



REFERENDUM MEASURE 53

PASSED BY THE LEGISLATURE AND ORDERED REFERRED BY PETITION CHAPTER 149, LAWS OF 2002

Official Ballot Title:

The Legislature passed Engrossed House Bill 2901 (EHB 2901) concerning unemployment insurance [and voters have filed a sufficient referendum petition on parts of this bill]. This bill would revise laws regarding unemployment insurance for employers, including establishing new employer rate classes, increasing some taxable wage bases, and imposing surcharges if certain contingencies occur.

Should this Bill be:

Approved [] Rejected []

Statement For

R-53 WILL HELP OUR ECONOMY

Approving R-53 will make Washington State more attractive to new employers who provide full-time permanent jobs. Unemployment taxes in Washington are high; R-53 begins to reform them. The Washington Competitiveness Council asked the legislature to make these badly needed changes in our Unemployment Insurance laws. The changes are supported by both labor and business.

R-53 IS FAIR TO ALL EMPLOYERS

Approving R-53 ensures that employers will pay adequate fees to cover the unemployment insurance benefits of their own laid off workers. A loophole in current law forces 80% of businesses (both large and small) to subsidize the costs of another 10% of business. That isn't fair. (The remaining 10% are not affected by R-53.)

R-53 HELPS SMALL BUSINESSES AND YOUR POCKETBOOK

Approving R-53 ensures that unemployment taxes for restaurants, neighborhood grocery stores, local retailers and farmers will not increase significantly in the next several years. Tax increases that these businesses would have to pass on to consumers.

R-53 IS BIPARTISAN

This legislation was passed with a large bipartisan majority of Republicans and Democrats in both the House and the Senate after nine years of study and review.

Opponents want to mislead you. They want to force other businesses to continue to subsidize them. Good drivers shouldn't have to subsidize the auto insurance of bad drivers. The same thing is true for businesses paying unemployment insurance taxes. As the *Wenatchee Daily World*

wrote, "This is a case of a loser in a legislative battle gaming the initiative system for private gain."

Protect Washington's business climate and your own pocketbook at the same time.

Vote to Approve Referendum 53.

Rebuttal of Statement Against

For years portions of the construction industry have not paid the full cost of unemployment insurance for workers they laid off. Other businesses, including tens of thousands of small businesses, have had to subsidize these construction firms to keep the unemployment insurance trust fund solvent.

Approving R-53 keeps the UI trust fund solvent for employees who are laid off.

Approving R-53 will help solve our economic crisis by making Washington State more attractive to employers.

Voters Pamphlet Argument Prepared by:

GENE VOSBERG, President and CEO, Washington Restaurant Association; JAN TEAGUE, Executive Director, Washington Retail Association; RICK BENDER, President, Washington State Labor Council, AFL-CIO; PAT BATTIS, Administrative Vice President, Washington Farm Bureau; DOUG HENKEN, President, Washington Food Industry; ED OWENS, Executive Director, Coalition of Coastal Fisheries.

Note: The ballot title was written by the court. The explanatory statement was written by the Attorney General as required by law. The Fiscal Impact Statement for Referendum Measure 53 is on page 23 and the complete text begins on page 30.

Vote cast by the 2002 Legislature on final passage:

House: Yeas, 64; Nays, 33; Absent, 0; Excused, 1.

Senate: Yeas, 35; Nays, 14; Absent, 0; Excused, 0.

The law as it presently exists:

The unemployment compensation system provides benefits to unemployed workers. The program is administered by the state employment security department. The benefits are funded through mandatory contributions (defined in statute as “taxes”) paid by employers. The rate of contribution varies according to the “experience rating” of an employer. Employers who have higher unemployment claims pay higher rates than those with lower experience ratings. Depending on their experience rating, employers are assigned

to one of 20 different rate classes. Employers’ annual contribution to the State Unemployment Insurance Trust Fund depends on their experience rating and on the tax schedule in effect. The law requires the employment security department to keep a separate account for each employer, showing that employer’s contributions and experience in each year.

