CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 2998

Chapter 2, Laws of 2010

61st Legislature 2010 Regular Session

STATE EMPLOYEES--MONETARY AWARDS AND SALARY INCREASES--SUSPENSION

EFFECTIVE DATE: 02/15/10

Passed by the House February 10, 2010 Yeas 97 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate February 9, 2010 Yeas 48 Nays 0

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2998** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BARBARA BAKER

BRAD OWEN

Chief Clerk

President of the Senate

Approved February 15, 2010, 3:38 p.m.

FILED

February 16, 2010

CHRISTINE GREGOIRE

Secretary of State State of Washington

Governor of the State of Washington

SUBSTITUTE HOUSE BILL 2998

AS AMENDED BY THE SENATE

Passed Legislature - 2010 Regular Session

State of Washington 61st Legislature 2010 Regular Session

By House Ways & Means (originally sponsored by Representatives Seaquist, Armstrong, Hunt, Kessler, Wallace, Conway, and Darneille)
READ FIRST TIME 01/27/10.

- AN ACT Relating to suspension of certain monetary awards and salary increases; amending RCW 41.06.500 and 43.180.080; reenacting and amending RCW 41.06.070 and 41.06.133; adding a new section to chapter 41.06 RCW; creating a new section; and declaring an emergency.
- 5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 6 Sec. 1. The legislature finds that the current NEW SECTION. 7 economic crisis is requiring sacrifices by citizens and businesses all 8 across the state. The legislature acknowledges the sacrifices also 9 being made by the many state employees who have volunteered for unpaid 10 furlough days including those, such as our ferry workers, who volunteered for pay freezes. The recession requires us to continue to 11 12 find every possible cost savings while striving to continue to deliver 13 key services to our citizens. Therefore, the legislature finds it necessary to immediately suspend recognition awards given to state 14 15 employees. Until the economic climate permits the resumption of 16 awards, the legislature encourages appropriate cash supervisors throughout state agencies to look for nonmonetary ways to acknowledge 17 outstanding contributions to Washington's citizens by our state's civil 18 19 servants.

- Sec. 2. RCW 41.06.070 and 2009 c 33 s 36 and 2009 c 5 s 1 are each reenacted and amended to read as follows:
 - (1) The provisions of this chapter do not apply to:
 - (a) The members of the legislature or to any employee of, or position in, the legislative branch of the state government including members, officers, and employees of the legislative council, joint legislative audit and review committee, statute law committee, and any interim committee of the legislature;
 - (b) The justices of the supreme court, judges of the court of appeals, judges of the superior courts or of the inferior courts, or to any employee of, or position in the judicial branch of state government;
- 13 (c) Officers, academic personnel, and employees of technical 14 colleges;
 - (d) The officers of the Washington state patrol;
 - (e) Elective officers of the state;
 - (f) The chief executive officer of each agency;
 - (g) In the departments of employment security and social and health services, the director and the director's confidential secretary; in all other departments, the executive head of which is an individual appointed by the governor, the director, his or her confidential secretary, and his or her statutory assistant directors;
 - (h) In the case of a multimember board, commission, or committee, whether the members thereof are elected, appointed by the governor or other authority, serve ex officio, or are otherwise chosen:
 - (i) All members of such boards, commissions, or committees;
 - (ii) If the members of the board, commission, or committee serve on a part-time basis and there is a statutory executive officer: The secretary of the board, commission, or committee; the chief executive officer of the board, commission, or committee; and the confidential secretary of the chief executive officer of the board, commission, or committee;
- (iii) If the members of the board, commission, or committee serve on a full-time basis: The chief executive officer or administrative officer as designated by the board, commission, or committee; and a confidential secretary to the chair of the board, commission, or committee;

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- 1 (iv) If all members of the board, commission, or committee serve ex 2 officio: The chief executive officer; and the confidential secretary 3 of such chief executive officer;
 - (i) The confidential secretaries and administrative assistants in the immediate offices of the elective officers of the state;
 - (j) Assistant attorneys general;

