

Multiple Agency Fiscal Note Summary

Bill Number: 2872 P S HB H-4251.2	Title: WSP recruitment & retention
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Estimated Cash Receipts

NONE

Estimated Expenditures

Agency Name	2015-17			2017-19			2019-21		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Washington State Patrol	.0	2,400	150,000	.0	0	0	.0	0	0
Department of Licensing	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	100,000	1,400,000	.0	400,000	5,100,000	.0	1,700,000	24,400,000
SWF Statewide Fiscal Note - OFM	.0	1,207,012	16,192,606	.0	2,414,024	32,385,212	.0	2,414,024	32,385,212
Total	0.0	\$1,309,412	\$17,742,606	0.0	\$2,814,024	\$37,485,212	0.0	\$4,114,024	\$56,785,212

Estimated Capital Budget Impact

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Final 2/18/2016
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 44076

Individual State Agency Fiscal Note

Bill Number: 2872 P S HB H-4251.2	Title: WSP recruitment & retention	Agency: 105-Office of Financial Management
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jerry Long	Phone: 360-786-7306	Date: 02/09/2016
Agency Preparation: Stephanie Lidren	Phone: (360) 902-3056	Date: 02/12/2016
Agency Approval: Aaron Butcher	Phone: 360-902-0406	Date: 02/12/2016
OFM Review: Regan Hesse	Phone: (360) 902-0650	Date: 02/12/2016

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill relates to the recruitment and retention of Washington state patrol commissioned officers and declaring an emergency for the bill to take effect immediately.

The proposed substitute version of this bill directs collective bargaining activities to be commenced upon signing of the bill and requires competitive pay to be implemented effective July 1, 2016 for Washington State Patrol commissioned officers. The bill removes the direction that employee pension contributions be considered in collective bargaining and revises the definition of what must be considered in compensation.

Section 1 of the bill identifies the “Joint Transportation Committee Recruitment and Retention Study” dated January 7, 2016.

Section 2 of the bill discusses the requirements that will be implemented from the study. It directs the Office of Financial Management to perform an organization study through a third-party independent consultant to implement changes in the study affecting each organization in the study. An implementation report must be delivered to the transportation committees of the House of Representatives and Senate by September 1, 2016.

Section 3 of the bill requires the minimum monthly salary paid to state patrol officers to be competitive with law enforcement agencies within the State of Washington effective July 1, 2016. The bill requires the salary levels on July 1, 2016 to be the average of compensation paid to the corresponding range for the following city police departments and sheriff’s offices: Seattle, King County, Tacoma, Snohomish County, Spokane and Vancouver. Total compensation must include base salary, premium pay (a pay received by a majority of employees), education pay and longevity pay.

The bill directs the collective bargaining units of the Washington State Patrol and the Office of Financial Management to open collective bargaining negotiations on the effective date of this section and agree upon an addendum to the existing contract to implement this section with funds provided by the legislature.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Assumptions:

The following assumptions are made.

- The cost of the organizational assessment will be the maximum amount identified in the study dated January 7, 2016;
- Within the Office of Financial Management, the State Human Resource division would manage the assessment. This management can be accomplished within existing resources;
- With some revisions, the survey required to obtain the information from the identified law enforcement agencies can be captured in the current survey conducted by Office of financial management state human

resource division;

- Other compensation paid by the Washington State Patrol, such as geographic pay, may be considered to determine competitiveness during collective bargaining; and
- It is unlikely negotiations will be completed within enough time to implement any payroll changes by July 1, 2016. Therefore, we assume a retroactive pay adjustment may be necessary and will meet the intent of the legislation.

Fiscal Impact:

The cost to conduct the organizational assessment will be contracted out through an independent third party at an estimated cost of \$150,000. The costs will be charged to the Labor Relations Service Account (436) and the Washington State Patrol will be billed through an interagency agreement to recover the costs.

Collective bargaining can be accomplished within available resources.

