
HOUSE BILL 2026

State of Washington

62nd Legislature

2011 Regular Session

By Representatives Sells and Reykdal

Read first time 03/21/11. Referred to Committee on Labor & Workforce Development.

1 AN ACT Relating to creating the industrial insurance rainy day
2 account; amending RCW 51.16.035 and 51.44.100; reenacting and amending
3 RCW 43.84.092; adding a new section to chapter 51.44 RCW; and creating
4 a new section.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that stability in
7 industrial insurance premium rates benefits both employers and workers.
8 Further, the legislature finds that economic and other events may cause
9 both benefit costs and premiums collected to change in unanticipated
10 ways. Therefore, the legislature intends that rather than return any
11 surplus funds to employers and workers in the form of rate holidays,
12 dividends, and other returns, any surpluses should be deposited into a
13 rainy day account that shall be used in lieu of a premium rate
14 increase.

15 **Sec. 2.** RCW 51.16.035 and 2005 c 410 s 1 are each amended to read
16 as follows:

17 (1) The department shall classify all occupations or industries in

1 accordance with their degree of hazard and fix therefor basic rates of
2 premium which shall be:

3 (a) The lowest necessary to maintain actuarial solvency of the
4 accident and medical aid funds in accordance with recognized insurance
5 principles; and

6 (b) Designed to attempt to limit fluctuations in premium rates.

7 (2)(a) The director, in consultation with the state treasurer and
8 the workers' compensation advisory committee, shall determine whether
9 there is a surplus in the accident fund or the medical aid fund. If
10 the director determines that a surplus balance exists in either or both
11 funds, the director shall notify the treasurer of the amount of the
12 surplus in the account, and the treasurer must transfer the surplus
13 balance to the industrial insurance rainy day account created under
14 section 3 of this act.

15 (b) If the director determines to increase average rates for the
16 accident fund or medical aid fund, the director must notify the state
17 treasurer and the state treasurer must first transfer the amount
18 required to fund the rate increase from the industrial insurance rainy
19 day account created in section 3 of this act to the accident fund or
20 medical aid fund, as appropriate. The amount so transferred may not
21 exceed the balance in the industrial insurance rainy day account that
22 is attributable to the affected fund.

23 (3) The department shall formulate and adopt rules governing the
24 method of premium calculation and collection and providing for a rating
25 system consistent with recognized principles of workers' compensation
26 insurance which shall be designed to stimulate and encourage accident
27 prevention and to facilitate collection. The department may annually,
28 or at such other times as it deems necessary to achieve the objectives
29 under this section, readjust rates in accordance with the rating system
30 to become effective on such dates as the department may designate.
31 However, the department may not distribute premium dividends and may
32 not reduce average rates.

33 ~~((+3))~~ (4)(a) After the first report is issued by the state
34 auditor under RCW 51.44.115, the workers' compensation advisory
35 committee shall review the report and, as the committee deems
36 appropriate, may make recommendations to the department concerning:

37 (i) The level or levels of a contingency reserve that are

1 appropriate to maintain actuarial solvency of the accident and medical
2 aid funds, limit premium rate fluctuations, and account for economic
3 conditions; and

4 (ii) When surplus funds exist in the trust funds, the circumstances
5 under which the department should give premium dividends, or similar
6 measures, or temporarily reduce rates below the rates fixed under
7 subsection (1) of this section, including any recommendations regarding
8 notifications that should be given before taking the action.

9 (b) Following subsequent reports issued by the state auditor under
10 RCW 51.44.115 or at other times, the workers' compensation advisory
11 committee may, as it deems appropriate, (~~update its recommendations to~~
12 ~~the department on the matters covered under (a) of this subsection~~)
13 make recommendations to the department concerning:

14 (i) The level or levels of a contingency reserve that are
15 appropriate to maintain actuarial solvency of the accident and medical
16 aid funds, limit premium rate fluctuations, and account for economic
17 conditions; and

18 (ii) Whether a transfer is appropriate under subsection (2) of this
19 section.

20 ((+4)) (5) In providing a retrospective rating plan under RCW
21 51.18.010, the department may consider each individual retrospective
22 rating group as a single employing entity for purposes of dividends or
23 premium discounts.

