

CERTIFICATION OF ENROLLMENT
SUBSTITUTE SENATE BILL 5609

Chapter 50, Laws of 1999

56th Legislature
1999 Regular Session

STATE EMPLOYEE'S SUGGESTION AWARDS AND INCENTIVE PAY

EFFECTIVE DATE: 7/25/99

Passed by the Senate March 16, 1999
YEAS 46 NAYS 0

BRAD OWEN
President of the Senate

Passed by the House April 7, 1999
YEAS 91 NAYS 0

CLYDE BALLARD
**Speaker of the
House of Representatives**

FRANK CHOPP
**Speaker of the
House of Representatives**

Approved April 20, 1999

GARY LOCKE
Governor of the State of Washington

CERTIFICATE

I, Tony M. Cook, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 5609** as passed by the Senate and the House of Representatives on the dates hereon set forth.

TONY M. COOK
Secretary

FILED

April 20, 1999 - 3:15 p.m.

**Secretary of State
State of Washington**

SUBSTITUTE SENATE BILL 5609

Passed Legislature - 1999 Regular Session

State of Washington

56th Legislature

1999 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Horn, Prentice, Winsley, Haugen and Costa; by request of Secretary of State)

Read first time 03/05/1999.

1 AN ACT Relating to state employees' suggestion awards and incentive
2 pay; and amending RCW 41.60.010, 41.60.015, 41.60.020, 41.60.030,
3 41.60.041, 41.60.080, 41.60.100, 41.60.110, 41.60.120, and 41.60.150.

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

5 **Sec. 1.** RCW 41.60.010 and 1993 c 467 s 1 are each amended to read
6 as follows:

7 As used in this chapter:

8 (1) "Board" means the productivity board.

9 (2) "Delegated authority" means authority delegated to an agency
10 head by the board to design and implement an agency unique employee
11 suggestion program for the agency.

12 (3) "Board designee" means an agency head with delegated authority
13 from the board.

14 (4) "Employee suggestion program" means the programs developed by
15 the board under RCW 41.60.020.

16 (~~((3))~~) (5) "State-wide employee suggestion program" means an
17 employee suggestion program administered by the productivity board.

1 (6) "Agency unique suggestion program" means an employee suggestion
2 program designed and administered by an agency head with delegated
3 authority.

4 (7) "Teamwork incentive program" means the program developed by the
5 board under RCW 41.60.100 through 41.60.120.

6 ~~((4))~~ (8) "State employees" means present employees in state
7 agencies and institutions of higher education except for elected
8 officials, directors of such agencies and institutions, and their
9 confidential secretaries and administrative assistants and others
10 specifically ruled ineligible by the rules of the productivity board.

11 **Sec. 2.** RCW 41.60.015 and 1993 c 467 s 2 are each amended to read
12 as follows:

13 (1) There is hereby created the productivity board. The board
14 shall administer the employee suggestion program and the teamwork
15 incentive program under this chapter.

16 (2) The board shall be composed of:

17 (a) The secretary of state who shall act as chairperson;

18 (b) The director of personnel appointed under the provisions of RCW
19 41.06.130 or the director's designee;

20 (c) The director of financial management or the director's
21 designee;

22 ~~((The personnel director appointed under the provisions of RCW~~
23 ~~28B.16.060 or the director's designee;~~

24 ~~(e))~~ The director of general administration or the director's
25 designee;

26 ~~((f))~~ (e) Three persons with experience in administering
27 incentives such as those used by industry, with the governor,
28 lieutenant governor, and speaker of the house of representatives each
29 appointing one person. The governor's appointee shall be a
30 representative of an employee organization certified as an exclusive
31 representative of at least one bargaining unit of classified employees,
32 but no one organization may be represented for two consecutive terms;

33 ~~((g))~~ (f) One person representing state agencies and institutions
34 with employees subject to chapter 41.06 RCW~~((, and one person~~
35 ~~representing those subject to chapter 28B.16 RCW, both to be))~~
36 appointed by the governor; and

37 ~~((h))~~ (g) In addition, the governor and board chairperson may
38 jointly appoint persons to the board on an ad hoc basis. Ad hoc

1 members shall serve in an advisory capacity and shall not have the
2 right to vote.