Formulas determine which tax schedule will be in effect each year, depending on the amount of reserves available to pay benefits to unemployed workers. The greater the reserves, the lower the tax schedule will be, and the lower the reserves, the higher the tax schedule.

To determine the amount of tax each employer must pay, the tax rate is applied to the amount of wages that are subject to the tax. There is an upper limit on the wages subject to tax in any rate year. An employer cannot be taxed for wages that exceed a certain statewide average. Currently, the limit is 80% of the “average annual wage for contribu-

(continued on page 19)

Statement Against

REJECTING REFERENDUM 53 IS YOUR CHANCE TO HELP WASHINGTON’S SMALL BUSINESSES

Washington is in the midst of a crisis. Excessive government taxes and regulations are driving small businesses out of our state.

Voting *no* on R-53 is your opportunity to help small businesses and their employees.

REFERENDUM 53 INCREASES TAXES ON SMALL BUSINESSES SO BIG BUSINESSES CAN GET A TAX CUT

Voting *no* on R-53 will overturn a \$20 million to \$30 million tax increase on small businesses approved by Governor Locke. The Governor wants to impose higher unemployment insurance tax rates on homebuilders and small businesses while lowering unemployment insurance tax rates for big companies like Boeing by \$15 million.

REFERENDUM 53 DOES NOTHING TO ADDRESS WASHINGTON’S OVERLY COSTLY UNEMPLOYMENT INSURANCE SYSTEM

Washington State’s unemployment insurance system is the costliest in the nation. It is 2 1/2 times more costly than the national average, forces employers to pay the second highest benefits, and ranks first in the length of time unemployment benefits can be collected.

The State’s unemployment system even allows an employee to quit his or her job, or even go to jail, and still collect unemployment benefits.

WHY YOU SHOULD VOTE NO ON REFERENDUM 53

A *no* vote on R-53 means the \$20-\$30 million unemployment insurance tax increase will be repealed.

If R-53 is defeated and the tax increase on construction and small business employers is repealed, you will be sending a message to Governor Locke and Legislators that the unemployment system needs reform — not increased taxes.

Groups opposed: Utility Contractors Association of Washington, Asphalt Paving Association of Washington, Automotive Wholesalers Association, National Electrical Contractors Association, Sheet Metal and Air Conditioning Contractors Association, Associated Builders and Contractors, Inland Northwest Associated General Contractors, Mechanical Contractors Association of Washington.

Rebuttal of Statement For

Don’t be misled. R-53 is *not* fair. R-53 does *not* reform the unemployment insurance system. It makes an unfair, expensive system worse. Plus, the tax increases in R-53 make it harder to hire new employees, something that is done by small businesses — not Boeing, a Chicago-based company.

So don’t give the rich guy in Chicago a tax break. Help your neighborhood, main street business instead. Please *Vote no* on R-53.

Voters Pamphlet Argument Prepared by:

DOTTIE PIAZZA, BIAW, supporting 9000 small, residential construction firms statewide; CAROLYN LOGUE, NFIB, representing 17,000 small, independent business owners statewide; GARY SMITH, IBA, representing small business owners statewide; DEBBIE GJERDE, Washington Construction Industry Council, united voice of construction; TOM MIELKE, State Representative, Battleground; DON BENTON, State Senator, small business owner, Vancouver.



Initiative Measure 790 (continued from previous page) **The effect of the proposed measure, if it becomes law (continued):**

the measure sets forth a procedure for reconciling differences between the assumptions and calculations of the retained actuary and those of the state actuary. The board would be authorized to establish contribution rates, based on a ratio of 50% member contributions, 30% employer contributions, and 20% state contributions.

