



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

December 5, 2014

TO: The Honorable Jay Inslee

FROM: David Schumacher /s/
Director

**SUBJECT: FINANCIAL FEASIBILITY OF COLLECTIVE BARGAINING AGREEMENTS
AND ARBITRATION AWARDS SUBMITTED BY OCTOBER 1, 2014**

By law¹, the Governor shall submit a request for funds necessary to implement the compensation and fringe benefit provisions in collective bargaining agreements and arbitration awards 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.

This memorandum is provided to inform you that the agreements and arbitration awards submitted to OFM by October 1, 2014, are feasible financially for the state in considering the state’s obligations 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 and Arbitration Awards

OFM negotiated eight collective bargaining agreements for general government and higher education unions. In addition, OFM negotiated one marine union agreement and two non-state employee union agreements. OFM also negotiated with the super coalition the health care terms that will be included in and be a part of each collective bargaining agreement. The following agreements were reached as a result of arbitration awards: one agreement for a general government union, ten agreements for marine unions, two agreements for the Washington State Patrol, and two agreements for non-state employee unions. Finally, 14 agreements were negotiated between institutions of higher education and unions representing classified staff at the institutions. Attached is the summary of the major elements of the above-referenced agreements and arbitration awards that we provided to the Joint Committee on Employment Relations on October 3, 2014.

Feasible Financially for the State

The general government, higher education and non-state employee agreements were negotiated based on the June 2014 quarterly revenue forecast for Washington prepared by the Economic and Revenue

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.

Forecast Council. At that time, the Near General Fund-State² (NGF-S) revenues for the 2015-17 biennium were forecasted to be 8.6 percent higher than the revenues forecasted to be collected in the 2013-15 biennium. The revisions to the 2015-17 NGF-S revenue forecast have continued to increase the forecasted revenues in the September 2014 forecast. The November 2014 quarterly revenue forecast again increased the NGF-S revenues another \$273 million. The NGF-S collections are projected to total \$36.98 billion for the 2015-17 fiscal biennium, an 8.6 percent increase from the 2013-15 biennium.

Washington's economy continues to grow slowly. The forecast continues the trend of modest improvement that the state has seen over the past months. Although there are downside risks to the forecast, the combination of falling gas prices, increases in the growth of personal income, and other signs of a continued modest recovery resulted in the small positive change from the September forecast.

The agreements funded from transportation revenues were negotiated based on the February 2014 quarterly transportation revenue forecast prepared by OFM through the Transportation Revenue Forecast Council. Washington's transportation revenues come from numerous taxes, fees, permits, tolls and other revenues. Fuel taxes comprise the largest share of transportation revenue.

The February 2014 transportation revenue forecast for the 2015-17 biennium was \$4.73 billion. The November 2014 transportation forecast of revenues for the same period was \$4.833 billion. Although not all revenue sources are projected to be higher, the total revenues are projected to be greater than the current biennium. These forecasts did not include revenues from tolling.

The general government and higher education agreements have modest general wage increases. These increases are generally no more than 3 percent in the first year, and no more than 1 percent in the second year. An additional .8 percent increase in the second year included in many of these agreements is limited to the lowest paid employees. There are also targeted wage increases to address issues of recruitment, retention, change in duties and compression.

State employee wages have been stagnant for six years. The temporary salary reduction implemented in the 2011-13 biennium was restored in the 2013-15 biennium, putting employees back to pre-2011 wages. At the same time, health care and pension contributions increased as well as inflation, meaning employees have experienced a net loss of wages since 2008. This is in comparison to wage increases in comparable local government positions and increased employment in the private sector. These modest increases are important in order to maintain a quality workforce, be able to recruit talent, stem the workforce turnover within state government, and continue to provide vital services to the public.

The increases in the non-state employee union agreements are also modest. These agreements represent some of the lowest paid workers in Washington. Yet they provide vital services to our citizens, especially the elderly and most vulnerable citizens. The agreement terms that have a cost further state policies on quality and again aim to reduce the overall cost of the services provided.

²² The Near General Fund includes revenues to the General Fund, Education Legacy Trust Account, and Washington Opportunity Pathways Account.