3 Members under subsection (2) (~~((f))~~) (e) and (~~((g))~~) (f) of this
4 section shall be appointed to serve three-year terms.

5 Members of the board appointed pursuant to subsection (2)(f) of
6 this section may be compensated in accordance with RCW 43.03.240. Any
7 board member who is not a state employee may be reimbursed for travel
8 expenses under RCW 43.03.050 and 43.03.060.

9 **Sec. 3.** RCW 41.60.020 and 1995 c 181 s 1 are each amended to read
10 as follows:

11 (1) The board shall formulate, establish, and maintain (~~((an))~~) a
12 state-wide employee suggestion program and adopt rules to allow for
13 agency unique suggestion programs. Employee suggestion programs are
14 developed to encourage and reward meritorious suggestions by state
15 employees that will promote efficiency and economy in the performance
16 of any function of state government: PROVIDED, That the program shall
17 include provisions for the processing of suggestions having multi-
18 agency impact and post-implementation auditing of suggestions for
19 fiscal accountability.

20 (~~((The board shall prepare a topical list of all the~~
21 ~~productivity awards granted and disseminate this information to all the~~
22 ~~state government agencies that may be able to adapt them to their~~
23 ~~procedures.~~

24 (~~((3))~~) The board shall adopt rules (~~((and regulations))~~) necessary or
25 appropriate for the proper administration and for the accomplishment of
26 the purposes of this chapter. These rules shall include the adoption
27 of a payment award schedule that establishes the criteria for
28 determining the amounts of any financial or other awards under this
29 chapter.

30 **Sec. 4.** RCW 41.60.030 and 1982 c 167 s 8 are each amended to read
31 as follows:

32 The board, or board's designee, shall make the final determination
33 as to whether an employee suggestion award will be made and shall
34 determine the nature and extent of the award based on the payment award
35 scale.

1 No employee suggestion award may normally be made to an employee
2 for a suggestion which is within the scope of the employee's regularly
3 assigned responsibilities.

4 **Sec. 5.** RCW 41.60.041 and 1989 c 56 s 1 are each amended to read
5 as follows:

6 (1) Cash awards for suggestions generating net savings, revenue, or
7 both to the state shall be ~~((ten percent of the net savings.~~

8 ~~(2) No award may be granted in excess of ten thousand dollars.~~

9 ~~(3) If the suggestion is significantly modified when implemented,~~
10 ~~the percentage specified in subsection (1) of this section may be~~
11 ~~decreased at the option of the board.~~

12 ~~(4))~~ determined by the board, or the board's designee, based on
13 the payment award scale. No award may be granted in excess of ten
14 thousand dollars. Savings, revenue, or both, shall be calculated for
15 the first year of implementation.

16 (2) The board shall establish guidelines for making cash awards for
17 suggestions for which benefits to the state are intangible or for which
18 benefits cannot be calculated.

19 ~~((+5))~~ (3) Funds for the awards shall be drawn from the
20 appropriation of the agency benefiting from the employee's suggestion.
21 If the suggestion reduces costs to a nonappropriated fund or reduces
22 costs paid without appropriation from a nonappropriated portion of an
23 appropriated fund, an award may be paid from the benefiting fund or
24 account without appropriation.

25 ~~((+6))~~ (4) Awards may be paid to state employees for suggestions
26 which generate new or additional money for the general fund or any
27 other funds of the state. The director of financial management shall
28 distribute moneys appropriated for this purpose with the concurrence of
29 the productivity board. Transfers shall be made from other funds of
30 the state to the general fund, in amounts equal to award payments made
31 by the general fund, for suggestions generating new or additional money
32 for those other funds.

33 **Sec. 6.** RCW 41.60.080 and 1982 c 167 s 12 are each amended to read
34 as follows:

35 The ~~((chairman of the))~~ board and agency heads may design and
36 initiate contests between agencies and between agency suggestion
37 evaluators to encourage participation in the suggestion program at

1 management levels. Any tokens of recognition offered during these
2 contests shall be nonmonetary and shall not be considered an award, or
3 subject to RCW 41.60.030.