The board would have authority to design and implement increased benefits for members and beneficiaries. Increased benefits could be granted by the board, subject to contribution limitations set forth in the measure and subject to legislative veto, through action taken on January 1 of any given year. The increased benefits would become effective 90 days later, unless the legislature repealed them by majority vote of each house in the next legislative session. If granting the increased benefits would increase the member contributions to more than 10% of covered payroll (defined below), the board could ask plan members to vote, with a choice to (1) pay the increased cost through member contributions or (2) reduce the benefits.

As an alternative to adopting increases directly, the board could recommend changes in member benefits to the legislature by January 1 of a given year. In such a case, the legislature would be directed to adopt or reject the board's recommendations, without change or amendment, before the end of its regular session. Benefits adopted by the legislature in this manner would constitute contractual obligations.

The measure would define as "minimum benefits" the benefit levels in place as of July 1, 2003. These minimum benefits would be declared a contractual obligation of the state and of the contributing employers. Employee costs could not exceed 10% of covered payroll without the consent of a majority of the affected employees. Employer contributions could not exceed 30% of the cost of providing benefits or 6% of covered payroll without consent of the employer's governing body. The state contribution could not exceed 20% of the cost of providing benefits or 4% of covered payroll without consent of the legislature. (The term "covered payroll" refers to the salaries paid to all LEOFF Plan 2 members.)

In order to determine future financial needs of the plan, the projected cost of benefits is calculated by an actuary. One of the significant factors considered by the actuary is the expected rate of investment return on plan assets over a period of years. The measure provides that if the earnings of the plan exceed the actuarial rate of investment return, the excess must be used exclusively for additional benefits for members and beneficiaries. The measure does not specify a method for determining when there is an excess.

The board would also have authority to retain professional and technical advisors, consult with the department of retirement systems, recommend legislative changes, provide reports to the governor and the legislature, hire administrative staff, and acquire office space.

The joint committee on pension policy and the pension funding council would have no applicability or authority over matters related to LEOFF Plan 2. Plan assets would be managed by the state investment board as provided by law. The department of retirement systems and the state actuary would be directed to submit proposed implementing legislation by January 15, 2003. The measure itself would become operative on July 1, 2003.



REFERENDUM MEASURE 53 (continued from page 13) **The law as it presently exists (continued):**

tion purposes" for the second preceding calendar year. (The "average annual wage for contributions purposes" is calculated by dividing by three the total remuneration reported by all employers subject to contributions for the preceding three consecutive years and then dividing this amount by the average number of workers reported for all months of those three years by the same employers and then rounding down to the nearest whole multiple of one dollar.)

Existing law sets forth the conditions under which an employer must make contributions to the system, the conditions in which contributions will be adjusted for special circumstances, and the conditions in which a successor employer continues contributions made by a predecessor employer.

The effect of the proposed measure, if it becomes law:

This measure consists of portions of a larger bill (EHB 2901) enacted by the Legislature in early 2002. The Constitution permits the filing of referendum petitions on all or part of a bill. The petitions filed on this measure cover only part of EHB 2901, the "referred part." The rest of EHB 2901 (the "nonreferred part") is not included in this Referendum Measure and has already become law. The term "this measure" refers here to the "referred part" of EHB 2901. **A vote to "approve" this measure is a vote to approve the referred portions of EHB 2901 as passed by the Legislature. A vote to "reject" this**



COMPLETE TEXT OF Initiative Measure 790 (cont.)

above the maximum provided for in this section without the consent of the legislature. In the event that the cost of maintaining the increased benefits on a sound actuarial basis exceeds the aggregate contributions provided for in this section, the board shall submit to the affected members of the plan the option of paying the increased costs or of having the increased benefits reduced to a level sufficient to be maintained by the aggregate contributions. The reduction of benefits in accordance with this section shall not be deemed a violation of the contractual rights of the members, provided that no reduction may result in benefits being lower than the level of the minimum benefits.

(4) The board shall manage the trust in a manner that maintains reasonable contributions and administrative costs. Providing additional benefits to members and beneficiaries is the board's priority.

(5) All earnings of the trust in excess of the actuarially assumed rate of investment return shall be used exclusively for additional benefits for members and beneficiaries.