Consistent with the other agreements, the agreements and arbitration awards for agreements funded by transportation revenue are modest as well. The terms in these agreements are generally consistent with the other state-negotiated agreements. In addition to general wage increases, there are small targeted investments, such as increased uniform allowance for master, mates and pilots mates or employer-paid parking for Washington State Patrol officers for department-issued vehicles assigned at the General Administration building. Similar to the issues affecting general government employees, these small increases are needed to recruit and maintain a quality workforce, and reduce turnover resulting from disparate compensation and benefits provided by the state in contrast to other employers.

In order to reach full agreement with each union, agreement was reached with the super coalition on the health care terms³. This agreement maintains the current contribution percentage for employees. In addition, the agreed upon terms aim to reduce the overall cost of health care by providing flexibility in plan design and focusing on wellness incentives.

Conclusion

The 2015-17 collective bargaining agreements submitted to OFM by October 1, 2014, are feasible financially for the state. The request for funds necessary to implement the compensation and fringe benefit provisions of these agreements can be included in the Governor's proposed 2015-17 biennial operating budget and transportation budget that will be submitted to the Legislature.

cc: Joby Shimomura, Chief of Staff, Office of the Governor
Tracy Guerin, Deputy Director, OFM
Roselyn Marcus, Assistant Director for Legal and Legislative Affairs, OFM
Glen Christopherson, Assistant Director for State Human Resources Division, OFM

³ The negotiation for health care terms does not result in a separate agreement. The health care terms are included in and become a part of each separate collective bargaining agreement. The benefit of this negotiation is that all agreements include the same health care terms.



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Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

October 3, 2014

TO: Members, Joint Committee on Employment Relations

FROM: David Schumacher /s/
Director

SUBJECT: SUMMARY OF MAJOR ELEMENTS OF 2015-2017 COLLECTIVE BARGAINING AGREEMENTS

In accordance with RCW 41.80.010(5), 41.56.473(4)(a), 74.39A.300(5), and 41.56.028(8), I am writing to advise you of the major elements of the collective bargaining agreements for the 2015-17 fiscal biennium. This memorandum provides the information for agreements reached through negotiations between the parties, agreements reached through interest arbitration awards, and agreements reached by higher education institutions that are subject to a determination of financial feasibility by the director of the Office of Financial Management (OFM). The summary includes the major elements of the agreements that have a financial impact, but does not include every small element that may have a financial impact.

During this collective bargaining cycle, I understand you received information about tentative agreements and arbitration awards from news reports before you were able to hear about it from OFM or legislative staff who may have been later briefed. To avoid this in the future, an email will be sent directly to committee members as soon as an agreement is reached or an arbitration award is received by OFM.

Agreements

General Government and Higher Education Institutions Union Agreements:

- *Washington Federation of State Employees (WFSE), General Government.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for all employees who earn \$2,500 per month or more, effective July 1, 2016; a general wage increase of 1 percent plus a \$20 per month increase for all employees who earn less than \$2,500 per month, effective July 1, 2016; salary adjustments for targeted classifications; assignment pay for targeted classifications; hazard pay for designated night crews; and geographic pay for designated areas.
- *Washington Federation of State Employees, Higher Education.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for all employees who earn \$2,500 per month or more, effective July 1, 2016; a general wage increase of 1 percent plus a \$20 per month increase for all employees who earn less than \$2,500 per month, effective July 1, 2016; and salary adjustments for targeted classifications.
- *Washington Public Employees Association (WPEA), General Government.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for all employees who earn \$2,500 per month or more, effective July 1, 2016; a general wage increase of 1 percent plus a \$20 per month increase for all employees who earn less than \$2,500 per month, effective July 1, 2016; salary adjustments for targeted classifications;

\$25 a day for standby for overtime exempt employees; and an additional in-service day for the Washington State School for the Blind and Center for Childhood Deafness and Hearing Loss.