4 **Sec. 7.** RCW 41.60.100 and 1993 c 467 s 4 are each amended to read
5 as follows:

6 (1) With the exception of agencies of the legislative and judicial
7 branches, any organizational unit composed of employees in any agency
8 or group of agencies of state government with the ability to identify
9 costs, revenues, or both may apply to the board to participate in the
10 teamwork incentive program as a team. The application shall have the
11 approval of the heads of the agency or agencies within which the
12 ((unit)) team is located.

13 (2) Applications shall be in the form specified by the board and
14 contain such information as the board requires. This may include, but
15 is not limited to, quantitative measures which establish a data base of
16 program output or performance expectations, or both. This data base is
17 used to evaluate savings in accordance with RCW 41.60.110((+1)).

18 ((The board shall evaluate the applications submitted. From those
19 proposals which are considered to be reasonable and practical and which
20 are found to include developed performance indicators which lend
21 themselves to a judgment of success or failure, the board shall select
22 the units to participate in the teamwork incentive program.))

23 **Sec. 8.** RCW 41.60.110 and 1993 c 467 s 5 are each amended to read
24 as follows:

25 ((+1)) To qualify for a teamwork incentive program award for its
26 employees, a ((unit selected shall demonstrate to the satisfaction of
27 the board that it has operated during the period of participation at a
28 lower cost or with an increase in revenue with no decrease in the level
29 of services rendered.

30 (a) A unit completing its period of participation shall compare
31 costs or revenues during that period of participation to (i) the
32 expenditures or revenues for a comparable span of time immediately
33 preceding the first period of participation, or (ii) an average derived
34 from the unit's historical data, or (iii) engineered standards used in
35 conjunction with an average derived from the unit's historical data, or
36 (iv) anticipated revenue as based on statistical projections or
37 historical data;

1 ~~(b) A unit participating in the teamwork incentive program for two~~
2 ~~or more consecutive times may choose to compare its costs during the~~
3 ~~current period of participation with (i) its costs or revenues for the~~
4 ~~immediately preceding period, or (ii) an average of its costs or~~
5 ~~revenues for the preceding two or three comparable spans of time in the~~
6 ~~teamwork incentive program;~~

7 ~~(c) For the purposes of (a) of this subsection, a unit's historical~~
8 ~~data shall be restricted to data generated during the period of three~~
9 ~~years or less immediately preceding the unit's first participation in~~
10 ~~the teamwork incentive program; and~~

11 ~~(d) For the purposes of (b) of this subsection, a unit's costs or~~
12 ~~revenues for preceding periods of time may include the costs or~~
13 ~~revenues calculated under (a) (i), (ii), or (iii) of this subsection~~
14 ~~for the periods of time the unit participated in the teamwork incentive~~
15 ~~program.~~

16 ~~(2) The board shall satisfy itself from documentation submitted by~~
17 ~~the organizational unit that the claimed cost of operation or level of~~
18 ~~higher revenue is real and not merely apparent and that it is not, in~~
19 ~~whole or in part, the result of:~~

20 ~~(a) Chance;~~

21 ~~(b) A lowering of the quality of the service rendered;~~

22 ~~(c) Nonrecurrence of expenditures which were single outlay, or one-~~
23 ~~time expenditures, in the preceding comparable period of time;~~

24 ~~(d) Stockpiling inventories in the immediately preceding period so~~
25 ~~as to reduce requirements in the eligible time period;~~

26 ~~(e) Substitution of federal funds, other receipts, or nonstate~~
27 ~~funds for programs currently receiving state appropriations;~~

28 ~~(f) Unreasonable postponement of payments of accounts payable until~~
29 ~~the period immediately following the eligible period of participation;~~

30 ~~(g) Shifting of expenses to another unit of government; or~~

31 ~~(h) Any other practice, event, or device which the board decides~~
32 ~~has caused a distortion which makes it falsely appear that a savings or~~
33 ~~increase in revenue gains or an increase in level of services has~~
34 ~~occurred.~~

35 ~~(3) The board shall consider as legitimate efficiencies those~~
36 ~~reductions in expenditures or increases in revenue made possible by~~
37 ~~such items as the following:~~