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- 7 (k) Commissioned and enlisted personnel in the military service of 8 the state;
- 9 (1) Inmate, student, part-time, or temporary employees, and part-10 time professional consultants, as defined by the Washington personnel 11 resources board;
- 12 (m) The public printer or to any employees of or positions in the state printing plant;
- 14 (n) Officers and employees of the Washington state fruit 15 commission;
 - (o) Officers and employees of the Washington apple commission;
 - (p) Officers and employees of the Washington state dairy products commission;
- 19 (q) Officers and employees of the Washington tree fruit research 20 commission;
 - (r) Officers and employees of the Washington state beef commission;
 - (s) Officers and employees of the Washington grain commission;
- 23 (t) Officers and employees of any commission formed under chapter 24 15.66 RCW;
 - (u) Officers and employees of agricultural commissions formed under chapter 15.65 RCW;
- (v) Officers and employees of the nonprofit corporation formed under chapter 67.40 RCW;
 - (w) Executive assistants for personnel administration and labor relations in all state agencies employing such executive assistants including but not limited to all departments, offices, commissions, committees, boards, or other bodies subject to the provisions of this chapter and this subsection shall prevail over any provision of law inconsistent herewith unless specific exception is made in such law;
- 35 (x) In each agency with fifty or more employees: Deputy agency 36 heads, assistant directors or division directors, and not more than 37 three principal policy assistants who report directly to the agency 38 head or deputy agency heads;

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- (y) All employees of the marine employees' commission;
- (z) Staff employed by the department of ((community, trade, and economic development)) commerce to administer energy policy functions and manage energy site evaluation council activities under RCW 43.21F.045(2)(m);
- (aa) Staff employed by Washington State University to administer energy education, applied research, and technology transfer programs under RCW 43.21F.045 as provided in RCW 28B.30.900(5).
- (2) The following classifications, positions, and employees of institutions of higher education and related boards are hereby exempted from coverage of this chapter:
- (a) Members of the governing board of each institution of higher education and related boards, all presidents, vice presidents, and their confidential secretaries, administrative, and assistants; deans, directors, and chairs; academic personnel; and executive heads of major administrative or academic divisions employed by institutions of higher education; principal assistants to executive heads of major administrative or academic divisions; other managerial or professional employees in an institution or related board having substantial responsibility for directing or controlling program operations and accountable for allocation of resources and program results, or for the formulation of institutional policy, or for carrying out personnel administration or labor relations functions, legislative relations, public information, development, senior computer systems and network programming, or internal audits and investigations; and any employee of a community college district whose place of work is one which is physically located outside the state of Washington and who is employed pursuant to RCW 28B.50.092 and assigned to an educational program operating outside of the state of Washington;
- (b) The governing board of each institution, and related boards, may also exempt from this chapter classifications involving research activities, counseling of students, extension or continuing education activities, graphic arts or publications activities requiring prescribed academic preparation or special training as determined by the board: PROVIDED, That no nonacademic employee engaged in office, clerical, maintenance, or food and trade services may be exempted by the board under this provision;

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- 1 (c) Printing craft employees in the department of printing at the University of Washington.
- 3 (3) In addition to the exemptions specifically provided by this chapter, the director of personnel may provide for further exemptions 4 5 pursuant to the following procedures. The governor or other appropriate elected official may submit requests for exemption to the 6 7 director of personnel stating the reasons for requesting such exemptions. The director of personnel shall hold a public hearing, 8 after proper notice, on requests submitted pursuant to this subsection. 9 10 If the director determines that the position for which exemption is requested is one involving substantial responsibility for the 11 12 formulation of basic agency or executive policy or one involving 13 directing and controlling program operations of an agency or a major 14 administrative division thereof, the director of personnel shall grant the request and such determination shall be final as to any decision 15 made before July 1, 1993. The total number of additional exemptions 16 17 permitted under this subsection shall not exceed one percent of the number of employees in the classified service not including employees 18 of institutions of higher education and related boards for those 19 agencies not directly under the authority of any elected public 20 21 official other than the governor, and shall not exceed a total of 22 twenty-five for all agencies under the authority of elected public officials other than the governor. 23

The salary and fringe benefits of all positions presently or hereafter exempted except for the chief executive officer of each agency, full-time members of boards and commissions, administrative assistants and confidential secretaries in the immediate office of an elected state official, and the personnel listed in subsections (1)(j) through (v) and (y) and (2) of this section, shall be determined by the director of personnel. Changes to the classification plan affecting exempt salaries must meet the same provisions for classified salary increases resulting from adjustments to the classification plan as outlined in RCW 41.06.152.

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For the twelve months following February 18, 2009, a salary or wage increase shall not be granted to any position exempt from classification under this chapter.

Any person holding a classified position subject to the provisions of this chapter shall, when and if such position is subsequently

exempted from the application of this chapter, be afforded the following rights: If such person previously held permanent status in another classified position, such person shall have a right of reversion to the highest class of position previously held, or to a position of similar nature and salary.

Any classified employee having civil service status in a classified position who accepts an appointment in an exempt position shall have the right of reversion to the highest class of position previously held, or to a position of similar nature and salary.

A person occupying an exempt position who is terminated from the position for gross misconduct or malfeasance does not have the right of reversion to a classified position as provided for in this section.

