State of Washington
Decision Package

Agency:	**387 Washington State Arts Commission**
Decision Package Code/Title:	**8R Retirement Buyout Costs**
Budget Period:	**2013-15**
Budget Level:	**ML - Maintenance Level**

Recommendation Summary Text:

Funding is requested to meet statutory obligations to provide for the retirement of a long-term employee. The agency's budget does not have capacity after being cut 55% through the recession to absorb the high costs of a 30-year employee's retirement. Adding pressure to the agency's minimal budget is the accumulating failures in our IT infrastructure that require replacement to maintain operations and meet state requirements. Core business activities had already been reduced and the majority of funds had already been obligated to grants and contracts before this retirement was accounted for, leaving the agency with no capacity to absorb its costs.

Fiscal Detail

Operating Expenditures	**FY 2014**	**FY 2015**	**Total**
001-1 General Fund –State		24,000	24,000
Total Cost		**24,000**	**24,000**
Staffing			
FTEs			

Package Description:

Background & Current Situation:

The State Arts Commission had obligated its grants and contracts prior to the deputy director's retirement costs being accounted for, leaving no capacity to absorb this cost through reduction of direct service to our customers. In larger organizations, retirement costs may be absorbed through vacancy rate savings or other cost savings. However, in small agencies as the State Arts Commission with only 13 FTEs (and no vacancies anticipated through the fiscal year), there are no options for absorbing this high cost.

As a small agency, we do not have dedicated fiscal staff, IT staff, contracts specialist, facilities managers, risk management specialists, human resource specialists, etc. The deputy not only serves as the chief information officer and the chief financial officer, but also directly staffs the majority of all agency operations. Therefore, the agency needed to allow for an overlap with the incoming Deputy Director. Even with this overlap, a significant amount of overtime was required to meet various deadlines and requirements. Core program activities have already been cut to accommodate this overlap and the IT infrastructure failures discussed below, and the agency simply does not have any additional areas to cut to absorb the retirement buyout costs.

Additional pressures have been placed on the agency budget this fiscal year as years of inability to attend to our IT infrastructure have finally resulted in major systems failures and requirements to decommission systems that do not meet state requirements and are too old to accommodate upgrades. The agency's budget was cut specifically in the area of IT maintenance and scheduled turnover during the recession. However, it is impossible for the agency to function without operational systems. Therefore, the agency simply had to replace the failing systems, leaving it with no capacity for further unanticipated events or one-time costs such as the retirement buyout.

Solution:
All options have been exhausted to cover this required expenditure. The agency requests additional expenditure authority to cover this cost.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?
None.

Activity/Incremental Changes

None.

Performance Measure Detail

None.	**FY 2014**	**FY 2015**

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This decision package also supports the following Results Washington priorities:

- Efficient, Effective, and Accountable Government: Customer Satisfaction and Customer Confidence

What are the other important connections or impacts related to this proposal?

What alternatives were explored by the agency, and why was this alternative chosen?

What are the consequences of adopting or not adopting this package?
The agency has no options for covering this cost, and is in danger of exceeding its legally authorized expenditure authority.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

The mandated cost is calculated as the employee's rate of pay at the time of separation from state service multiplied by the accumulated leave time and one-quarter of the accumulated sick leave, and include associated costs for taxes for social security, Medicare, and such.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

The retirement buyout expenditure is a mandatory cost consideration in the fiscal year in which is it incurred.

Object Detail	**FY14**	**FY15**	**Total**
A Salaries & Wages		20,000	20,000
B Employee Benefits		4,000	4,000
Total Objects		**24,000**	**24,000**