SENATE BILL REPORT
SB 5323

As of January 28, 2021

Title: An act relating to freezing wage and salaries and providing for furlough days during the 2021-2023 fiscal biennium.

Brief Description: Freezing wage and salaries and providing for furlough days during the 2021-2023 fiscal biennium.

Sponsors: Senators Rolfes, Braun and Padden; by request of Office of Financial Management.

Brief History:
Committee Activity: Ways & Means: 1/28/21.

Brief Summary of Bill

- Requires that most state employees are subject to 24 days of furloughs during the 2021-2023 biennium.
- Prohibits state agencies from granting salary and wage increases for exempt and Washington Management Service employees during the 2021-2023 biennium.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Amanda Cecil (786-7460)

Background: Savings in the 2009-2011 Budget. The 2009-2011 omnibus appropriations act, enacted during the 2009 legislative session required most state agencies to achieve specified savings. These savings were assumed to be accomplished through eliminating positions, out-of-state travel, certain personal service contracts and equipment purchases not related to public safety or other essential activities, and through other program specific reductions. Some agencies achieved part of these savings by mandating employee furloughs.

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

No funding was provided for salary and wage increases during this period.

Savings in the 2010 Supplemental Budget. During the 2010 legislative session, ESSB 6503 was enacted, which directed state agencies to reduce employee compensation costs through mandatory and voluntary furloughs. The amount of the savings was specified in the 2010 supplemental omnibus appropriations act and was in addition to reductions identified in 2009.

As part of ESSB 6503, most state agencies were given the option to submit a compensation reduction plan that met the savings target identified in the budget, or be subject to ten specified agency closure dates. The cost reduction plans had to meet the savings targets through reduced compensation, however, institutions of higher education could make reductions to operations, as well as compensation.

Exceptions to the agency expenditure reductions included state corrections and social service institutions, child protective services, law enforcement, military operations, state hospitals, emergency management, state parks, highways and ferries, the Department of Revenue, Insurance Commissioner, Attorney General, 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 inspections, employees necessary to protect state assets and public safety, state legislative agencies, the Office of Financial Management (OFM), the Governor, and Lieutenant Governor during legislative sessions. Employees earning less than $30,000 per year were allowed to use annual leave or shared leave in lieu of temporary layoffs during agency closures.

Savings in the 2011-2013 Budget. During the 2011 legislative session, ESSB 5860 was enacted, which provided that during the 2011-13 biennium, base salaries be reduced 3 percent for most state employees. Employees subject to the salary reduction accrued additional temporary salary reduction leave at the rate of 5.2 hours per month. Agencies that were prevented by the terms of a collective bargaining agreement from implementing the 3 percent salary reduction were required to achieve a 3 percent reduction in compensation expenditures through employee leave without pay, reduced work hours, temporary layoffs, or other actions consistent with the terms of the collective bargaining agreement.

Agencies were prohibited from granting a salary increase for exempt or Washington Management Service (WMS) employees during the 2011-13 fiscal biennium, except in cases where a demonstrated recruitment and retention issue existed; and, in the case of executive branch agencies, the Director of OFM had approved the increase. Agencies that provided salary increases to exempt or WMS employees were required to submit reports describing the increases given and the reasons for granting them.

Directive of the Governor 20-08. On June 17, 2020, the Governor issued executive order number 20-08, directing executive branch agencies to implement eight mandatory furlough days for employees in positions that do not require backfill. Employees subject to these furloughs were authorized to seek unemployment insurance benefits through the Shared Work Program.

The order further directed agencies under the Governor's authority to not implement the 3 percent general wage increase scheduled for July 1, 2020, for non-represented state employees in Exempt Management Service and Washington Management Service, making more than $53,000 a year.

This executive order urged separately elected officials, the Legislature, courts, independent boards and commissions, and higher education institutions to follow these measures as well.

Initiative 732. Initiative 732 (I-732) was approved by voters in the November 2000 general election and required the state to provide an annual cost-of-living adjustment (COLA) for teachers and other public school employees, as well as community and technical college academic employees and classified employees at technical colleges. This COLA is based on the Seattle-area Consumer Price Index from the most recently completed calendar year. Following enactment of EHB 2242 in 2017, this provision is no longer in effect for K-12 teachers, but still applies to academic and classified employees at community and technical colleges.

