



25.10 About the Payroll Policies

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25.10.10 Purpose of these policies

May 1, 1999

These payroll accounting policies and procedures serve as a basis for preparing, processing, and recording payrolls.

25.10.20 Authority for these policies

Jan. 1, 2012

The Office of Financial Management (OFM) is responsible for establishing the necessary systems, policies, and procedures for payroll preparation and accounting ([Chapter 42.16 RCW](#)). Additionally, the provisions of Title 357 WAC and collective bargaining agreements administered by OFM State Human Resources supplement these instructions.

25.10.30 Applicability

Jan. 1, 2019

This part applies to all agencies of the state of Washington unless otherwise exempted by statute or collective bargaining agreements and to all their payroll processing and payment systems used to pay employees' salaries, wages, and benefits. A variety of payroll systems are used by state agencies to pay their employees:

- General government agencies use a centralized payroll system maintained by the Office of Financial Management.
- The community and technical colleges use the Payroll Personnel Management System maintained by the State Board for Community and Technical Colleges, Information Technology Division.
- Each of the remaining universities uses its own payroll system.



25.10.40 Employee definitions

July 1, 2012

25.10.40.a State employee

Generally, an individual is an employee when the employer has the legal right to direct when, where, and how the work is done. [Section 75.70](#) of this manual provides a more detailed definition of Salaries and Wages (Object A). There is also information in [Section 75.70](#) (Object C) covering those individuals paid by the state who are not employees.

Several definitions of "state employee" exist in statute for different purposes. However, the Office of Financial Management has historically used the following general definition:

A "state employee" means any individual who is appointed by an agency head or designee and serves under the supervision and authority of any agency carrying out the ongoing business of the agency, unless designated otherwise in statute.

For employment tax purposes, each federal and state agency that regulates employment has its own definition of "employee" based on what [taxes](#) that agency levies or collects. For example, the IRS collects federal income, Old Age and Survivors Insurance (OASI), and Medicare taxes. The Department of Labor and Industries, on the other hand, collects moneys for the worker's compensation program. An individual can be an employee by one agency's definition, but not by another's definition.

The following federal and state agencies publish regulations or WACs that define an "employee" from their perspective:

- The Internal Revenue Service (Revenue Ruling 87-41 and Publication 15 (Circular E)).
- The Washington State Department of Labor and Industries (Chapter 296 WAC).
- The Washington State Department of Retirement Systems ([Chapter 41.47 RCW](#) and the federal/state 218 agreement).
- The Washington State Department of Revenue (Chapter 458 WAC).

If you have questions about whether a specific tax applies, contact the appropriate agency and/or your agency's assistant attorney general. Also refer to applicable state statutes.

25.10.40.b Full time equivalent (FTE)

The term "[full time equivalent](#)" (FTE) is a budgeting term used to measure one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of average available work hours in a year). A staff month is equivalent to 174 hours (the average available work hours in a month).

The hours used in FTE calculations are for hours worked by state employees. While the employing agency must always pay appropriate federal and state employment taxes, state statutes may exempt certain groups from the "state employee" definition for FTE computation purposes. The following displays the various types of payroll transactions and the related requirements for FTE reporting:



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Payroll Transaction	Sub-object Coding	Required FTE Recognition	Additional Comments
Regular time worked	Object A series - AA - AR as appropriate	Yes	
Regular time worked pay cancellations	Object A series - AA - AR as appropriate	Yes, reduce FTEs by # of canceled pay hours	Record if same fiscal period still open where original pay was issued
Vacation leave buyout at termination	AT	Yes	Calculation on # of vacation leave hours bought out
Boards and Commissions compensation	AE	Yes	Each "day" of pay is considered = to 8 hours
Call-back (WAC 357-28-185 or CBAs)	AU	Yes	2 hours per incident per WAC 357-28-185 or as allowed by CBAs
Compensatory time payouts	AU	Yes	# of OT hours (actual time worked)
Overtime	AU	Yes	# of OT hours (actual time worked)
Sick leave buyouts	AS	Yes	# of hours bought out
Standby payments	HRMS Users: Code to Sub-object AA, Sub-subobject SW03 Non-HRMS Users: Code in Object A series where time worked	No	HRMS = Human Resources Management System AA SW03 = State Classified - Standby
State internship program* (Includes undergraduate and executive fellowship programs)	Code in Object A series where time worked	Yes, but not counted as budgeted FTEs	Use Program 690
State/federal work study program*	AL	Yes, but not counted as budgeted FTEs	Use Program 690
Special employment compensation situations	NW OFM approval required to use	No	Refer to Subsection 75.70.20 (NW) for approved programs

***Note:** Program 690 is established for the purpose of recording FTEs related to the state internship and state/federal work study programs. Expenditures related to these programs (wages, employee benefits, and FTEs) are to be charged to Program 690, "Non Budgeted FTEs," in the proper objects of expenditure. State/federal work study payments from the Student Achievement Council are to be coded as interagency reimbursements to sub-object SA, by the receiving agency in Program 690. Payments for the state internship program as well as the agency's share of salaries and benefits related to the state/federal work study program are to be transferred from Program 690 to the agency's appropriate budgeted program(s) using intra-agency reimbursement sub-object TA. **Total expenditures for Program 690 should be zero.** FTEs are to remain in Program 690 as originally expended and are not counted towards an agency's budgeted FTEs in the state's financial system.