- *Washington Public Employees Association, Higher Education.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for all employees who earn \$2,500 per month or more, effective July 1, 2016; a general wage increase of 1 percent plus a \$20 per month increase for all employees who earn less than \$2,500 per month, effective July 1, 2016; and salary adjustments for targeted classifications.
- *International Federation of Professional & Technical Engineers, Local 17.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for all employees who earn \$2,500 per month or more, effective July 1, 2016; a general wage increase of 1 percent plus a \$20 per month increase for all employees who earn less than \$2,500 per month, effective July 1, 2016; and targeted salary adjustments for Washington State Patrol commercial vehicle officer and enforcement series (10 percent) and communication officers (2.5 percent).
- *Washington Association of Fish and Wildlife Professionals (WAFWP).* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for all employees who earn \$2,500 per month or more, effective July 1, 2016; and a general wage increase of 1 percent plus a \$20 per month increase for all employees who earn less than \$2,500 per month, effective July 1, 2016.
- *Service Employees International Union (SEIU) Healthcare, 1199NW.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for all employees who earn \$2,500 per month or more, effective July 1, 2016; a general wage increase of 1 percent plus a \$20 per month increase for all employees who earn less than \$2,500 per month, effective July 1, 2016; assignment pay for employees at designated areas; and increased funds for training reimbursement.
- *The Coalition of Unions.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1 percent and an additional general wage increase of .8 percent or \$20 per month, whichever is greater, both effective July 1, 2016; annual payments of ten thousand dollars and twenty thousand dollars for psychiatrists with board certifications; and salary adjustments for targeted classifications.

Marine Union Agreements:

- *Service Employees International Union (SEIU), Local 6.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent, effective July 1, 2016; an increase in shift premium to \$.50 per hour for the second shift and to \$.65 per hour for the third shift; and an increase in foreman pay.

Non-State Employee Union Agreements:

- *Service Employees International Union (SEIU), Local 775 (Home Care Individual Providers).* The agreement includes changes to the wage scale resulting in a starting wage of \$12 per hour and a top wage of \$15.40 per hour; an increase in the health care contribution by \$.30 per paid hour in fiscal year 2016 and an additional \$.36 per paid hour in fiscal year 2017; an increase in the training contribution by \$.07 per paid hour in fiscal year 2016 and an additional \$.01 per paid hour in fiscal year 2017; an increase in personal time off in fiscal year 2017; and a retirement benefit contribution of \$.23 per hour.

- *Washington Federation of State Employees (Language Access Providers)*. The agreement includes an increase in the hourly rate of \$1.10 per hour in the first fiscal year and \$.90 an hour in the second fiscal year; an increase in the rate for a cancelled appointment with longer than one hour duration; and elimination of state payment for mileage or travel.

Super Coalition Health Care Agreement:

Agreement was reached with the Super Coalition for Health Care Benefits. The agreement includes an employer contribution in an amount equal to 85 percent of the total weighted average of the projected health care premium; continuation of an employer payment of the premium costs for basic life, basic long-term disability, and dental coverage; and a wellness incentive of a value no less than \$125.

Interest Arbitration Awards

Agreements were reached with the following unions as a result of interest arbitration, which include economic provisions. The costs of these and other items are outlined by each union in the attached financial submittal.

General Government Arbitration Awards:

- *Teamsters Local 117*. (This interest arbitration was conducted under a Memorandum of Understanding between the Union and the State and covers employees working in correctional institutions, correctional industries programs, the sex offender treatment program, and regional business service center.) The award includes the following: a general wage increase of 5.5 percent, effective July 1, 2015; a general wage increase of 4.3 percent, effective July 1, 2016; seven targeted job classifications are assigned a higher salary range; supplemental shift premium for LPNs; and payment for overtime exempt employees in specified classifications when on standby status.

