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.

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

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

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

(1) The employment security department is authorized to pay training benefits under RCW 50.22.150, but may not obligate expenditures beyond the limits specified in this section or as otherwise set by the legislature. For the fiscal year ending June 30, 2000, the commissioner may not obligate more than twenty million dollars for training benefits. For the two fiscal years ending June 30, 2002, the commissioner may not obligate more than sixty million dollars for training benefits. Any funds not obligated in one fiscal year may be carried forward to the next fiscal year. For each fiscal year beginning after June 30, 2002, the commissioner may not obligate
more than twenty million dollars annually in addition to any funds carried \textit{(over)} forward from previous fiscal years. The department shall develop a process to ensure that expenditures do not exceed available funds and to prioritize access to funds when again available.

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

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

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

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

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

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

(d) Develops an individual training program that is submitted to the commissioner for approval within sixty days after the individual is
notified by the employment security department of the requirements of this section;

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

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

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

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

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

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

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

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

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

(c) Is unemployed due to a regular seasonal layoff which demonstrates a pattern of unemployment consistent with the provisions of RCW 50.20.015. Regular seasonal layoff does not include layoff due
to permanent structural downsizing or structural changes in the
individual’s labor market.

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

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

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

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

(d) "Training program" means:

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

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

(A) That is targeted to training for a high demand occupation.

Beginning July 1, 2001, the assessment of high demand occupations
authorized for training under this section must be substantially based
on labor market and employment information developed by local work
force development councils, in cooperation with the employment security
department and its labor market information division, under subsection
((9)) (10) of this section;

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

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

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

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

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

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

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

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

(6) The requirement under RCW 50.22.010(10) relating to exhausting regular benefits does not apply to an individual otherwise eligible for training benefits under this section when the individual’s benefit year ends before his or her training benefits are exhausted and the individual is eligible for a new benefit year. These individuals will have the option of remaining on the original claim or filing a new claim.
(7)(a) Except as provided in (b) of this subsection, individuals who receive training benefits under this section or under any previous additional benefits program for training are not eligible for training benefits under this section for five years from the last receipt of training benefits under this section or under any previous additional benefits program for training.

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

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

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

((9)) (10) By July 1, 2001, each local work force development council, in cooperation with the employment security department and its labor market information division, must identify occupations and skill sets that are declining and occupations and skill sets that are in high demand. For the purposes of RCW 50.22.130 through 50.22.150 and section 9, chapter 2, Laws of 2000, "high demand" means demand for employment that exceeds the supply of qualified workers for occupations...
or skill sets in a labor market area. Local work force development
councils must use state and locally developed labor market information.
Thereafter, each local work force development council shall update this
information annually or more frequently if needed.

The commissioner shall adopt rules as necessary to
implement this section.

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

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

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

(3) If the maximum amount payable weekly is less than seventy
percent of the average weekly wage on June 30, 2010, it shall be
restored to seventy percent of the average weekly wage using one of the
following methods. The maximum amount payable weekly may be restored:
(a) In equal increments in the four fiscal years ending on June 30,
2014; or (b) in increments which, together with the growth rate in the
maximum amount payable weekly, do not exceed nine percent in each
fiscal year. The applicable method is the method that restores the
maximum amount payable weekly to seventy percent of the average weekly
wage first.
Sec. 4. RCW 50.20.120 and 1993 c 483 s 12 are each amended to read as follows:

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

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

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

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

(2) In each rate year, the amount of wages subject to tax for each individual shall be one hundred fifteen percent of the amount of wages
subject to tax for the previous year rounded to the next lower one hundred dollars, except that:

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

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

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

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

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

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

(b) In the payment of any contributions, 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.
Sec. 6. RCW 50.29.020 and 2000 c 2 s 3 are each amended to read as follows:

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

(2) The legislature finds that certain benefit payments, in whole or in part, should not be charged to the experience rating accounts of employers except those employers described in RCW 50.44.010 and 50.44.030 who have properly elected to make payments in 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, as follows:

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

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

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

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

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

(d) In the case of individuals who requalify for benefits under RCW 50.20.050 or 50.20.060, benefits based on wage credits earned prior to the disqualifying separation shall not be charged to the experience rating account of any contribution paying employer.
rating account of the contribution paying employer from whom that
separation took place.

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

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

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

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

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

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

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

(b) The employer requesting relief of charges under this subsection
must request relief in writing within thirty days following mailing to
the last known address of the notification of the valid initial
determination of such claim, stating the date and reason for the
separation or the circumstances of continued employment. The
commissioner, upon investigation of the request, shall determine
whether relief should be granted.
Sec. 7. RCW 50.29.025 and 2000 c 2 s 4 are each amended to read as follows:

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

(1) 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.