Summary of Bill: Furloughs. Certain state employees of the executive branch are subject to 24 furlough days during the 2021-23 fiscal biennium; 12 days per fiscal year. For full-time employees, one furlough day is equal to eight hours. For part-time employees, furloughs are prorated according to the employee's full-time equivalent percentage. This would apply to employees in classified and management positions, and positions exempt from civil service at executive branch state agencies, boards and commissions, and state institutions of higher education.

Exceptions to the mandatory furloughs would include employees in designated backfill positions, employees of the University of Washington medical center and Harborview medical center, elected officials whose salaries are set by the citizens' commission on salaries for elected officials, and employees in positions covered by a collective bargaining agreement that prevents the implementation of furloughs.

OFM may adopt rules, as needed, to implement these provisions and to address any employment impacts.

Wage Increases. During the 2021-2023 biennium, all state agencies are generally prohibited from granting a salary increase for exempt or Washington Management Service employees. Salary increases may be granted in cases where a demonstrated recruitment and retention issue exists if the increase can be paid within existing resources and without adversely impacting client services. Salary increases for employees of the executive branch must also be approved by the director of OFM.

I-732 COLAs are suspended for academic and classified employees at community and technical colleges during the 2021-2023 fiscal biennium.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2021.

Staff Summary of Public Testimony: CON: Many agencies are doing added work as a result of the current situation and this is not the way to manage the budget situation. This is the equivalent of a 4.5 percent wage cut. You need an alternative to the state budget situation that does not result in pay cuts. Faculty recruitment and retention is an issue and this will impact that faculty of color are constantly being recruited by out of state schools. The needs of students in higher education is greater than ever and stagnant salaries harms faculty, students, and the institutions. Furloughs are a pay cut and would take the place of faculty in service days. Cuts in general are hard for colleges to absorb and furloughs are a particularly difficult option. This results in reduced instruction because not all faculty have enough non-instructional days to absorb these furloughs. Based on the revenue forecast, we do not think cuts are necessary but if budget cuts are made those should be done with discretion. These are operating budget cuts to colleges and universities and they harm students. Modeling shows cuts to higher education have a negative impact on the economy. Community and technical colleges are the key to long term economic recovery. This will result in an increase in the amount of time it takes some students to graduate. This would disproportionately impacts low income and first generation students. Colleges and universities need to be given flexibility so impacts to students can be managed. This will result in less counseling and mentorship for students and is a disinvestment in the future. Students are struggling in the COVID environment and this will make it harder to get students the skills they need for future employment. Furloughs do not work in a higher education environment and can even compromise accreditation. Cuts have already been made to manage declining tuition. I-732 ensures salaries keep pace with inflation and that should not be suspended. Community and technical colleges are the engine of economic recovery and ensure Washington has a qualified manufacturing workforce.

OTHER: The State Auditor's Office is prepared to share savings but furloughs are not the right choice for an agency where most staff bill by the hour. This would result in fewer accountability audits. We are prepared to take medicine but this is not the right prescription for us. The Office of the Insurance Commissioner is funded through surcharges on health care companies and any savings is returned to these companies, many of which are out of state.

Persons Testifying: CON: Hannah Sieben, Graduate and Professional Student Senate University of Washington; Karen Strickland, American Federation of Teachers Washington; Joe Dacca, University of Washington; Amy Morrison, Lake Washington Institute of Technology; Ed Brewster, citizen; Bob Mohrbacher, Centralia College; Glenn Johnson, Community Colleges of Spokane; Sam Ligon, Eastern Washington University Faculty and Washington Council of Faculty; Bill Lyne, United Faculty of Washington State; Julie Salvi, Washington Education Association; Seamus Petrie, Washington Public Employees Association; Becca Kenna-Schenk, Western Washington University; Sharon Mitchler, American Federation of Teachers Washington and Centralia College Faculty Union President; Mya Leonhard, Highline College Student, Communities For Our Colleges Coalition; Kenneth Geist, Renton Technical College; Carla Naccarato Sinclair, Community College of Spokane AHE; Chris Reykdal, Office of Superintendent of Public Instruction; Jason Sawatzki, citizen.

OTHER: Scott Nelson, State Auditor's Office; Rory Paine-Donovan, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: No one.