# Employee compensation

## Budget includes modest wage increases for state employees

As Washington's economy grows and its jobless rate falls to historic lows, employers must do more to compete for workers. Meanwhile, the state's strong economy — especially in the central Puget Sound region — is driving up the cost of living.

Like other large employers, state government faces challenges in attracting and retaining the strongest possible workforce.

To help state agencies meet that challenge, the governor's 2019–21 budget includes funding for a modest general wage increase for most general government and community college employees, and larger, targeted increases to address issues such as recruitment, retention or higher-level duties and responsibilities in certain job classes. The new 2019–21 collective bargaining agreements also include provisions to help the state's lowest-paid workers as well as those facing higher living costs in King County.

The increases are the result of new agreements and arbitration awards the state recently reached with 38 unions representing about 55,000 state employees and 49,000 publicly funded nonstate employees. Among other provisions, the agreements:

- For most employees, provide a general wage increase phased in over the biennium (3 percent effective July 1, 2019, and 3 percent effective July 1, 2020).
- Increase the minimum wage for most state employees to $14 per hour and address local minimum wage ordinances.
- Address staffing challenges in certain segments of our workforce by providing targeted pay increases for positions with demonstrated recruitment and retention challenges, including at the two state psychiatric hospitals and in the state agency IT workforce.
- Mitigate the high costs associated with living in and around Seattle by providing a 5 percent premium pay for employees working in King County.
- Expand commuting and vanpool support for the workforce to ease the strain on our transportation infrastructure.

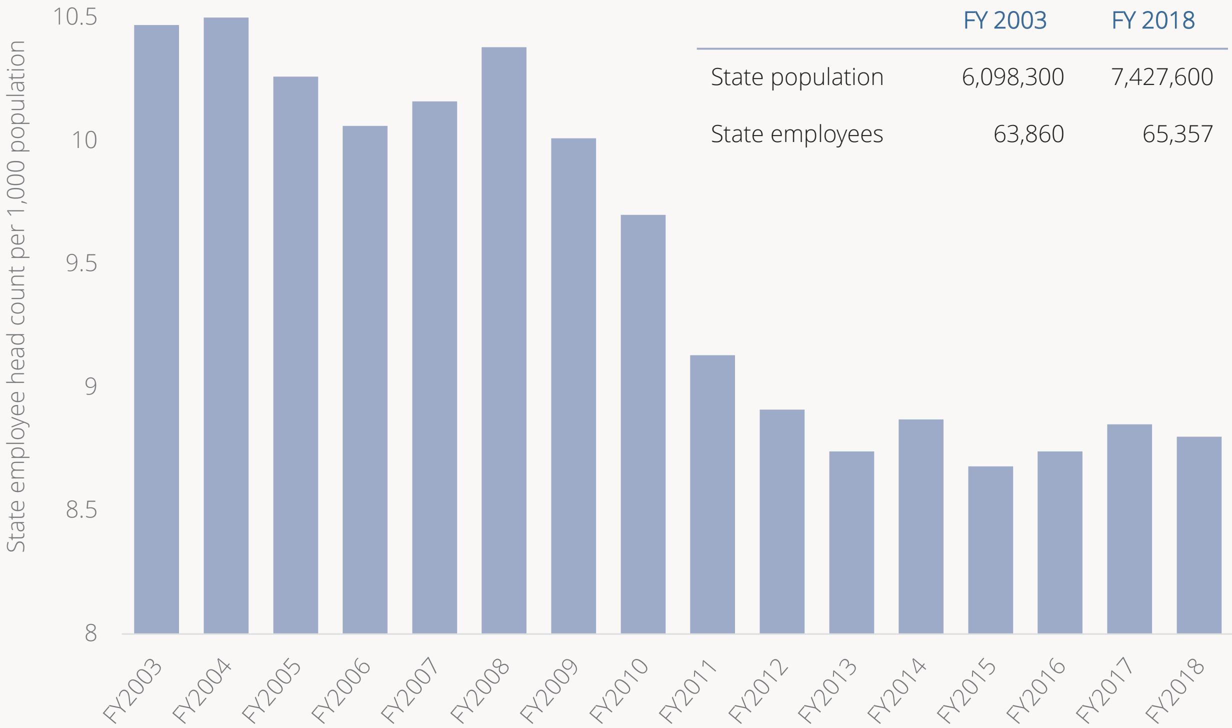
The governor's budget also includes a variety of increases in hourly wages or daily rates for nonstate employees such as home care workers as well as child and adult care workers. Investing in the home care workforce and adult family homes will enable the state to continue to honor client choice and maximize funding by serving people in the community, not in institutions. Strengthening these services will also be key in helping the state meet its commitment to improving access to community-based behavioral health care, particularly for individuals transitioning from psychiatric care facilities.

