

# HOUSE BILL REPORT

## SSB 6503

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### As Reported by House Committee On: Ways & Means

**Title:** An act relating to the operations of state agencies.

**Brief Description:** Closing state agencies on specified dates.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senator Prentice).

#### **Brief History:**

##### **Committee Activity:**

Ways & Means: 1/26/10, 2/1/10 [DPA].

#### **Brief Summary of Substitute Bill (As Amended by House)**

- Directs state agencies, including institutions of higher education, to achieve a total of approximately \$50 million in General Fund-State and Education Legacy Account savings from government plus proportionate amounts from other funds.
- Directs that savings will be generated through either 11 temporary agency closure days or alternate approved compensation reduction plans.
- Directs that in addition to the closure or alternate compensation reduction plan savings, Washington Management Services and Exempt employee compensation will be reduced by \$10 million General Fund-State, plus proportionate amounts from other funds.
- Provides a list of agencies, or portions of agencies, exempt from the closures.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended. Signed by 12 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Cody, Darneille, Haigh, Hunter, Kagi, Kenney, Kessler, Pettigrew and Seaquist.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Minority Report:** Do not pass. Signed by 10 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Conway, Hinkle, Hunt, Priest, Ross and Schmick.

**Staff:** David Pringle (786-7310).

**Background:**

The programs and functions of state government are administered by numerous state agencies and institutions, the costs of which are appropriated by the Legislature. These costs include expenditures for salaries, wages, equipment, personal services contracts, and state employee travel and training.

Generally, state employment positions are either exempt, general service, or Washington Management Service. General service employees are eligible to collectively bargain if they so elect. In higher education, employee positions typically are either exempt or general services; some categories of exempt employees as well as general service employees may collectively bargain if they so elect. For example, higher education faculty and graduate students are exempt employees but may collectively bargain. For employees who collectively bargain, salary and wage increases are determined as provided in the existing contract.

State offices must be open at least 40 hours per week, with an exception for weeks containing one or more of the 10 legal holidays designated in statute.

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**Summary of Amended Bill:**

The striking amendment adds an intent section, stating that the Legislature intends that state agencies and institutions of higher education reduce government operating costs through the methods described in the act by \$50 million from the General Fund-State and the Education Legacy Account, as well as additional proportionate amounts from other funds. In reducing expenditures, agencies and institutions shall strive to preserve family wage jobs. The Office of Financial Management (OFM) shall certify to each state agency the compensation reduction amount to be achieved by the executive branch agency or institution.

Executive branch general government state agencies and higher education institutions may submit plans that achieve compensation cost savings equal to closing the agency for 11 days to the OFM by May 15, 2010. The State Board for Community and Technical Colleges shall submit a single plan on behalf of all community colleges. Compensation reduction plans submitted by higher education institutions may include leave without pay, temporary layoffs, reductions in force, reduced work hours, and voluntary retirement, separation, and other incentive programs authorized by law. By June 1, 2010, the OFM shall review, approve, and submit the higher education institution plans that achieve the required cost reductions to the legislative fiscal committees. Those institutions that do not have approved plans will close on the 11 dates specified in the amendment.

Legislative branch agency plans for mandatory and voluntary leave will achieve savings equivalent to the listed closure days and are subject to the approval of the Chief Clerk of the House of Representatives and the Secretary of the Senate. Judicial branch agencies will similarly submit plans for review and approval by the Supreme Court. Agency closure days will not prevent actions from being considered timely on the next business day.

Specified activities of agencies and institutions are exempt from closure or reductions. Minimal use of state employees by any agency or institution is permitted as necessary to protect public assets, protect information technology systems, and maintain public safety. The agency employing an employee not scheduled to work on an agency closure day must designate an alternative day during the same month for the employee to take temporary leave without pay.

Implementation subject to bargaining will be performed consistent with applicable laws. For state agencies, temporary layoff impacts will be negotiated between the employer and one coalition of all exclusive bargaining representatives. For higher education institutions that have negotiations conducted by the Governor or Governor's designee, and that have submitted a reduction plan, negotiations regarding impacts shall be conducted between coalitions of representatives at each college, college district, or university of all the exclusive representatives. For institutions that do not submit a plan, negotiations regarding impacts shall be conducted between the Governor or Governor's designee and one coalition of all the exclusive bargaining representatives. Institutions that do not have negotiations conducted by the Governor or Governor's designee shall each negotiate institutional impacts. Either under an agency plan, or through agency closure days, higher education employees may have the impacts on salaries annually prorated.

An exception to the requirement that agencies remain open 40 hours per week is provided.