38 ~~(a) Reductions in overtime;~~

39 ~~(b) Elimination of consultant fees;~~

1 ~~(c) Less temporary help;~~
2 ~~(d) Improved systems and procedures;~~
3 ~~(e) Better deployment and utilization of personnel;~~
4 ~~(f) Elimination of unnecessary travel;~~
5 ~~(g) Elimination of unnecessary printing and mailing;~~
6 ~~(h) Elimination of unnecessary payments for items such as~~
7 ~~advertising;~~
8 ~~(i) Elimination of waste, duplication, and operations of doubtful~~
9 ~~value;~~
10 ~~(j) Improved space utilization;~~
11 ~~(k) Improved methods of collecting revenue or recovering money owed~~
12 ~~to the state; and~~
13 ~~(l) Any other items determined by the board to represent cost~~
14 ~~savings or increased revenue))~~ team must identify the net savings,
15 revenue, or both, accomplished during the project period. The
16 calculations of net savings, revenue, or both, are not final until
17 approved by the agency head, who may modify the team's calculations.
18 The board may by rule establish criteria to be used in calculating net
19 savings, revenue, or both.

20 **Sec. 9.** RCW 41.60.120 and 1993 c 467 s 6 are each amended to read
21 as follows:

22 ~~((At the conclusion of the eligible period, the board shall compare~~
23 ~~the expenditures or revenues for that period of each unit selected~~
24 ~~against the expenditures or revenues of that unit for the immediately~~
25 ~~preceding period or expenditures or revenues determined in accordance~~
26 ~~with RCW 41.60.110(1) (a) and (b) and, after making such adjustments as~~
27 ~~in the board's judgment are required to eliminate distortions, shall~~
28 ~~determine the amount, if any, that the unit has reduced the unit's cost~~
29 ~~of operations or increased its level of services or generated~~
30 ~~additional revenues to the state in the eligible period. Adjustments~~
31 ~~to eliminate distortions may include any legislative increases in~~
32 ~~employee compensation and inflationary increases in the cost of~~
33 ~~services, materials, and supplies. Adjustments to additional revenue~~
34 ~~may include changes in client populations and the effects of legal~~
35 ~~changes. If the board also determines that a unit qualifies for an~~
36 ~~award, the board shall award to the employees of that unit a sum up to~~
37 ~~twenty-five percent of the amount determined to be the savings or~~
38 ~~revenue increases to the state for the level of services rendered. The~~

1 amount awarded shall be divided and distributed in accordance with
2 board rules to the employees of the unit, except that employees who
3 worked for that unit less than the full period during which the unit
4 conducted a teamwork incentive program shall receive only a pro rata
5 share based on the fraction of the period worked for that unit. No
6 individual share of the unit award may exceed the maximum award
7 established by rule adopted by the board.)) The agency head may
8 recommend an award amount to the board. The board shall make the final
9 determination as to whether an award will be made in accordance with
10 applicable rules governing the teamwork incentive program. Awards will
11 be based on the payment award scale. Funds for ((this)) the teamwork
12 incentive award shall be drawn from the agencies in which the unit is
13 located or from the benefiting fund or account without appropriation
14 when additional revenue is generated to the fund or account.

15 Awards may be paid to teams for process changes which generate new
16 or additional money for the general fund or any other funds of the
17 state. The director of the office of financial management shall
18 distribute moneys appropriated for this purpose with the concurrence of
19 the productivity board. Transfers shall be made from other funds of
20 the state to the general fund in amounts equal to award payments made
21 by the general fund, for innovations generating new or additional money
22 for those other funds.

23 **Sec. 10.** RCW 41.60.150 and 1989 c 56 s 5 are each amended to read
24 as follows:

25 Other than suggestion awards and incentive pay unit awards,
26 agencies shall have the authority to recognize employees, either
27 individually or as a class, for accomplishments including outstanding
28 achievements, safety performance, ((and)) longevity, public service, or
29 service as employee suggestion evaluators and implementors.
30 Recognition awards may not exceed ((one)) two hundred dollars in value
31 per award. Such awards may include, but not be limited to, cash or
32 such items as pen and desk sets, plaques, pins, framed certificates,
33 clocks, and calculators. Award costs shall be paid by the agency
34 giving the award.

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