



STATE OF WASHINGTON

July 6, 2011

TO: Statewide Elected Officials
Agency Directors
State Boards and Commissions

FROM: Marty Brown, Director
Office of Financial Management

Eva Santos, Director
Department of Personnel

**SUBJECT: IMPLEMENTATION OF ESSB 5860 - THREE PERCENT SALARY REDUCTION
& FREEZE ON SALARIES, BONUSES AND AWARDS**

With the passage of Engrossed Substitute Senate Bill 5860 (ESSB 5860), state agencies of the legislative, executive, and judicial branches are to implement a 3 percent salary reduction for all state employees from July 1, 2011 through June 29, 2013. In addition, ESSB 5860 continues the prohibition through June 30, 2013 of providing salary increases to exempt and Washington Management Service (WMS) employees and providing monetary performance-based awards to all state employees.

We are writing to provide instructions to **executive branch agencies** for implementing ESSB 5860.

Three Percent Salary Reduction

From July 1, 2011 through June 29, 2013, base salaries must be reduced 3 percent for all state employees except for:

- Elected officials whose salaries are established by the Commission on Salaries for Elected Officials;
- Employees at state institutions of higher education, except as provided under collectively bargained agreements;
- Certificated employees of the state School for the Blind and the Center for Childhood Deafness and Hearing Loss;
- Commissioned officers of the Washington State Patrol represented by the State Patrol Troopers Association and the Washington State Patrol Lieutenants Association;
- Represented ferry workers of the Department of Transportation, except as provided under collectively bargained agreements; and
- Employees whose monthly full-time equivalent salary is less than \$2,500 per month.

Employees subject to the salary reduction accrue additional Temporary Salary Reduction (TSR) leave at the rate of 5.2 hours per month. Information on the salary reduction and TSR leave can be found at:

<http://www.dop.wa.gov/CompClass/TempSalaryReduction/Pages/default.aspx>.

ESSB 5860 is broadly written to reduce salaries of all state employees – represented, non-represented, WMS, and exempt employees – regardless of fund source, applicability of the State Civil Service Act, appointing authority, or branch of government. Exceptions to the salary reduction are extremely limited. The Office of Financial Management (OFM) intends to aggressively enforce the 3 percent salary reduction. If you have questions regarding whether this 3 percent salary reduction applies to your agency, board, or commission, contact Sandi Stewart at the Department of Personnel (DOP) at (360) 664-6324 or SandiS@dop.wa.gov.

Most represented workers whose monthly full-time equivalent salary is greater than \$2,500 will also experience a 3 percent salary reduction. Salary reductions and TSR leave for represented workers must be implemented according to terms and conditions of the employee's collective bargaining agreement. Agencies that are prevented by the terms of a collective bargaining agreement from implementing the 3 percent salary reduction are 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 their collective bargaining agreements.

Also note that amounts paid during the 2011-13 biennium to state employees who cash out annual or sick leave at the time of retirement or who cash out sick leave in excess of 60 days at any time are not reduced by the 3 percent temporary salary reduction.

Suspension of Monetary Awards

The prohibition on performance-based monetary awards for all state employees continues through June 30, 2013. The term "monetary" includes cash as well as cash equivalents, such as gift certificates and gift cards. Monetary awards are allowed *only* for incentive awards by the Washington Wellness Works program administered by the Health Care Authority.

State employee recognition awards under RCW 41.60.150 continue to be limited to non-cash items through June 30, 2013. Cash and cash equivalents, such as gift certificates and gift cards, cannot be given as an award. Questions on whether a pay bonus or award (monetary or non-monetary) is allowed under ESSB 5860 should be directed to Mike Sellars at DOP at (360) 664-6348 or MikeS@dop.wa.gov.

Salary Freeze

ESSB 5860 also continues through June 30, 2013, the prohibition of monetary bonuses and performance-based monetary pay for all exempt and WMS employees, including growth and development progression adjustments for WMS. Therefore, in addition to the 3 percent salary reduction, salaries and wages for positions exempt from classification under the State Civil Service Act and WMS positions cannot increase through June 30, 2013. The legislation continues the following two exceptions:

1. Salary or wage increases are allowed pursuant to collective bargaining agreements negotiated under chapters 28B.52, 41.56, 47.64, or 41.67 RCW.
2. For all other executive branch agencies, salary or wage increases are allowed if the agency has demonstrated difficulty retaining qualified positions under certain conditions:
 - The salary increase can be paid within existing resources;
 - The salary increase will not adversely impact the provision of client services, and
 - For executive branch agencies, not including higher education, the salary increase is approved by the director of OFM.

OFM must report any salary increase granted under this provision to the Legislature by July 31 of each fiscal year. This will include detailing the positions for which salary increases were granted, the size of the increase, and the reasons for giving the increases.

OFM is not developing a form for agencies to use to request approval of a salary increase for retention purposes. Rather, you will need to submit a written request to Eva Santos, DOP Director, outlining the need for the salary or wage increase. Agencies must demonstrate a compelling and well-documented case that the salary or wage increase is critically necessary to the agency. DOP will review requests and forward them with a recommendation to the director of OFM for final action.

Thank you for your assistance in following these instructions to implement Engrossed Substitute Senate Bill 5860.