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

<table>
<thead>
<tr>
<th>Interval of the Fund Balance Ratio Expressed as a Percentage</th>
<th>Effective Tax Schedule</th>
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<tbody>
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<tr>
<td>2.10 to 2.89</td>
<td>A</td>
</tr>
<tr>
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<td>1.40 to 1.69</td>
<td>C</td>
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<td>1.00 to 1.39</td>
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<td>0.70 to 0.99</td>
<td>E</td>
</tr>
<tr>
<td>Less than 0.70</td>
<td>F</td>
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</table>

(3) 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; (c) taxable payrolls for the four calendar quarters immediately preceding the computation date and reported to the department by the cut-off date; (d) 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 (e) the percentage equivalent of the cumulative total of taxable payrolls.
(4) 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 subsection (5) of this section: 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.

(5)(a) Except as provided in RCW 50.29.026 and sections 9 and 10 of this act, 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 subsection (4) of this section, within the tax schedule which is to be in effect during the rate year:

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<tr>
<th>From To</th>
<th>Class</th>
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<th>A</th>
<th>B</th>
<th>C</th>
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</table>

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

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

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

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

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

(v) Employers with a benefit ratio of 0.075000 or higher shall be assigned to rate class 20E.
(c) The maximum contribution rate for employers whose standard industrial classification code is within major group "01," "02," or "07," or is code "5148," or the equivalent code in the North American industry classification system code, may not exceed the rate in rate class 20A for the applicable rate year.

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

(a) Employers who do not meet the definition of "qualified employer" by reason of failure to pay contributions when due shall be assigned a contribution rate two-tenths higher than that in rate class 20E 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 20E for the applicable rate year; and

(b) 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. 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. 8. RCW 50.29.025 and 2000 c 2 s 4 are each amended to read as follows:

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

(1) 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.

(2) The interval of the fund balance ratio, expressed as a percentage, shall determine which tax schedule in subsection (5) of this section shall be in effect for assigning tax rates for the rate year. The intervals for determining the effective tax schedule shall be:

<table>
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<tr>
<th>Interval of the Fund Balance Ratio</th>
<th>Effective Tax Schedule</th>
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<td>1.00 to 1.39</td>
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<td>0.70 to 0.99</td>
<td>E</td>
</tr>
<tr>
<td>Less than 0.70</td>
<td>F</td>
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</tbody>
</table>

(3) 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; (c) taxable payrolls for the four calendar quarters immediately preceding the computation date and reported to the department by the cut-off date; (d) 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 (e) the percentage equivalent of the cumulative total of taxable payrolls.

(4) 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 subsection (5) of this section: 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.

(5)(a) Except as provided in RCW 50.29.026 and sections 9 and 10 of this act, 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 subsection (4) of this
section, within the tax schedule which is to be in effect during the rate year:

(Percent of Cumulative Schedules of Contributions Rates Taxable Payrolls for Effective Tax Schedule)

| Rate |
|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| From | To | Class | AA | A | B | C | D | E | F |
| 0.00 | 5.00 | 1 | 0.47 | 0.47 | 0.57 | 0.97 | 1.47 | 1.87 | 2.47 |
| 5.01 | 10.00 | 2 | 0.47 | 0.47 | 0.77 | 1.17 | 1.67 | 2.07 | 2.67 |
| 10.01 | 15.00 | 3 | 0.57 | 0.57 | 0.97 | 1.37 | 1.77 | 2.27 | 2.87 |
| 15.01 | 20.00 | 4 | 0.57 | 0.73 | 1.11 | 1.51 | 1.90 | 2.40 | 2.98 |
| 20.01 | 25.00 | 5 | 0.72 | 0.92 | 1.30 | 1.70 | 2.09 | 2.59 | 3.08 |
| 25.01 | 30.00 | 6 | 0.91 | 1.11 | 1.39 | 1.89 | 2.29 | 2.69 | 3.18 |
| 30.01 | 35.00 | 7 | 1.00 | 1.20 | 1.60 | 2.00 | 2.40 | 2.80 | 3.27 |
| 35.01 | 40.00 | 8 | 1.19 | 1.48 | 1.88 | 2.28 | 2.68 | 3.08 | 3.47 |
| 40.01 | 45.00 | 9 | 1.37 | 1.67 | 2.07 | 2.47 | 2.87 | 3.27 | 3.66 |
| 45.01 | 50.00 | 10 | 1.56 | 1.86 | 2.26 | 2.66 | 3.06 | 3.46 | 3.86 |
| 50.01 | 55.00 | 11 | 1.84 | 2.14 | 2.45 | 2.85 | 3.25 | 3.66 | 3.96 |
| 55.01 | 60.00 | 12 | 2.03 | 2.33 | 2.64 | 3.04 | 3.44 | 3.85 | 4.15 |
| 60.01 | 65.00 | 13 | 2.22 | 2.52 | 2.83 | 3.23 | 3.64 | 4.04 | 4.34 |
| 65.01 | 70.00 | 14 | 2.40 | 2.71 | 3.02 | 3.43 | 3.84 | 4.24 | 4.54 |
| 70.01 | 75.00 | 15 | 2.68 | 3.00 | 3.31 | 3.72 | 4.13 | 4.53 | 4.93 |
| 75.01 | 80.00 | 16 | 2.87 | 3.20 | 3.60 | 4.01 | 4.42 | 4.82 | 5.22 |
| 80.01 | 85.00 | 17 | 3.27 | 3.67 | 4.07 | 4.47 | 4.87 | 5.27 | 5.67 |
| 85.01 | 90.00 | 18 | 3.57 | 3.87 | 4.27 | 4.67 | 5.07 | 5.47 | 5.87 |
| 90.01 | 95.00 | 19 | 4.07 | 4.27 | 4.57 | 4.87 | 5.17 | 5.47 | 5.77 |
| 95.01 | 100.00 | 20 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
(b) Employers assigned to rate class 20 shall be assigned to one of the rate classes 20A through E as follows:

