



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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December 15, 2020

TO: Honorable Jay Inslee

FROM: David Schumacher
Director

A handwritten signature in black ink, appearing to read "D. Schumacher".

SUBJECT: FINANCIAL FEASIBILITY OF 2021-23 COLLECTIVE BARGAINING AGREEMENTS, ARBITRATION AWARDS, AND K-12 HEALTH CARE AGREEMENT SUBMITTED BY OCTOBER 1, 2020

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, 2020, are feasible financially for the state in considering the state's obligation to provide services for the health and safety of Washingtonians balanced against the current and forecasted economic and revenue conditions for our state.

OFM negotiated nine collective bargaining agreements for general government and higher education unions.² In addition, OFM negotiated eleven marine union agreements, two agreements for the Washington State Patrol, and three non-state employee union agreements. OFM also negotiated with the Public Employees Benefits Board Coalition the health care terms that will be included in each collective bargaining agreement', and OFM negotiated with the K-12 Health Care Coalition a health care agreement (SEB agreement) for the school employees covered by the School Employees Benefits Board program. The following agreements were reached as a result of arbitration awards: one agreement for general government unions, one agreement for marine unions, and one agreement for a non-state employee union.

Finally, 16 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 that Roselyn Marcus provided to me on December 13, 2020.

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, 47.64, and 74.39A RCW. In addition, the request for funds necessary to implement the School Employees Benefits program K-12 negotiated health care agreement is governed by RCW 41.56.500 and 41.59.105.

² OFM was not able to reach agreement with two labor organizations for three bargaining agreements: Washington Public Employees Association (general government), Washington Public Employees Association (higher education community college coalition), and the International Brotherhood of Teamsters Local 117 (Department of Corrections and Department of Enterprise Services).

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 2020 quarterly state revenue forecast prepared by the Economic and Revenue Forecast Council, which estimated a significant revenue shortfall. Since that time, the revenue forecasts have continued to improve.

The agreements funded from transportation revenues were negotiated based on the February 2020 quarterly transportation revenue forecast prepared by OFM through the Transportation Revenue Forecast Council, which estimated a significant revenue shortfall. Since the February 2020 forecast, total transportation revenues, although down, continue to improve as travel has risen.

The state engaged in negotiations with the labor organizations representing both state employees and non-state employee groups in recognition of both the ongoing global health care pandemic and significant budgetary challenges facing the state. As reflected in the agreements, the objective was to capture savings while maintaining the current level of benefits. The guiding principles for state employee union agreements and the arbitration awards are as follows:

- Achieve savings by implementing furloughs.³ The furloughs, which result in a 4.6% pay reduction over the biennium, help address the projected revenue shortfall and reduce the need for permanent layoffs that could have negative impacts on public service levels and overall workforce morale during a time when employees and their families face increased stress due to the pandemic. Additionally, the furlough approach does not permanently affect the wage structures, which prevent decreases in the structural work that has been done in past years to achieve competitive salaries.
- Accomplish the cost savings with the objective of minimizing impacts to employees working on the front lines during the COVID-19 pandemic.

The agreements negotiated by higher education maintained the terms from the current agreement.⁴ Although the agreements do not include employee furloughs, there are no wage increases in any of the higher education agreements.

Non-state employee groups provide services to some of the most vulnerable; services that were and continue to be integral to the COVID-19 response, at personal risk to the providers; and services that are instrumental to the state's economic recovery. The guiding principles for these agreements include:

- Stabilizing and supporting adult family home providers that are impacted by the COVID-19 pandemic and are integral in ensuring Washingtonians have access to safe, community-based care settings.
- Adjusting terms for family child care providers to ensure child care is available to low-income families and to reduce economic insecurity among providers so that they can remain operational and provide needed support to working families.

³ Furloughs for some Washington State Ferries employees would not result in savings to the state because their absence would result in the employer calling in another employee to work to ensure the ferry had sufficient staffing and support. However, wherever appropriate, the marine union agreements provide for furloughs.

⁴ Some higher education agreements may have small costs, but no additional funding is needed.

- Addressing impacts to the homecare workforce who are asked to provide care in home settings during the pandemic and thereafter.
- Ensuring equal access for non-English speaking clients for Medicaid and social service appointments.

The increases in the non-state employee union agreements and arbitration award are modest but are fair and necessary given the above principles.

In addition, the agreement with the Coalition of Health Care Benefits continues to focus on maintaining the current agreement in the face of a global health crisis. To that end, the agreement maintains the 85/15 percent employer/employee premium cost split. It also maintains the funding for a flexible (health care) spending account for those earning \$50,004 or less per year and the option for eligible enrolled subscribers to earn a wellness incentive.

Finally, OFM negotiated the SEB agreement, maintaining the terms from the current agreement. As a health care agreement, the goals were similar to those followed for the Coalition of Health Care Benefits.

Conclusion

The 2021-23 collective bargaining agreements submitted to OFM by October 1, 2020, 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 2021-23 biennial operating and transportation budgets that will be submitted to the Legislature.

cc: Jamila Thomas, Chief of Staff, Office of the Governor