Marine Union Arbitration Awards:

- *Ferry Agents, Supervisors and Project Administrators Association (FASPAA)*. The award includes a general wage increase of 3 percent in each fiscal year of the agreement and an enhanced vacation accrual schedule for employees hired prior to June 30, 2011.
- *Office & Professional Employees International Union (OPEIU), Local No. 8*. The award includes a general wage increase of 3 percent in the first fiscal year; 2.5 percent in the second fiscal year; and movement of the Relief Dispatcher classification to the next higher classification. In addition, the parties agreed to increase call back pay from three hours to four hours.
- *Pacific Northwest Regional Council of Carpenters*. The award includes a general wage increase of 3 percent in each fiscal year of the agreement.
- *Master Mates and Pilots Mates*. The award includes a general wage increase of 3 percent in each fiscal year of the agreement; and effective July 1, 2016, removal of the two-tiered vacation accrual schedule and an increase in the accrual rates for vacation. In addition, the parties agreed to increase call back pay from three to four hours and increase the Friday Harbor stipend.
- *Master Mates and Pilots Masters*. The award includes a general wage increase of 3 percent, effective July 1, 2015, and an enhanced vacation accrual schedule for employees hired prior to June 30, 2011. In addition, the parties agreed to increase call back pay from three to four hours, increase the Friday Harbor stipend, and increase assignment pay by 2.5 percent.

- *Master Mates and Pilots Watch Supervisors*. The award includes a general wage increase of 5 percent in each fiscal year of the agreement and an increase in the basic shift premium of \$1.00 per hour, effective July 1, 2015.
- *Puget Sound Metal Trades*. The award includes a general wage increase of 3 percent in the first fiscal year and a general wage increase of 4 percent in the second fiscal year.
- *Marine Employees Beneficial Association Licensed Engineer Officers (MEBA Licensed)*. The award includes a general wage increase of 4 percent in the first fiscal year; a general wage increase of 2.75 percent in the second fiscal year; an increase in holiday pay from 8 hours to 12 hours including all classes of ferries for penalty pay; and reimbursement for the cost of obtaining the Transportation Workers Identification Card and the U.S. Coast Guard License and Merchant Mariner credentials. In addition, the parties agreed to increase the contribution to temporary relief engineer's health care by \$23 per employee per day worked, increase maintenance and cure payments to injured employees by \$20 per day, and increase the contribution to training school by \$1 per day per employee.
- *Marine Employees Beneficial Association Unlicensed Engineer Officers (MEBA Unlicensed)*. The award includes a general wage increase of 4 percent in the first fiscal year; a general wage increase of 2.75 percent in the second fiscal year; an increase in holiday pay from 8 hours to 12 hours, including all classes of ferries for penalty pay; and reimbursement for the cost of obtaining the Transportation Workers Identification Card and the U.S. Coast Guard License and Merchant Mariner credentials. In addition, the parties agreed to increase maintenance and cure payments to injured employees by \$20 per day, and increase the contribution to training school by \$1.50 per day per employee.
- *Inlandboatmen's Union of the Pacific (IBU)*. The award includes a general wage increase of 2.5 percent in each fiscal year of the agreement. In addition, the parties agreed to increase call back pay from three to four hours, increase the Friday Harbor stipend, and increase assignment pay by 2.5 percent.

Washington State Patrol Union Arbitration Awards:

- *Washington State Patrol Troopers Association*. The award includes a general wage increase of 7 percent, effective July 1, 2015; a general wage increase of 3 percent, effective July 1, 2016; and an additional 3 percent specialty pay for Breath Alcohol Concentration (BAC) Techs.
- *Washington State Patrol Lieutenants Association*. The award includes a general wage increase of 5 percent in each fiscal year of the agreement; a \$100 increase in the annual clothing allowance for specified classifications; and an increase in accumulated holiday credits from 80 hours to a maximum of 120 hours.

Non-State Employee Union Arbitration Awards:

- *Washington State Residential Care Council (Adult Family Home Providers)*. The award includes an increase in the daily rate of 5 percent in each fiscal year, and an increase in the expanded community service daily rate of 5 percent in each fiscal year of the agreement.
- *Service Employees International Union (SEIU), Local 925 (Child Care Providers)*. The award includes an increase of 2 percent in the base rate, effective July 1, 2016; an increase of 2 percent in the base hourly rate for unlicensed providers known as family, friends and neighbors (FFN), effective July 1, 2016; and an enhanced hourly rate of 2 percent over base for all FFN providers who meet specified training requirements, effective July 1, 2015.