NEW SECTION. Sec. 7. NONAPPLICABILITY OF JOINT COMMITTEE ON PENSION POLICY AND PENSION FUNDING COUNCIL. The joint committee on pension policy established in RCW 44.44.050, and the pension funding council created in RCW 41.45.100, shall have no applicability or authority over matters relating to this plan.

NEW SECTION. Sec. 8. ASSET MANAGEMENT. Assets of the plan shall be managed by the state investment board as provided by law.

NEW SECTION. Sec. 9. SEVERABILITY. 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. 10. CAPTIONS NOT LAW. Captions used in this act are not any part of the law.

NEW SECTION. Sec. 11. IMPLEMENTING LEGISLATION. The department of retirement systems and the office of the state actuary shall prepare and submit to the fiscal committees of the legislature by January 15, 2003, proposed legislation for implementing this act.

NEW SECTION. Sec. 12. CODIFICATION. Sections 1 through 9 of this act are each added to chapter 41.26 RCW.

NEW SECTION. Sec. 13. EFFECTIVE DATE. Except for section 11 of this act, the remainder of this act takes effect July 1, 2003.



COMPLETE TEXT OF Referendum Measure 53

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



COMPLETE TEXT OF Referendum Measure 53 (cont.)

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. 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:

Interval of the Fund Balance Ratio Expressed as a Percentage	Effective Tax Schedule
2.90 and above	AA
2.10 to 2.89	A
1.70 to 2.09	B
1.40 to 1.69	C
1.00 to 1.39	D
0.70 to 0.99	E
Less than 0.70	F

(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~~
~~Taxable Payrolls~~ ~~for Effective Tax Schedule Rate~~
~~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	1.49	1.89	2.29	2.69	3.18
30.01	35.00	7	1.00	1.29	1.69	2.08	2.48	2.88	3.27
35.01	40.00	8	1.19	1.48	1.88	2.27	2.67	3.07	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	3.95
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	3.83	4.24	4.54
70.01	75.00	15	2.68	2.98	3.21	3.62	4.02	4.43	4.63
75.01	80.00	16	2.87	3.09	3.69	3.81	4.22	4.53	4.73
80.01	85.00	17	3.27	3.47	3.77	4.17	4.57	4.87	4.97
85.01	90.00	18	3.67	3.87	4.17	4.57	4.87	4.97	5.17
90.01	95.00	19	4.07	4.27	4.57	4.97	5.07	5.17	5.37
95.01	100.00	20	5.40	5.40	5.40	5.40	5.40	5.40	5.40))



COMPLETE TEXT OF Referendum Measure 53 (cont.)

Percent of Taxable Payrolls Schedules of Contribution Rates for Effective Tax Schedule

Rate		Schedules of Contribution Rates							
From	To	Class	AA	A	B	C	D	E	F
0.00	5.00	1	0.47	0.47	0.62	1.02	1.47	1.87	2.47
5.01	10.00	2	0.47	0.47	0.82	1.22	1.67	2.07	2.67
10.01	15.00	3	0.57	0.57	1.02	1.42	1.77	2.27	2.87
15.01	20.00	4	0.57	0.73	1.16	1.56	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	1.49	1.89	2.29	2.69	3.18
30.01	35.00	7	1.00	1.29	1.69	2.08	2.48	2.88	3.27
35.01	40.00	8	1.19	1.48	1.88	2.27	2.67	3.07	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	3.95
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	3.83	4.24	4.54
70.01	75.00	15	2.68	2.90	3.21	3.62	4.02	4.43	4.63
75.01	80.00	16	2.87	3.09	3.42	3.81	4.22	4.53	4.73
80.01	85.00	17	3.27	3.47	3.77	4.17	4.57	4.87	4.97
85.01	90.00	18	3.67	3.87	4.17	4.57	4.87	4.97	5.17
90.01	95.00	19	4.10	4.30	4.60	5.00	5.10	5.20	5.40
95.01	100.00	20							
		20A	5.40	5.40	5.40	5.40	5.40	5.55	5.60
		20B	5.40	5.45	5.50	5.55	5.60	5.65	5.70
		20C	5.50	5.55	5.60	5.65	5.70	5.75	5.80
		20D	5.60	5.65	5.70	5.75	5.80	5.85	5.90
		20E	5.70	5.75	5.80	5.85	5.90	5.95	6.00

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

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

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

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

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

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

(g) (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.