From the effective date of this section until June 30, 2011, no monetary performance-based awards or incentives may be granted by the director or employers to employees covered by rules adopted under this section. This subsection does not prohibit the payment of awards provided for in chapter 41.60 RCW.

- 18 Sec. 3. RCW 41.06.133 and 2009 c 534 s 2 and 2009 c 5 s 2 are each reenacted and amended to read as follows:
 - (1) The director shall adopt rules, consistent with the purposes and provisions of this chapter and with the best standards of personnel administration, regarding the basis and procedures to be followed for:
- 23 (a) The reduction, dismissal, suspension, or demotion of an 24 employee;
 - (b) Training and career development;
 - (c) Probationary periods of six to twelve months and rejections of probationary employees, depending on the job requirements of the class, except that entry level state park rangers shall serve a probationary period of twelve months;
 - (d) Transfers;
 - (e) Promotional preferences;
 - (f) Sick leaves and vacations;
- 33 (g) Hours of work;

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- (h) Layoffs when necessary and subsequent reemployment, except for the financial basis for layoffs;
 - (i) The number of names to be certified for vacancies;

(j) Adoption and revision of a state salary schedule to reflect the prevailing rates in Washington state private industries and other governmental units. The rates in the salary schedules or plans shall be increased if necessary to attain comparable worth under an implementation plan under RCW 41.06.155 and, for institutions of higher education and related boards, shall be competitive for positions of a similar nature in the state or the locality in which an institution of higher education or related board is located. Such adoption and revision is subject to approval by the director of financial management in accordance with chapter 43.88 RCW;

- (k) Increment increases within the series of steps for each pay grade based on length of service for all employees whose standards of performance are such as to permit them to retain job status in the classified service. For the twelve months following February 18, 2009, a salary or wage increase shall not be granted to any exempt position under this chapter;
- (1) Optional lump sum relocation compensation approved by the agency director, whenever it is reasonably necessary that a person make a domiciliary move in accepting a transfer or other employment with the state. An agency must provide lump sum compensation within existing resources. If the person receiving the relocation payment terminates or causes termination with the state, for reasons other than layoff, disability separation, or other good cause as determined by an agency director, within one year of the date of the employment, the state is entitled to reimbursement of the lump sum compensation from the person;
- (m) Providing for veteran's preference as required by existing statutes, with recognition of preference in regard to layoffs and subsequent reemployment for veterans and their surviving spouses by giving such eligible veterans and their surviving spouses additional credit in computing their seniority by adding to their unbroken state service, as defined by the director, the veteran's service in the military not to exceed five years. For the purposes of this section, "veteran" means any person who has one or more years of active military service in any branch of the armed forces of the United States or who has less than one year's service and is discharged with a disability incurred in the line of duty or is discharged at the convenience of the government and who, upon termination of such service, has received an honorable discharge, a discharge for physical reasons with an honorable

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- record, or a release from active military service with evidence of 1 2 service other than that for which an undesirable, bad conduct, or dishonorable discharge shall be given. However, the surviving spouse 3 of a veteran is entitled to the benefits of this section regardless of 4 5 the veteran's length of active military service. For the purposes of this section, "veteran" does not include any person who has voluntarily 6 7 retired with twenty or more years of active military service and whose military retirement pay is in excess of five hundred dollars per month. 8
 - (2) Rules adopted under this section by the director shall provide for local administration and management by the institutions of higher education and related boards, subject to periodic audit and review by the director.
 - (3) Rules adopted by the director under this section may be superseded by the provisions of a collective bargaining agreement negotiated under RCW 41.80.001 and 41.80.010 through 41.80.130. The supersession of such rules shall only affect employees in the respective collective bargaining units.
 - (4)(a) The director shall require that each state agency report annually the following data:
 - (i) The number of classified, Washington management service, and exempt employees in the agency and the change compared to the previous report;
- (ii) The number of bonuses and performance-based incentives awarded to agency staff and the base wages of such employees; and
 - (iii) The cost of each bonus or incentive awarded.
 - (b) A report that compiles the data in (a) of this subsection for all agencies will be provided annually to the governor and the appropriate committees of the legislature and must be posted for the public on the department of personnel's agency web site.
- 30 (5) From the effective date of this section until June 30, 2011, no 31 monetary performance-based awards or incentives may be granted by the 32 director or employers to employees covered by rules adopted under this 33 section. This subsection does not prohibit the payment of awards 34 provided for in chapter 41.60 RCW.
- 35 **Sec. 4.** RCW 41.06.500 and 2009 c 5 s 3 are each amended to read as follows:
- 37 (1) Except as provided in RCW 41.06.070, notwithstanding any other