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

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

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

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

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

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

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

(a) Employers who do not meet the definition of "qualified employer" by reason of failure to pay contributions when due shall be assigned a contribution rate two-tenths higher than that in rate class 20E 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 20E for the applicable rate year; and

(b) 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. 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.

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

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

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

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

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

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

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

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

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

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

(4) For purposes of this section:

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

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

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

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

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

As used in this chapter:

(i) "Computation date" means July 1st of any year;
(2) "Cut-off date" means September 30th next following the computation date;

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

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

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

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

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

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

(1) If the successor is an employer, as defined in RCW 50.04.080, at the time of the transfer, its contribution rate shall remain unchanged for the remainder of the rate year in which the transfer occurs. From and after January 1 following the transfer, the successor’s contribution rate for each rate year shall be based on its experience with payrolls and benefits including the experience of the acquired business or portion of a business from the date of transfer, as of the regular computation date for that rate year.
(2) If the successor is not an employer at the time of the transfer, it shall pay contributions at the lowest rate determined under either of the following:

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

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

(b) The contribution rate equal to the average industry rate as determined by the commissioner, but not less than one percent, and continuing until the successor qualifies for a different rate in its own right. Assignment of employers by the commissioner to industrial classification, for purposes of this subsection, must 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 code system.

(3) If the successor is not an employer at the time of the transfer and simultaneously acquires the business or a portion of the business of two or more employers in different rate classes, its rate from the date the transfer occurred until the end of that rate year and until it qualifies in its own right for a new rate, shall be the highest rate class applicable at the time of the acquisition to any predecessor employer who is a party to the acquisition, but not less than one percent.

(4) If the successor is not an employer at the time of the transfer, the taxable wage base applicable to the predecessor employer at the time of the transfer shall continue to apply to the successor employer for the remainder of the rate year in which the transfer occurs.
(5) The contribution rate on any payroll retained by a predecessor employer shall remain unchanged for the remainder of the rate year in which the transfer occurs.

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

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

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

(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. 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 in lieu of contributions, taxable local government employers as 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 one-hundredths of one percent. The amount of wages subject to tax shall be determined under RCW 50.24.010.

(b) A separate and identifiable account is established in the administrative contingency fund for financing the employment security department’s administrative cost under RCW 50.22.150 ((and)) the costs under RCW 50.22.150(9), and the administrative cost under chapter . . ., Laws of 2002 (this act). 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 in lieu of contributions, taxable local government employers as described in RCW 50.44.035, those employers who are required to make payments in lieu of contributions, those employers described under RCW 50.29.025(6)(b), and those qualified employers
assigned one of the rate classes 20A through 20E under RCW 50.29.025, at a basic 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 contributions payable under this subsection (1)(b) that exceeds the amount that would have been collected at a rate of four one thousandths of one percent must be deposited in the unemployment compensation trust fund.))

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

(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.

(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.

NEW SECTION. Sec. 14. 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 or the eligibility of employers in this state for federal unemployment tax credits, the conflicting part of this act is inoperative solely to the extent of the
conflict, and the finding or determination does not affect the
operation of the remainder of this act. Rules adopted under this act
must meet federal requirements that are a necessary condition to the
receipt of federal funds by the state or the granting of federal
unemployment tax credits to employers in this state.

NEW SECTION.  Sec. 15. If any provision of this act or its
application to any person or circumstance is held invalid, the
remainder of the act or the application of the provision to other
persons or circumstances is not affected.

NEW SECTION.  Sec. 16. (1) Section 3 of this act applies beginning
with claims that have an effective date on or after July 7, 2002.
(2) Sections 5 and 7 of this act apply to rate years beginning on
or after January 1, 2003.
(3) Section 6 of this act applies to benefits charged to the
experience rating accounts of employers for claims that have an
effective date on or after July 7, 2002.
(4) Section 8 of this act applies to rate years beginning on or
after January 1, 2005.

NEW SECTION.  Sec. 17. (1) Sections 7 and 9 of this act expire
January 1, 2005.
(2) Section 3 of this act expires July 1, 2014.

NEW SECTION.  Sec. 18. (1) Section 2 of this act is necessary for
the immediate preservation of the public peace, health, or safety, or
support of the state government and its existing public institutions,
and takes effect immediately.
(2) Section 8 of this act takes effect January 1, 2005.

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