(h) (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:

(i) (a) 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:

Interval of the Fund Balance Ratio Expressed as a Percentage	Effective Tax Schedule
2.90 and above	AA
2.10 to 2.89	A
1.70 to 2.09	B
1.40 to 1.69	C
1.00 to 1.39	D
0.70 to 0.99	E
Less than 0.70	F

(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



**COMPLETE TEXT OF
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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
Taxable Payrolls for Effective Tax Schedule Rate
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	1.97	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	1.14	1.54	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	1.49	1.89	2.29	2.69	3.18
30.01	35.00	7	1.00	1.29	1.69	2.08	2.48	2.88	3.27
35.01	40.00	8	1.19	1.48	1.89	2.27	2.67	3.07	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	3.95
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	3.83	4.24	4.54
70.01	75.00	15	2.68	2.99	3.21	3.62	4.02	4.43	4.63
75.01	80.00	16	2.87	3.09	3.60	3.81	4.22	4.53	4.73
80.01	85.00	17	3.27	3.47	3.77	4.17	4.57	4.87	4.97
85.01	90.00	18	3.67	3.87	4.17	4.57	4.87	4.97	5.17
90.01	95.00	19	4.07	4.27	4.57	4.97	5.07	5.17	5.37
95.01	100.00	20	5.40	5.40	5.40	5.40	5.40	5.40	5.40

Percent of Cumulative Schedules of Contribution 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	0.62	1.02	1.47	1.87	2.47
5.01	10.00	2	0.47	0.47	0.82	1.22	1.67	2.07	2.67
10.01	15.00	3	0.57	0.57	1.02	1.42	1.77	2.27	2.87
15.01	20.00	4	0.57	0.73	1.14	1.54	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	1.03	1.44	1.89	2.29	2.69	3.18
30.01	35.00	7	1.00	1.17	1.61	2.08	2.48	2.88	3.27
35.01	40.00	8	1.19	1.35	1.79	2.27	2.67	3.07	3.47
40.01	45.00	9	1.37	1.52	1.97	2.47	2.87	3.27	3.66
45.01	50.00	10	1.56	1.69	2.15	2.66	3.06	3.46	3.86
50.01	55.00	11	1.84	1.95	2.33	2.85	3.25	3.66	3.95
55.01	60.00	12	2.03	2.12	2.51	3.04	3.44	3.85	4.15
60.01	65.00	13	2.22	2.29	2.69	3.23	3.64	4.04	4.34
65.01	70.00	14	2.40	2.47	2.87	3.43	3.83	4.24	4.54
70.01	75.00	15	2.64	2.68	3.05	3.62	4.02	4.43	4.63
75.01	80.00	16	2.81	2.87	3.25	3.81	4.22	4.53	4.73
80.01	85.00	17	3.27	3.30	3.58	4.17	4.57	4.87	4.97
85.01	90.00	18	3.67	3.87	4.17	4.57	4.87	4.97	5.17
90.01	95.00	19	4.10	4.30	4.60	5.00	5.10	5.20	5.40
95.01	100.00	20							
		20A	5.40	5.40	5.40	5.40	5.40	5.55	5.60
		20B	5.40	5.45	5.50	5.55	5.60	5.65	5.70
		20C	5.50	5.55	5.60	5.65	5.70	5.75	5.80
		20D	5.60	5.65	5.70	5.75	5.80	5.85	5.90
		20E	5.70	5.75	5.80	5.85	5.90	5.95	6.00

(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.

(b) 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:



COMPLETE TEXT OF Referendum Measure 53 (cont.)