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provisions of this chapter, the director is authorized to adopt, after 1 2 consultation with state agencies and employee organizations, rules for managers as defined in RCW 41.06.022. These rules shall not apply to 3 managers employed by institutions of higher education or related boards 4 5 or whose positions are exempt. The rules shall govern recruitment, appointment, classification and allocation of positions, examination, 6 7 and career development, hours of work, certification, compensation, transfer, affirmative action, promotion, 8 layoff, reemployment, performance appraisals, discipline, and any and 9 10 all other personnel practices for managers. These rules shall be separate from rules adopted for other employees, and to the extent that 11 12 the rules adopted under this section apply only to managers shall take 13 precedence over rules adopted for other employees, and are not subject 14 to review by the board.

15 (2) In establishing rules for managers, the director shall adhere 16 to the following goals:

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- (a) Development of a simplified classification system that facilitates movement of managers between agencies and promotes upward mobility;
- (b) Creation of a compensation system that provides flexibility in setting and changing salaries, and shall require review and approval by the director in the case of any salary changes greater than five percent proposed for any group of employees;
- (c) Establishment of a performance appraisal system that emphasizes individual accountability for program results and efficient management of resources; effective planning, organization, and communication skills; valuing and managing workplace diversity; development of leadership and interpersonal abilities; and employee development;
- (d) Strengthening management training and career development programs that build critical management knowledge, skills, and abilities; focusing on managing and valuing workplace diversity; empowering employees by enabling them to share in workplace decision making and to be innovative, willing to take risks, and able to accept and deal with change; promoting a workplace where the overall focus is on the recipient of the government services and how these services can be improved; and enhancing mobility and career advancement opportunities;

- (e) Permitting flexible recruitment and hiring procedures that enable agencies to compete effectively with other employers, both public and private, for managers with appropriate skills and training; allowing consideration of all qualified candidates for positions as managers; and achieving affirmative action goals and diversity in the workplace;
- (f) Providing that managers may only be reduced, dismissed, suspended, or demoted for cause; and
 - (g) Facilitating decentralized and regional administration.
- (3) For the twelve months following February 18, 2009, a salary or wage increase shall not be granted to any position under this section.
- (4) From the effective date of this section until June 30, 2011, no monetary performance-based awards or growth and development progression adjustments may be granted by the director or employers to the Washington management service employees covered by the rules adopted under this section. This subsection does not prohibit the payment of awards provided for in chapter 41.60 RCW.
- 18 **Sec. 5.** RCW 43.180.080 and 1997 c 163 s 1 are each amended to read 19 as follows:

In addition to other powers and duties specified in this chapter, the commission may:

(1) Establish in resolutions relating to any issuance of bonds, or in any financing documents relating to such issuance, such standards and requirements applicable to the purchase of mortgages and mortgage loans or the making of loans to mortgage lenders as the commission deems necessary or desirable, including but not limited to: (a) The time within which mortgage lenders must make commitments disbursements for mortgages or mortgage loans; (b) the location and other characteristics of single-family housing or multifamily housing to be financed by mortgages and mortgage loans; (c) the terms and conditions of mortgages and mortgage loans to be acquired; (d) the amounts and types of insurance coverage required on mortgages, mortgage loans, and bonds; (e) the representations and warranties of mortgage lenders confirming compliance with such standards and requirements; (f) restrictions as to interest rate and other terms of mortgages or mortgage loans or the return realized therefrom by mortgage lenders; (g) the type and amount of collateral security to be provided to assure

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- repayment of any loans from the commission and to assure repayment of bonds; and (h) any other matters related to the purchase of mortgages or mortgage loans or the making of loans to lending institutions as shall be deemed relevant by the commission;
 - (2) Sue and be sued in its own name;

- (3) Make and execute contracts and all other instruments necessary or convenient for the exercise of its purposes or powers, including but not limited to contracts or agreements for the origination, servicing, and administration of mortgages or mortgage loans, and the borrowing of money;
- (4) Procure such insurance, including but not limited to insurance:
 (a) Against any loss in connection with its property and other assets, including but not limited to mortgages or mortgage loans, in such amounts and from such insurers as the commission deems desirable, and
 (b) to indemnify members of the commission for acts done in the course of their duties;
- (5) Provide for the investment of any funds, including funds held in reserve, not required for immediate disbursement, and provide for the selection of investments;
- (6) Fix, revise, and collect fees and charges in connection with the investigation and financing of housing or in connection with assignments, contracts, purchases of mortgages or mortgage loans, or any other actions permitted under this chapter or by the commission; and receive grants and contributions;
- (7) Make such expenditures as are appropriate for paying the administrative costs of the commission and for carrying out the provisions of this chapter. These expenditures may be made only from funds consisting of the commission's receipts from fees and charges, grants and contributions, the proceeds of bonds issued by the commission, and other revenues; these expenditures shall not be made from funds of the state of Washington;
- (8) Establish such special funds, and controls on deposits to and disbursements from them, as it finds convenient for the implementation of this chapter;
- 35 (9) Conduct such investigations and feasibility studies as it deems 36 appropriate;
- 37 (10) Proceed with foreclosure actions or accept deeds in lieu of 38 foreclosure together with the assignments of leases and rentals

