

# HOUSE BILL REPORT

## ESSB 6503

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### As Passed House - Amended:

April 2, 2010

**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].

#### First Special Session

#### Floor Activity:

Passed House - Amended: 4/2/10, 50-38.

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

- Directs that savings will be generated at state agencies and institutions of higher education through either 10 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.
- 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.

**Minority Report:** Do not pass. Signed by 10 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier,

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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.*

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.

**Summary of Amended Bill:**

State agencies are directed to achieve a reduction in employee compensation costs through mandatory and voluntary furloughs, leave without pay, reduced work hours, voluntary retirements and separations, layoffs, and other methods. The amount of the savings will be specified in the omnibus appropriations act. At least \$10 million in savings will be from management positions exempt from civil service. Agencies that fail to submit an approved compensation reduction plan will be subject to ten specified agency closure dates beginning in July 2010. The alternate reduction plans for institutions of higher education may include reductions to operations, as well as to compensation. Agencies are encouraged to preserve family wage jobs.

Exceptions to the agency closure dates include: state corrections and social service institutions; child protective services; law enforcement; military operations; state hospitals; emergency management; state parks, highways, and ferries; revenue collection by the Department of Revenue; higher education classroom instruction and student employees; state liquor stores; state lottery; unemployment insurance and reemployment services; workers compensation and workplace safety programs; agricultural commodity commissions and food inspection programs; employees necessary to protect state assets and public safety; functions of the Attorney General's Office directly related to civil, criminal, or administrative actions; the operations of the Office of the Insurance Commissioner that are funded by industry regulatory fees; state legislative agencies, the Governor, the Office of Financial Management and Lieutenant Governor during legislative sessions; and the Labor Relations Office of OFM through November 1, 2010. State agency closures will result in the

temporary layoff (furlough) and reduction of compensation of affected state employees. These temporary layoffs and reduction in compensation do not affect employee seniority, vacation and sick leave accrual, or retirement benefits.

Agencies that do not adopt an approved compensation reduction plan will be subject to ten closure dates specified in the bill. Employees earning less than \$30,000 per year are allowed to use annual leave or shared leave in lieu of temporary layoffs during agency closures.

**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.