(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. 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. 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



COMPLETE TEXT OF Referendum Measure 53 (cont.)

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 sec-

tions 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 class es 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.



REFERENDUM MEASURE 53 (continued from previous page)

The law as it presently exists (continued):

measure is a vote to reject the referred portions of EHB 2901 as passed by the Legislature.

This measure would revise rate classifications to produce a closer relationship between an employer's contribution rate and actual experience. Employers subject to a high incidence of employment claims would pay a higher contribution, and employers with a lower incidence of claims would pay lower contributions. Current rate class 20 would be divided into five subclasses (20A through 20E) and the measure would establish a formula for assigning employers to these subclasses. For employers assigned to rate classes 19 through 20E, the maximum amount of wages subject to tax would increase to 85% of the "average annual wage for contributions purposes" (based on the second preceding calendar year) in 2003, and 90% of the "average annual wage for contributions purposes" in 2004 and later years. For employers in the other rate classes, the maximum contribution level would remain at 80%.

This measure would adopt new tables and arrays of contribution rates for all rate classes, one for 2003 and 2004 and a second one for 2005 and later years. The measure authorizes a tax schedule no higher than Tax Schedule C during 2004. Therefore, even if applying the statutory formula would otherwise lead to adoption of a higher schedule, Tax Schedule C will be used in 2004.

This measure would establish a new equity surcharge calculated to bring employer contributions closer to actual claims costs. This surcharge would be added to the contribution rate beginning in 2005 if unemployment benefits paid to claimants attributed to that employer exceed the contributions paid by that employer in three or more of the four preceding fiscal years. The amount of the surcharge would be determined by the employment security commissioner following standards set forth in the measure, but could not exceed .6% (6 tenths of one percent). The surcharge would not apply to employers with certain industrial classification codes.

This measure would amend the law relating to successor employers. (A "successor employer" is an individual or corporation that takes over an existing business.) Until the successor employer qualifies for a contribution rate on its own, the employment security commissioner assigns a contribution rate based on the average rate for the employer's industry. In assigning employers to industrial classifications, the measure would adopt the North American industry classification code system, along with the current standard industrial classification code. The measure also provides that where a successor employer is not already an employer when a business is transferred, the new employer will continue to pay the same contribution as the predecessor for the remainder of the rate year in which the transfer occurs. Successor employers would also be subject to equity surcharges.

The referred portions of the measure also provide effective dates and expiration dates for various provisions of EHB 2901.



REFERENDUM BILL 51 (continued from page 15)

The law as it presently exists (continued):

licensing fees ranging from \$37 (4,000 to 6,000 lbs.) to \$2,883 (105,000 lbs. or more). The annual fee for vehicles which tow trailers, or are not used exclusively for hauling logs, varies from \$37 (4,000 to 6,000 lbs.) to \$2,973 (105,000 lbs. or more). The revenue from these fees, like fuel tax revenue, is constitutionally restricted to highway (including ferry) purposes.

The current state sales tax, applied to the retail sale of any item in this state (with certain exceptions) is 6.5 percent of the selling price (local governments are authorized to impose certain additional sales taxes above this amount). The use tax (applied to items used within this state but not subject to sales tax) is also 6.5 percent, applied against the value of the item used. Cars, trucks, and other motor vehicles are currently taxed at the same rate as other items. The revenue from sales taxes is not constitutionally restricted and is used for a variety of governmental purposes. Some of it may be spent on transportation purposes (including rail and transit) if the Legislature so directs.

The effect of the proposed measure, if it becomes law:

Engrossed Substitute House Bill 2969 (ESHB 2969) was enacted by the Legislature in its 2002 session. The Legislature referred portions of this bill (the "referred portions") to the people for their approval or rejection at the 2002 general election. The referred portions of the bill would increase fuel taxes, increase licensing fees on heavy trucks and buses, and increase the sales and use tax on motor vehicles. The increases would be used to fund various transportation projects.