Higher Education Institution Union Agreements Subject to Financial Feasibility Determination

The following agreements were negotiated by institutions of higher education and their classified staff. OFM does not negotiate these agreements, but does periodically consult with them. These agreements are subject to a determination of financial feasibility by the OFM director.

Washington State University:

- *Public School Employees of Washington (PSE), Bargaining Unit 16.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; and a general wage increase of 1 percent and an additional general wage increase of .8 percent or \$20 per month, whichever is greater, both effective July 1, 2016.
- *Washington Federation of State Employees (WFSE), Bargaining Units 1, 2, 12, 15 and 17.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; and a general wage increase of 1.8 percent, effective July 1, 2016.
- *Washington State University Police Guild, Bargaining Unit 4.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; and a general wage increase of 1.8 percent, effective July 1, 2016.

University of Washington:

- *SEIU Local 925.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 2 percent, effective July 1, 2016; and a salary adjustment for targeted classifications.
- *WFSE.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 2 percent, effective July 1, 2016; a salary adjustment for targeted classifications; and targeted incentive and longevity pay for police management staff.
- *IBU.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; and a general wage increase of 2 percent, effective July 1, 2016.

Central Washington University:

- *WFSE.* The agreement includes a 2 percent increase in base wages, effective July 1, 2015; a 1.8 percent increase in base wages, effective July 1, 2016; a 2.5 percent salary adjustment for targeted classifications; extension of call back pay to law enforcement officers; an increase of \$175 over the term of the agreement for law enforcement officer footwear reimbursement; and a \$.25 per hour increase in shift premium.
- *PSE.* The agreement includes a 2 percent increase in base wages, effective July 1, 2015; a 1.8 percent increase in base wages, effective July 1, 2016; a 2.5 percent salary adjustment for targeted classifications; and change in standby pay rate.

The Evergreen State College:

- *WFSE.* The agreement includes a general wage increase of 3 percent increase, effective July 1, 2015; a general wage increase of 1 percent and an additional .8 percent or \$20 a month, whichever is greater, effective July 1, 2016; a 2.5 percent salary adjustment for eight targeted classifications; assignment pay for law enforcement officers while engaged in training activities; additional steps to vacation accrual schedules; and a rate re-opener if specified conditions exist.

Western Washington University:

- *WFSE, Bargaining Units A, B and E.* The agreements include a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent, effective July 1, 2016; implementation of the salary survey to 25 percent of prevailing wage; a shift premium increase of \$.35 an hour; and a \$250 signing bonus.
- *PSE, Bargaining Units D and PT.* The agreements include a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent, effective July 1, 2016; and implementation of the salary survey to 25 percent of prevailing wage.

Eastern Washington University:

- *WFSE.* The agreement includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase between the greater of 1.8 percent or 1 percent plus \$.11, effective July 1, 2016; a wage increase for employees making less than \$15 per hour; a \$150 signing bonus; and an increase in the ranges for selected classifications.
- *PSE.* The agreement includes wage adjustments for some employees and increases of 1.75 percent, effective September 1, 2014; 1.5 percent, effective January 1, 2016; and 1.5 percent, effective January 1, 2017; and pursuant to a Memorandum of Understanding signed September 27, 2013, a general wage increase of 6 percent.

Yakima Valley Community College:

- *Washington Public Employees Association (WPEA).* The agreement includes a general wage increase of 3 percent in the first fiscal year; a general wage increase of 1 percent in the second year with an additional .8 percent increase; a wage increase of 2.5 percent for targeted classifications; an increase of \$.15 per hour for shift differential, effective July 1, 2015; and a one-time settlement incentive of 2.5 percent of anticipated annual salary.

Highline Community College:

- *WPEA.* The agreement includes a general wage increase of 1.25 percent, effective July 1, 2016; a general wage increase of 1.5 percent, effective July 1, 2017; a “Me Too” clause with the Community College WPEA Coalition; two additional personal leave days per year; a shift differential increase of \$.10 per hour; and a signing bonus of \$400 per person.

If you have any questions, please do not hesitate to contact me.

cc: Joby Shimomura, Chief of Staff, Office of the Governor
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