The OFM will additionally reduce allotments to agencies for compensation expenditures for Washington Management Services and Exempt Management Services employees by \$10 million General Fund-State and proportionate amounts in all other funds.

In addition to the Public Employees Retirement System provisions in current law eliminating the effect of temporary salary reductions on pension calculations (Chapter 430, Laws of 2009), members of the Teachers' Retirement System, the Public Safety Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, and the Washington State Patrol Retirement System will not have pension calculations reduced for salary not earned as a result of compensation reductions integral to expenditure reduction efforts.

The striking amendment contains an emergency clause and takes effect immediately.

**Amended Bill Compared to Substitute Bill:**

The amended bill states that reductions in government operating expenses under the bill amount to \$50 million General Fund-State and Education Legacy Account, plus proportional amounts from other funds, rather than \$69.154 million from the General Fund-State and

Education Legacy Account from employee compensation costs. The amended bill permits, rather than requires, agencies and institutions to submit alternate plans to the OFM by May 15, 2010. The amended bill provides the Chief Clerk of the House of Representatives and the Secretary of the Senate authority to approve legislative branch agency plans, and the Supreme Court the authority to do so for judicial branch agencies. The default agency closure plan in the amended bill calls for 11 days of agency closures, rather than 13 in the Substitute Senate Bill. Additional exempted employees are added in the amended bill, including certain employees of the Attorney General, additional Washington State Patrol employees, employees of the Office of Financial Management's Labor Relations Office through November 1, 2010, and the Board of Industrial Insurance Appeals. A provision relating to agency closure days as nonjudicial days is removed. A provision is added to the bill requiring that above the reductions from agency compensation reduction plans under section 2, or the default agency closure days, there will be an additional compensation reduction to Washington Management Services and Exempt Management Services employees of \$10 million General Fund-State, plus proportional amounts from other funds that provide compensation to those employees.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:**

(In support) There is a plan for the unions to work for half-price. We're running out of people to pay the bills. Pay is being taken out to send to the unions, if they didn't need to make these payments, they would work for less. My taxes have already been paid through 2013. It is absolutely essential to make these cuts.

(With concerns) We examined issues related to implementation and the two options by which the compensation savings are achieved in the bill. The fiscal note is written to the default, 13 days of leave, option. The impacts of all the closures need to be bargained, and there are impacts on other funds that need to be recognized. The exemptions in the bill tend to be 24-hour, revenue-generating, and safety-oriented exceptions. Recognize that this bill will impact services and be difficult to implement. We would like two issues addressed: (1) giving the OFM approval authority over judicial agency plans, and (2) the declaration of furlough days being nonjudicial days. But the judicial branch is willing to find a way to make this work.

(Opposed) There are terrible choices to be made in the upcoming budget. Our workers at Washington State University and Western Washington University will not be able to do their jobs with the requirements of this bill placed upon them. It amounts to a 6.5 percent reduction for some of our members – putting some single mothers on food stamps. This budget cannot be balanced by cuts alone – revenue increases are needed. It is not clear where

the 13 days comes from, but furloughs means less service and less production from the workforce. The bill will result in further declines in employee pay – about 5 percent. Scores of employees have already been laid off, and benefits have been cut. We need to close tax preferences to raise revenue to make up for the shortfall instead. Please look closely at these claims and build a sustainable revenue path for the future. Morale will suffer and services will suffer. Public health nurse consultants do not appear to be exempt under this bill. We have already had many furlough days, especially among local health departments. If we're all on furlough, services that have direct impacts on patients are not going to be done. Though it is not clear if the exemptions apply to certain jobs, employees have already taken cuts to health plans, sometimes requiring people to switch health plans, and this would amount to a \$1,900 cut to my pay. A statewide 1 percent tax on food would more than pay for the savings assumed in this bill. Don't be union blasters. This bill is premised on cuts and furloughs first, then revenue solutions next. No other state has taken both furloughs and health care cuts. State workers want shared sacrifice – on tax exemptions for example. Many have been passed in recent years, and some could probably be suspended temporarily. Middle class wage stagnation is the real problem, and this bill just adds to that societal problem.

**Persons Testifying:** (In support) Paul W. Locke.

(With concerns) Jeff Hall, Washington Supreme Court.

(Opposed) Judi Owens, Public School Employees; Greg Parker and Bill Johnson, Washington Public Employees Association and United Food and Commercial Workers Local 365; Kim Field and Florentina Angeles, Service Employees International Union 1199; Greg Devereaux, Washington Federation of State Employees; and Joe Mihelich.

**Persons Signed In To Testify But Not Testifying:** None.