Four-year institutions of higher education bargain independently. Community colleges are represented by the state's bargaining team (with the exceptions of the technical colleges, Highline College and Yakima Valley College, which also bargain independently.) At most schools, higher education's collective bargaining agreement provisions are similar to the general government agreements, including 3 percent general wage increases in each year of the biennium.

In some instances, when the state and worker unions could not reach agreement, contract terms were set through arbitration.

For example, for four agreements covering a majority of Washington State Ferries employees, arbitrators set wage increases ranging from 7 to 8 percent over the biennium. An arbitrator awarded many Department of Corrections employees a general wage increase of 8 percent while another arbitrator awarded targeted

## State government workforce vs. overall population growth




| | FY 2003 | FY 2018 |
|---|---|---|
| State population | 6,098,300 | 7,427,600 |
| State employees | 63,860 | 65,357 |

*Based on actual state employee head count. Does not include higher education.

increases to community corrections officers along with the 6 percent general wage increase agreed to in the agreements for general government employees.

Family child care providers received an arbitration award lifting licensed providers to at least the 55th percentile of the market, according to the market rate survey, in the first year. A 6 percent increase in subsidy rates follows in the second year. License-exempt providers received a 2 percent rate increase in the first year and a 4 percent increase in the second year. Additionally, before- and after-school child care, previously paid at a half-day rate, will now be paid at 75 percent of the full-day rate.

Health care benefits for state employees are bargained with a coalition of most of the unions. Under the agreements for the 2019–21 biennium, health care premium contributions will remain at the current split: 85 percent employer/15 percent employee.

The estimated Near General Fund-State cost of the compensation increases for employees (represented and nonrepresented) and nonstate employees is $691 million.

The budget also includes a 3 percent pension increase for many retirees in the Public Employees' and Teachers' Retirement Systems Plan 1. Effective July 1, 2019, the increase would be capped at $62.50 per month. It would affect an estimated 39,000 PERS 1 and 32,000 TRS 1 retirees and cost about $44 million General Fund-State per biennium.

# School employee health care

## State law sets up new school employee health insurance program

Over the past two years, the Legislature created a new state program that consolidates and funds health care and other insurance benefits for school employees across the state. Prior to the creation of the School Employees Benefits Board, or SEBB, school employee health insurance was administered by local school districts.

Similar to state employee health insurance, the SEBB program is administered by the Health Care Authority. The program will begin providing health care and other insurance benefits (such as life and disability insurance) for school employees and their dependents on Jan. 1, 2020. The SEBB board, in conjunction with HCA, is now designing and approving insurance benefit plans and setting eligibility criteria for participation in them.

As required in statute, the state must fund school employee health care at the same level (or higher) than it does for state agency employees. The law also requires that SEBB insurance benefits be made available to all school employees expected to work at least 630 hours per year. And, as with state employees, the state must collectively bargain to determine the dollar amount it contributes for school employee benefits.

To set terms for the 2019–21 budget, the state bargained with a coalition of school unions representing more than 100,000 school employees. Under the tentative agreement:

- For medical plan premiums, the state will contribute 85 percent of the monthly premium of the SEBB Uniform Medical Plan. Employees will pick up the remaining cost of the premium for their chosen plan.
- All employees will need to pay some amount toward a monthly premium. The actual amount will vary according to the plan the employee chooses.
- Employees will not pay any of the premium for:
    - dental insurance
    - stand-alone vision insurance
    - basic life and basic long-term disability insurance
- Employer contributions will be the same for all eligible employees — instructional, classified and administrative.
- During the term of the tentative agreement, eligible employees will have the opportunity to earn wellness incentives of $50 for the first calendar year of the plan and $125 for the next.

Including the increase to the PEBB funding rate required in statute, the total estimated increase of the state contribution to school employee benefits is $942 million.