

SENATE BILL REPORT

SHB 2998

As of January 29, 2010

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

Committee Activity: Ways & Means: 1/28/10.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Erik Sund (786-7454)

Background: Generally, state employment positions are either exempt, general service, or Washington Management Service (WMS). General service employees, also referred to as classified employees, are eligible to collectively bargain if they so elect. In higher education, employee positions typically are either exempt or general service; 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.

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. Of the 65,000 non-higher education state employees in 2009, approximately 4,500 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 salaries due to

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growth and development in the job. These progression increases were halted for a period of one year by the passage of ESSB 5460 by the 2009 Legislature on February 18, 2009.

Exempt employees generally either belong to the Executive Management Service (EMS), the employment category used for senior, executive-level positions, or are employed in programs or agencies that are exempt from state civil service law. In either case, they are at-will employees, and serve at the pleasure of the appointing agency or authority. Salary increases for exempt employees are not automatic. The one-year salary freeze enacted by the Legislature in ESSB 5460 also applies to exempt employees. During 2009 there were about 1,250 EMS employees and approximately 2,400 other exempt employees serving in state agencies outside of higher education.

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 (ESHB 2049), the Department of Personnel (DOP) 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 Bill: The prohibition on salary increases established in 2009 is extended through June 30, 2011, for most exempt employees. In addition, during the same period and for the same employee groups, performance-based bonuses or awards for recruitment or retention are forbidden.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Last session the DOP was directed to submit a report to the Legislature detailing awards and bonuses paid to WMS and at-will employees by state agencies outside of higher education. Over 9,000 awards were paid to employees during 2009 at a total cost to the state of \$1.9 million. While we want high-quality managers and well-run state agencies, these bonuses simply aren't appropriate under the current fiscal circumstances. This bill would freeze those bonuses, except for awards given to employees who come up with ideas that save the state money.

OTHER: This bill requires some technical corrections in order to avoid conflicts with other legislation or other unintended consequences such as the prohibition of shift pay under the ban on premiums. For over 30 years the civil service laws have included provisions giving the UW's medical facilities the flexibility to provide local area pay adjustments for critical

healthcare professionals. This has allowed the UW to recruit and retain employees that otherwise would in many cases end up working for other area hospitals. Because of the way some of the language in this bill is structured, it may inadvertently prevent the DOP from granting such adjustments for non-represented pharmacists, physical therapists, and other employee groups that are critical to the operation of these facilities and are generally not paid from state funds. The UW would also prefer to be able to make select salary adjustments within current funds for the purpose of retaining critical academic personnel.

Persons Testifying: PRO: Representative Seaquist.

OTHER: Andy Colvin, DOP; Liz Coveney, UW.