REFERENDUM MEASURE 53 Fiscal Impact Statement

Five-Year Fiscal Impact Through 2007

Referendum Measure 53 affects unemployment insurance taxes paid by employers. Tax rates are reduced for some employers whose taxes have been greater than the benefits paid to their former workers, and increased for other employers whose taxes have been less than benefits paid to former workers. The effect of Referendum 53 on revenue deposited in the Unemployment Insurance Trust Fund varies each year, but the measure may reduce total unemployment taxes paid over the next five years by \$180 million. Referendum 53 does not affect unemployment benefits paid to unemployed workers.

Fiscal Impact Assumptions

- Under the most likely unemployment conditions, Referendum 53 causes revenue going into the Unemployment Insurance Trust Fund to increase by \$23 million in 2003, increase by \$34 million in 2004, and decrease by a net \$180 million through 2007. Despite the net decrease, higher taxes would be paid by some industries that in recent years have paid taxes that are less than the value of unemployment benefits received by their laid-off employees. Lower taxes would be paid by other industries in which unemployment taxes they have paid in recent years have exceeded unemployment benefits received by their former employees.
- Unemployment conditions used in the analysis above are based on the June 2002 unemployment rates forecast by the Office of the Forecast Council. The most likely unemployment condition is "medium unemployment" defined as an unemployment rate in excess of 6.5 percent from June 2002 through the third quarter of 2003.
- Although Referendum 53 affects the overall amount of money in the Unemployment Insurance Trust Fund, employer tax rates automatically are adjusted to ensure sufficient unemployment taxes to pay unemployment benefits.
- Referendum 53 does not affect eligibility for unemployment benefits, the amount of benefits paid, or administrative costs.
- For purposes of this analysis, it is assumed that the total number of Washington State employers remains the same through 2007, and that an individual employer's relative position in the unemployment tax rate class schedule remains the same through 2007.



REFERENDUM BILL 51 Fiscal Impact Statement

10-Year Fiscal Impact Through 2012

Referendum Bill 51 increases state transportation tax and fee revenue by \$4.5 billion and authorizes \$4.6 billion in new transportation bonds. This new revenue finances up to \$7.7 billion in new highway projects, ferries, rail, local road projects, and public transit, over 10 years, and provides funding necessary to pay back the new transportation bonds. The impact to individual taxpayers will vary depending upon type of vehicle and miles driven.

Fiscal Impact Assumptions

- A 9-cent gas tax increase would be phased in over two years – 5 cents effective January 1, 2003, and an additional 4 cents effective January 1, 2004.
- An additional state sales and use tax of 1 percent on new and used vehicles would take effect April 1, 2003. New revenue would be dedicated to transportation purposes such as highways, ferries, rail investments and transit.
- Gross weight fees for trucks over 10,000 pounds would be increased by 30 percent, phased in over two years – 15 percent effective January 1, 2003, and the remaining 15 percent effective January 1, 2004.
- Since motor vehicle fees and taxes paid would depend on the type of vehicle and the number of miles driven, the amount of the increase for each taxpayer would vary.
- State sales and use tax revenue paid on most Washington State Department of Transportation highway improvement projects after July 1, 2005, would be transferred for use in other transportation projects. This revenue currently is deposited in the General Fund.
- \$4.5 billion in bonds supported by gasoline tax revenue would be authorized for highway and ferry projects and an additional \$100 million in general obligation bonds would be authorized and could be used for non-highway transportation projects such as capital rail investments and passenger ferries.
- Revenue estimates are based on June 2002 forecasts of the Transportation Revenue Forecast Council and the Economic and Revenue Forecast Council.
- Fuel tax revenue estimates assume current fuel consumption levels.
- Expenditure estimates reflect the expenditure plan of the 2002 Legislature. Future expenditures are subject to legislative appropriation.
- Debt service estimates reflect the expenditure plan of the 2002 Legislature and assume that 25-year bonds will be issued at an interest rate of 5.5 percent.