

# HOUSE BILL REPORT

## SHB 2998

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### As Amended by the Senate

**Title:** An act relating to suspension of certain monetary awards and salary increases.

**Brief Description:** Suspending certain monetary awards and salary increases.

**Sponsors:** House Committee on Ways & Means (originally sponsored by Representatives Seaquist, Armstrong, Hunt, Kessler, Wallace, Conway and Darneille).

#### **Brief History:**

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

Ways & Means: 1/25/10, 1/26/10 [DPS].

##### **Floor Activity:**

Passed House: 1/27/10, 97-0.

Passed Senate: 2/9/10, 48-0.

#### **Brief Summary of Substitute Bill**

- Suspends state employee recognition, and recruitment and retentions awards through June 30, 2011, including those for Washington State Civil Service and Washington Management Service (WMS) employees.
- Suspends Exempt Management Service and WMS performance pay, and WMS growth and development increases through June 30, 2011.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 22 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody, Conway, Darneille, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick and Seaquist.

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

#### **Background:**

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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.*

Washington Management Service (WMS) is a personnel system established for civil service managers in state government. Washington Management Service employees develop policies or direct the work of an agency, administer policies or programs of an agency or agency subdivision, or manage local offices or subdivisions of agencies. Washington Management Service positions often have responsibility for personnel administration, legislative relations, public information, or budgets, or have other duties that include exercising authority that is not merely routine or clerical in nature and requires the consistent use of independent judgment. During 2009 about 4,500 of the 65,000 non-higher education state employees occupied WMS positions.

Washington Management Service employees do not receive automatic annual salary increments as civil service employees do. Instead, a WMS employee's agency has discretion to grant WMS progression increases. Progression increases are added to base salary due to "growth and development" in the job. These progression increases were halted for a period of one year by the passage of Engrossed Second Substitute Bill 5460 (relating to reducing the administrative cost of state government) by the 2009 Legislature on February 18, 2009.

Exempt Management Service (EMS) is the employment category used for senior, executive-level positions that are exempt from state civil service law. They are at-will employees, and serve at the pleasure of the appointing agency or authority. Creation of EMS positions is generally restricted, and may be designated either by statute or by the Director of Personnel at the request of the Governor or other elected official. During 2009 there were about 1,250 EMS positions in state government.

"Performance Based Incentives and Bonuses" are considered to include awards or lump-sum payments that agencies may grant to civil service and WMS employees in recognition of special job performance, outstanding achievements, and special accomplishments under the general authority established in the state civil service statutes and rules. Such payments do not generally become a permanent addition to base pay.

In 2009 Chapter 534, Laws of 2009 (Engrossed Substitute House Bill 2049) the Department of Personnel was required to annually report on the award of performance-based incentives and bonuses to the Governor and Legislature. That report was first submitted in December of 2009, and it indicated that about \$1.9 million in performance based incentives and bonuses was awarded to employees, with an average award amount of \$204.

### **Summary of Substitute Bill:**

Through June 30, 2011, the following compensation programs are suspended: recruitment and retention awards, performance recognition and performance awards for Washington Civil Service and WMS employees; WMS recruitment and retention awards and lump-sum recognition awards; EMS recruitment and retention and performance pay for employees of the Housing Finance Commission; and WMS service growth and development increases.

### **EFFECT OF SENATE AMENDMENT(S):**

The Senate amendment removes the prohibition on salary increases for exempt employees. Prohibits performance-based monetary awards (as opposed to all performance-based awards.

incentives, or premiums in the Substitute House Bill) from being given to employees, however the awards granted by the Washington State Productivity Board to employees who develop money-saving ideas for the state are specifically exempt from the prohibition.

**Appropriation:** None.

**Fiscal Note:** Requested on January 20, 2010.

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

**Staff Summary of Public Testimony:**

(In support) We are glad to see a freeze in Washington Management Services (WMS). But we would like to see more reform targeting WMS, as compensation for these employees has gotten out of hand. We hope to see more than this freeze. The bill does not go far enough. We don't think you need as many WMS and EMS employees working in state agencies as you have right now.

(With concerns) The staff from the Department of Personnel are available to provide additional detail on the effect of this legislation, and hope that this will be coordinated with the other bills that are moving forward to produce a clear set of personnel policies.

(Opposed) None.

**Persons Testifying:** (In support) Representative Seaquist, prime sponsor; Matt Zuvich, Kerry Graber, and Stan Lijas, Washington Federation of State Employees.

(With concerns) Julie Murray, Office of Financial Management.

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