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- 1 incidental thereto. Any properties acquired by the commission through
- 2 such actions shall be sold as soon as practicable through persons
- 3 licensed under chapter 18.85 RCW or at public auction, or by transfer
- 4 to a public agency. In preparation for the disposition of the
- 5 properties, the commission may own, lease, clear, construct,
- 6 reconstruct, rehabilitate, repair, maintain, manage, operate, assign,
- 7 or encumber the properties;

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- 8 (11) Take assignments of leases and rentals;
- 9 (12) Subject to any provisions of the commission's contracts with 10 the holders of obligations of the commission, consent to any 11 modification with respect to rate of interest, time, and payment of any 12 installment of principal or interest or any other term of any contract, 13 mortgage, mortgage loan, mortgage loan commitment, contract, or 14 agreement of any kind;
 - (13) Subject to provisions of the commission's contracts with the holders of bonds, permit the reduction of rental or carrying charges to persons unable to pay the regular rent or schedule of charges if, by reason of other income of the commission or by reason of payment by any department, agency, or instrumentality of the United States or of this state, the reduction can be made without jeopardizing the economic stability of the housing being financed;
- 22 (14) Sell, at public or private sale, with or without public 23 bidding, any mortgage, mortgage loan, or other instrument or asset held 24 by the commission;
 - (15) Employ, contract with, or engage engineers, architects, attorneys, financial advisors, bond underwriters, mortgage lenders, mortgage administrators, housing construction or financing experts, other technical or professional assistants, and such other personnel as are necessary. The commission may delegate to the appropriate persons the power to execute legal instruments on its behalf;
 - (16) Receive contributions or grants from any source unless otherwise prohibited;
 - (17) Impose covenants running with the land in order to satisfy and enforce the requirements of applicable state and federal law and commission policy with respect to housing or other facilities financed by the commission or assisted by federal, state, or local programs administered by the commission, by executing and recording regulatory agreements or other covenants between the commission and the person or

- 1 entity to be bound. These regulatory agreements and covenants shall
- 2 run with the land and be enforceable by the commission or its
- 3 successors or assigns against the person or entity making the
- 4 regulatory agreement or covenants or its successors or assigns, even
- 5 though there may be no privity of estate or privity of contract between
- 6 the commission or its successors or assigns and the person or entity
- 7 against whom enforcement is sought. The term of any such covenant
- 8 shall be set forth in the recorded agreement containing the covenant.
- 9 This subsection shall apply to regulatory agreements and covenants
- 10 previously entered into by the commission as well as regulatory
- 11 agreements and covenants entered into by the commission on or after
- 12 July 27, 1997;
- 13 (18) Delegate any of its powers and duties if consistent with the
- 14 purposes of this chapter;
- 15 (19) Exercise any other power reasonably required to implement the
- 16 purposes of this chapter.
- From the effective date of this section through June 30, 2011,
- 18 <u>neither the commission nor its designees may grant any monetary</u>
- 19 <u>performance-based awards or incentives to any employee. This</u>
- 20 <u>subsection does not prohibit the payment of awards provided for in</u>
- 21 chapter 41.60 RCW.
- NEW SECTION. Sec. 6. A new section is added to chapter 41.06 RCW
- 23 to read as follows:
- 24 From the effective date of this section until June 30, 2011, no
- 25 monetary performance-based awards or incentives may be granted by the
- 26 director or employers to employees covered by rules adopted under this
- 27 section. This section does not prohibit the payment of awards provided
- 28 for in chapter 41.60 RCW.
- 29 <u>NEW_SECTION.</u> **Sec. 7.** This act is necessary for the immediate
- 30 preservation of the public peace, health, or safety, or support of the
- 31 state government and its existing public institutions, and takes effect
- 32 immediately.
 - Passed by the House February 10, 2010.
 - Passed by the Senate February 9, 2010.
 - Approved by the Governor February 15, 2010.
 - Filed in Office of Secretary of State February 16, 2010.