifty-five dollars. The minimum amount payable weekly under this subsection (3)(b) is payable for all weeks of regular, extended, emergency, supplemental, or additional benefits on that claim.
- (4) The weekly benefit amounts and the minimum amounts payable weekly under this section shall increase the maximum benefits payable to the individual under RCW 50.20.120(1) by a corresponding dollar amount.
- 12 (5) The weekly benefit amounts under this section shall increase 13 the maximum amount payable weekly, irrespective of the provisions of 14 RCW 50.20.120(3).
 - (6) Payment of benefits to individuals whose weekly benefit amounts are increased under this section shall be subject to the same terms and conditions under this title that apply to the payment of benefits to individuals whose benefit amounts are established under RCW 50.20.120.
- 19 (7) This section does not apply to claims with an effective date on 20 or after January 3, 2010.
- 21 NEW SECTION. Sec. 6. The employment security department together 22 with the state board for community and technical colleges shall report 23 to the appropriate committees of the legislature by December 1, 2012, on the number of certified full-time equivalent students receiving 24 25 training as provided in this act and the types of training received by The report shall also include student demographics, 26 the students. 27 number of training plans developed, training completion rates, 28 employment rates, and comparisons of preprogram and postprogram wage 29 levels.
- NEW SECTION. Sec. 7. If any part of this act is found to be in conflict with federal requirements that are a prescribed condition to the allocation of federal funds to the state, the conflicting part of this act is inoperative solely to the extent of the conflict and with respect to the agencies directly affected, and this finding does not affect the operation of the remainder of this act in its application to

- 1 the agencies concerned. Rules adopted under this act must meet federal
- 2 requirements that are a necessary condition to the receipt of federal
- 3 funds by the state.
- 4 <u>NEW SECTION.</u> **Sec. 8.** If any provision of this act or its
- 5 application to any person or circumstance is held invalid, the
- 6 remainder of the act or the application of the provision to other
- 7 persons or circumstances is not affected.
- 8 <u>NEW SECTION.</u> **Sec. 9.** Section 5 of this act is necessary for the
- 9 immediate preservation of the public peace, health, or safety, or
- 10 support of the state government and its existing public institutions,
- 11 and takes effect April 5, 2009.

--- END ---

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