



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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December 12, 2022

TO: Honorable Jay Inslee

FROM: David Schumacher
Director

A handwritten signature in black ink, appearing to read "D. Schumacher", written over a horizontal line.

SUBJECT: FINANCIAL FEASIBILITY OF 2023–25 COLLECTIVE BARGAINING AGREEMENTS, ARBITRATION AWARDS, AND K-12 HEALTH CARE AGREEMENT SUBMITTED BY OCTOBER 1, 2022

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 K-12 health care agreement submitted to OFM by October 1, 2022, are feasible financially for the state. This determination takes into account 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 11 collective bargaining agreements for general government and higher education unions. In addition, OFM negotiated 10 marine union agreements, two agreements for the Washington State Patrol, two agreements for the Department of Fish and Wildlife, and one non-state employee union agreement. 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.¹ In addition, the following agreements were reached through arbitration awards: two agreements for general government unions, two agreements for marine unions, and two agreements for non-state employee unions.

Finally, 24 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 7, 2022.

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. The School Employees Benefits program's K-12 negotiated health care agreement is governed by RCW 41.56.500 and 41.59.105.

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 2022 quarterly state revenue forecast prepared by the Economic and Revenue Forecast Council. Although the June forecast indicated some negative factors, the revenue forecast for Washington continued to be stronger than expected. Since that time, the revenue forecasts have continued to improve. Since the September 2022 forecast, the cumulative major general fund state revenue has come in \$282.8 million (6.5%) higher than forecasted. The Economic and Revenue Forecast Council adopted the official state economic and revenue forecast at its November 18 meeting. The forecast increased the state's revenue projections by \$762 million for the remainder of the current biennium and \$681 million for the 2023-25 biennium.

The agreements funded from transportation revenues were negotiated based on the February 2022 quarterly transportation revenue forecast prepared by OFM through the Transportation Revenue Forecast Council, which estimated a decrease in revenue.

In its negotiations with labor organizations representing both state employees and non-state employee groups, the state considered both the effects from the global health care pandemic and the labor challenges facing state agencies. The objective was to invest in the state workforce to address the challenges in recruiting and retaining high quality workers needed to provide vital state services. The agreements also focused on safety, both of our workers and those in the state's care, such as at our state psychiatric hospitals and correctional facilities.

The agreements negotiated with the unions representing workers of the Washington State Ferries also focused on these same objectives, while those negotiated by higher education focused on compensation of their workforce.

Non-state employee groups provide services to some of the most vulnerable people in our state. The agreements focused on ensuring access to safe community-based care, improving the availability and access to high quality childcare services, and enhancing access to spoken language interpreter services for individuals with limited English language proficiency for Medicaid clients and social service appointments.

There are two health care benefits agreements. The agreement with the Coalition of Health Care Benefits continues to focus on maintaining the current agreement to provide affordable health care to the state workforce. OFM also negotiated the SEB agreement for K-12 employees, maintaining the terms from the current agreement and adding an additional monthly contribution of \$6 on behalf of each eligible employee for health care benefits for the plan year beginning January 1, 2024.

Conclusion

Based on the economic information and what is needed to recruit and retain a quality workforce, I have determined that the 2023-25 collective bargaining agreements submitted to OFM by October 1, 2022 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 2023-25 biennial operating and transportation budgets that will be submitted to the Legislature.

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