24 NEW SECTION. Sec. 3. A new section is added to chapter 51.44 RCW
25 to read as follows:

26 The industrial insurance rainy day account is created in the state
27 treasury as an industrial insurance trust fund. Revenues to the
28 account consist of transfers made pursuant to RCW 51.16.035(2). Moneys
29 in the account may be used solely for transfers into the accident fund
30 or medical aid fund or both in order to avoid premium increases in
31 those funds under RCW 51.16.035. The treasurer must separately account
32 for any transfers to and from the accident fund and the medical aid
33 fund.

34 **Sec. 4.** RCW 51.44.100 and 1990 c 80 s 1 are each amended to read
35 as follows:

36 Whenever, in the judgment of the state investment board, there

1 shall be in the accident fund, medical aid fund, reserve fund, or the
2 supplemental pension fund, funds in excess of that amount deemed by the
3 state investment board to be sufficient to meet the current
4 expenditures properly payable therefrom, the state investment board may
5 invest and reinvest such excess funds in the manner prescribed by RCW
6 43.84.150, and not otherwise. In addition, the state investment board
7 shall invest and reinvest moneys in the industrial insurance rainy day
8 account created in section 3 of this act.

9 The state investment board may give consideration to the investment
10 of excess funds in federally insured student loans made to persons in
11 vocational training or retraining or reeducation programs. The state
12 investment board may make such investments by purchasing from savings
13 and loan associations, commercial banks, mutual savings banks, credit
14 unions and other institutions authorized to be lenders under the
15 federally insured student loan act, organized under federal or state
16 law and operating in this state loans made by such institutions to
17 residents of the state of Washington particularly for the purpose of
18 vocational training or reeducation: PROVIDED, That the state
19 investment board shall purchase only that portion of any loan which is
20 guaranteed or insured by the United States of America, or by any agency
21 or instrumentality of the United States of America: PROVIDED FURTHER,
22 That the state investment board is authorized to enter into contracts
23 with such savings and loan associations, commercial banks, mutual
24 savings banks, credit unions, and other institutions authorized to be
25 lenders under the federally insured student loan act to service loans
26 purchased pursuant to this section at an agreed upon contract price.

27 **Sec. 5.** RCW 43.84.092 and 2010 1st sp.s. c 30 s 20, 2010 1st sp.s.
28 c 9 s 7, 2010 c 248 s 6, 2010 c 222 s 5, 2010 c 162 s 6, and 2010 c 145
29 s 11 are each reenacted and amended to read as follows:

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

33 (2) The treasury income account shall be utilized to pay or receive
34 funds associated with federal programs as required by the federal cash
35 management improvement act of 1990. The treasury income account is
36 subject in all respects to chapter 43.88 RCW, but no appropriation is
37 required for refunds or allocations of interest earnings required by

1 the cash management improvement act. Refunds of interest to the
2 federal treasury required under the cash management improvement act
3 fall under RCW 43.88.180 and shall not require appropriation. The
4 office of financial management shall determine the amounts due to or
5 from the federal government pursuant to the cash management improvement
6 act. The office of financial management may direct transfers of funds
7 between accounts as deemed necessary to implement the provisions of the
8 cash management improvement act, and this subsection. Refunds or
9 allocations shall occur prior to the distributions of earnings set
10 forth in subsection (4) of this section.

11 (3) Except for the provisions of RCW 43.84.160, the treasury income
12 account may be utilized for the payment of purchased banking services
13 on behalf of treasury funds including, but not limited to, depository,
14 safekeeping, and disbursement functions for the state treasury and
15 affected state agencies. The treasury income account is subject in all
16 respects to chapter 43.88 RCW, but no appropriation is required for
17 payments to financial institutions. Payments shall occur prior to
18 distribution of earnings set forth in subsection (4) of this section.

19 (4) Monthly, the state treasurer shall distribute the earnings
20 credited to the treasury income account. The state treasurer shall
21 credit the general fund with all the earnings credited to the treasury
22 income account except:

23 (a) The following accounts and funds shall receive their
24 proportionate share of earnings based upon each account's and fund's
25 average daily balance for the period: The aeronautics account, the
26 aircraft search and rescue account, the budget stabilization account,
27 the capitol building construction account, the Cedar River channel
28 construction and operation account, the Central Washington University
29 capital projects account, the charitable, educational, penal and
30 reformatory institutions account, the cleanup settlement account, the
31 Columbia river basin water supply development account, the common
32 school construction fund, the county arterial preservation account, the
33 county criminal justice assistance account, the county sales and use
34 tax equalization account, the deferred compensation administrative
35 account, the deferred compensation principal account, the department of
36 licensing services account, the department of retirement systems
37 expense account, the developmental disabilities community trust
38 account, the drinking water assistance account, the drinking water

