



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

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December 10, 2018

TO: The Honorable Jay Inslee

FROM: David Schumacher
Director

SUBJECT: FINANCIAL FEASIBILITY OF COLLECTIVE BARGAINING AGREEMENTS, ARBITRATION AWARDS, AND THE K-12 HEALTH CARE AGREEMENT SUBMITTED BY OCTOBER 1, 2018

By law¹, the Governor shall submit a request for funds necessary to implement the compensation and fringe benefit provisions in collective bargaining agreements, arbitration awards and the K-12 health care agreement only if the agreements are submitted to the Director of the Office of Financial Management (OFM) by October 1 and the director certifies these provisions as being “feasible financially for the state.” If the director does not certify the agreements as feasible financially for the state, the Governor is prohibited from submitting a request to the Legislature for funds necessary to implement the compensation and fringe benefit provisions and the K-12 health care provisions.

This memorandum is provided to inform you that the agreements, arbitration awards, and the K-12 health care agreement submitted to OFM by October 1, 2018, are feasible financially for the state in considering the state’s obligation to provide services for the health and safety of our citizens in combination with the current and forecasted economic and revenue conditions for Washington.

Summary of negotiated collective bargaining agreements, arbitration awards and K-12 health care agreement

OFM negotiated nine collective bargaining agreements for general government and higher education unions. In addition, OFM negotiated eight marine union agreements, two agreements for the Washington State Patrol, and three non-state employee union agreements. OFM also negotiated with the Public Employee Benefits Board Coalition the health care terms that will be included in each collective bargaining agreement², and OFM negotiated with the K-12 Health Care Coalition a health care agreement (SEB agreement) for the school employees now covered by the School Employees Benefits Board program. The following agreements were reached as a result of arbitration awards: two agreements for general government unions, four agreements for marine unions, and one agreement for a non-state employee union. Further, OFM reached a health care agreement with the coalition of K-12 unions. Finally, 15 agreements were negotiated between institutions of higher education and unions representing classified staff at the institutions. Attached is a summary of the major elements of the above-referenced agreements and arbitration awards in a memorandum from Roselyn Marcus provided to me on December 5, 2018.

¹ Requests for funds necessary to implement the compensation and fringe benefit provisions of collective bargaining agreements and arbitration awards are governed by chapters 41.56, 41.80 and 47.64 RCW. In addition, the request for funds necessary to implement the School Employees Benefits program K-12 negotiated health care agreement is governed by Chapter 13, Laws of 2013 and Chapter 260, Laws of 2018.

² The coalition does not include the Washington State Patrol Troopers Association or the Washington State Patrol Lieutenants and Captains Association.



Feasible financially for the state

To meet the October 1 deadline, negotiations for many of the general government, higher education and non-state employee agreements began prior to the June 2018 quarterly state revenue forecast prepared by the Economic and Revenue Forecast Council. Since that time, the combined June, September and November forecasts estimate a combined revenue growth of more than \$1.7 billion.

The agreements funded from transportation revenues were negotiated based on the February 2018 quarterly transportation revenue forecast prepared by OFM through the Transportation Revenue Forecast Council. Since the February 2018 forecast, total transportation revenues are projected to be more than \$81 million, although not all revenue sources are projected to be higher.

The goals for the state employee union agreements were to invest in the state workforce and address ongoing challenges. These agreements and the arbitration awards provide modest steps toward achieving these goals, including:

- Providing a general wage increase for both years of the biennium to recognize the significant growth in our economy and associated costs incurred by our employees.
- Addressing challenges such as recruitment and retention by making targeted increases to certain classifications.
- Ensuring an information technology workforce structure and compensation that is responsive to our needs and flexible to the ever-changing nature of the IT sector and labor force.
- Helping our lower-wage workers by meeting the state minimum wage for our employees and the local minimum wage ordinances where applicable.
- Investing in our health care provider workforce through tuition loan repayments, hiring incentives and targeted salary increases, including for physicians and psychiatrists.
- Acknowledging the high costs associated with living in and around Seattle by providing a wage adjustment for employees working in King County.

The increases in the non-state employee union agreements and arbitration award are also modest. Although gains have been made, these unions represent some of the lowest paid workers in Washington. These workers continue to provide vital services to our citizens, especially the elderly and most vulnerable. The agreements continue our focus to have high-quality service provided to our citizens at a reasonable cost.

In addition, the agreement with the Coalition of Health Care Benefits continues to focus on reducing the overall cost of health care while improving employee health. To that end, the agreement maintains the 85/15 percent employer/employee premium cost split. It also provides funding for a flexible (health care) spending account for those earning \$50,004 or less per year.

The SEB agreement was negotiated pursuant to the requirements set forth in Chapter 13, Laws of 2017 and Chapter 260, Laws of 2018. Specifically, the legislation creating the program required OFM to collectively bargain the agreement within the following parameters:

- All employees who are anticipated to work 630 hours will be eligible for benefits.
- Establishment of tier ratios where the school employee share of the cost for family coverage premiums will not exceed three times the premiums for a school employee purchasing single coverage for the same coverage plan.

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- Costs associated with the agreement and outlined in the submittal must produce a funding rate that is no less than the per-employee, per-month funding rate provided to state agencies for state employee benefits.
- Both tobacco and spousal surcharges are included in the agreement.

The negotiated agreement, which is detailed in the attached memorandum, meets all the statutory requirements for the SEB program.

Conclusion

The 2019-21 collective bargaining agreements submitted to OFM by October 1, 2018, are feasible financially for the state. The request for funds necessary to implement the compensation and fringe benefit provisions of these agreements must be included in the Governor's proposed 2019-21 biennial operating and transportation budgets that will be submitted to the Legislature.

cc: David Postman, Chief of Staff, Office of the Governor