1 assistance administrative account, the drinking water assistance
2 repayment account, the Eastern Washington University capital projects
3 account, the education construction fund, the education legacy trust
4 account, the election account, the energy freedom account, the energy
5 recovery act account, the essential rail assistance account, The
6 Evergreen State College capital projects account, the federal forest
7 revolving account, the ferry bond retirement fund, the freight
8 congestion relief account, the freight mobility investment account, the
9 freight mobility multimodal account, the grade crossing protective
10 fund, the public health services account, the health system capacity
11 account, the high capacity transportation account, the state higher
12 education construction account, the higher education construction
13 account, the highway bond retirement fund, the highway infrastructure
14 account, the highway safety account, the high occupancy toll lanes
15 operations account, the hospital safety net assessment fund, the
16 industrial insurance rainy day account, the industrial insurance
17 premium refund account, the judges' retirement account, the judicial
18 retirement administrative account, the judicial retirement principal
19 account, the local leasehold excise tax account, the local real estate
20 excise tax account, the local sales and use tax account, the marine
21 resources stewardship trust account, the medical aid account, the
22 mobile home park relocation fund, the motor vehicle fund, the
23 motorcycle safety education account, the multiagency permitting team
24 account, the multimodal transportation account, the municipal criminal
25 justice assistance account, the municipal sales and use tax
26 equalization account, the natural resources deposit account, the oyster
27 reserve land account, the pension funding stabilization account, the
28 perpetual surveillance and maintenance account, the public employees'
29 retirement system plan 1 account, the public employees' retirement
30 system combined plan 2 and plan 3 account, the public facilities
31 construction loan revolving account beginning July 1, 2004, the public
32 health supplemental account, the public transportation systems account,
33 the public works assistance account, the Puget Sound capital
34 construction account, the Puget Sound ferry operations account, the
35 Puyallup tribal settlement account, the real estate appraiser
36 commission account, the recreational vehicle account, the regional
37 mobility grant program account, the resource management cost account,
38 the rural arterial trust account, the rural Washington loan fund, the

1 site closure account, the small city pavement and sidewalk account, the
2 special category C account, the special wildlife account, the state
3 employees' insurance account, the state employees' insurance reserve
4 account, the state investment board expense account, the state
5 investment board commingled trust fund accounts, the state patrol
6 highway account, the state route number 520 civil penalties account,
7 the state route number 520 corridor account, the supplemental pension
8 account, the Tacoma Narrows toll bridge account, the teachers'
9 retirement system plan 1 account, the teachers' retirement system
10 combined plan 2 and plan 3 account, the tobacco prevention and control
11 account, the tobacco settlement account, the transportation 2003
12 account (nickel account), the transportation equipment fund, the
13 transportation fund, the transportation improvement account, the
14 transportation improvement board bond retirement account, the
15 transportation infrastructure account, the transportation partnership
16 account, the traumatic brain injury account, the tuition recovery trust
17 fund, the University of Washington bond retirement fund, the University
18 of Washington building account, the urban arterial trust account, the
19 volunteer firefighters' and reserve officers' relief and pension
20 principal fund, the volunteer firefighters' and reserve officers'
21 administrative fund, the Washington judicial retirement system account,
22 the Washington law enforcement officers' and firefighters' system plan
23 1 retirement account, the Washington law enforcement officers' and
24 firefighters' system plan 2 retirement account, the Washington public
25 safety employees' plan 2 retirement account, the Washington school
26 employees' retirement system combined plan 2 and 3 account, the
27 Washington state health insurance pool account, the Washington state
28 patrol retirement account, the Washington State University building
29 account, the Washington State University bond retirement fund, the
30 water pollution control revolving fund, and the Western Washington
31 University capital projects account. Earnings derived from investing
32 balances of the agricultural permanent fund, the normal school
33 permanent fund, the permanent common school fund, the scientific
34 permanent fund, and the state university permanent fund shall be
35 allocated to their respective beneficiary accounts.

36 (b) Any state agency that has independent authority over accounts
37 or funds not statutorily required to be held in the state treasury that
38 deposits funds into a fund or account in the state treasury pursuant to

1 an agreement with the office of the state treasurer shall receive its
2 proportionate share of earnings based upon each account's or fund's
3 average daily balance for the period.

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

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