Unintended Consequence:

The bill does not alter the existing bargaining obligation in RCW 41.56.475 to consider out-of-state comparators for purposes of collective bargaining and interest arbitration. This could result in ambiguity in the application of comparable compensation data for existing bargaining obligations. The result could be additional and different compensation awards provided by interest arbitrators in Washington State Patrol Troopers Association (WSPTA) or Washington State Patrol Lieutenants Association (WSPLA) proceedings.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts		150,000	150,000		
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements		(150,000)	(150,000)		
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$0	\$0	\$0	\$0

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Revised

Bill Number: 2872 P S HB H-4251.2	Title: WSP recruitment & retention	Agency: 225-Washington State Patrol
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
Account					
General Fund-State 001-1	2,400	0	2,400	0	0
State Patrol Highway Account-State 081-1	147,600	0	147,600	0	0
Total \$	150,000	0	150,000	0	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jerry Long	Phone: 360-786-7306	Date: 02/09/2016
Agency Preparation: Eileen Nashleanas	Phone: 360-596-4044	Date: 02/16/2016
Agency Approval: Mary Thygesen	Phone: 360 596-4046	Date: 02/16/2016
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/16/2016

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Substitute House Bill amends RCW 43.43, Washington State Patrol, by adding five (5) new sections.

Section 1 states the legislative intent of recruiting and retaining the highest qualified commissioned officers of the Washington State Patrol.

Section 2 requires the Office of Financial Management (OFM) to perform a study to determine the best way to implement the changes from the "Joint Transportation Committee Recruitment and Retention Study" (JTCRRS) through a third party consultant with a report due to the legislature by September 1, 2016. The Washington State Patrol (WSP) management must work actively with the consultant. The WSP must develop an action plan and implementation strategy for the recommendations made in the aforementioned study and provide a report to the legislature no later than November 15, 2016. The Select Committee on Pension Policy must review the pension related items from the study and make recommendations to the legislature by November 1, 2016. Finally the legislature must provide funding options for the implementation.

Section 3 provides that the minimum monthly salary of state patrol officers must be competitive with six law enforcement agencies around the state effective July 1, 2016. It specifies that OFM must open collective bargaining on the effective date of this section and must agree upon an addendum to the existing contract to implement this section with funds provided by the legislature in the 2016 Omnibus Transportation Appropriations Act.

Section 4 provides the compensation plan to include comparison with six law enforcement agencies around the state and specifies what components of compensation should be considered. OFM is responsible for conducting a study of these six agencies to accumulate the data with survey results published by June 1 of the year in which collective bargaining will take place. The Washington Association of Sheriffs and Police Chiefs must work with OFM to complete the study. It further directs the WSP and collective bargaining agencies to consider the results of the study during negotiations.

Section 5 declares the act effective immediately as an emergency.

The substitute version of HB 2872 differs from the original by adding Sec. 3 and then amending the numbering for the previous Sec. 3 and Sec. 4.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

This bill will not result in any cash receipts for the WSP.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

This bill will have a substantial fiscal impact to the WSP. The Office of Financial Management is preparing an estimate of the impact for increased salaries and benefits.

In addition, assuming OFM will perform the study as required. WSP management will assist with the study and write an action plan based on the consultant's recommendations. OFM estimates that the contract with an independent third party will be \$150,000 based on the estimate provided in the original study. OFM will bill the WSP to recover these costs. The payment to OFM is considered ER (interagency agreement).

We spent approximately 235 hours working with JTC and the consultant on the original study. Representatives from the Field Operations Bureau, Human Resources Division, and Governmental and Media Relations Division were present at discussions and meetings. Using the time spent on the original study as a basis for estimating the cost of the current proposal, and based on an average Captain's salary we estimate a cost of approximately \$15,350 (235 Hours X \$65.31/hour). We expect existing workload would be prioritized to include development of an action plan based on the consultant's recommendations, as well as the report to the Legislature that is due by November 15, 2016.

Funding for this activity is shown with the fund split for Field Operations Bureau based upon the Cost Allocation approved in the 2014 Supplemental Budget (1.6% General Fund and 98.4% State Patrol Highway Account).

If we find that the estimates are insufficient, we will request additional funding through the normal budget process.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services	150,000		150,000		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Indirect					
Total:	\$150,000	\$0	\$150,000	\$0	\$0

Part IV: Capital Budget Impact

This bill will not impact the WSP's capital budget.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

This bill does not require any rule changes.

Individual State Agency Fiscal Note

Bill Number: 2872 P S HB H-4251.2	Title: WSP recruitment & retention	Agency: 240-Department of Licensing
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Part I: Estimates

No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jerry Long	Phone: 360-786-7306	Date: 02/09/2016
Agency Preparation: Rene Davis	Phone: 360-902-3751	Date: 02/10/2016
Agency Approval: Diamatris Winston	Phone: 360-902-3644	Date: 02/10/2016
OFM Review: Veronica Jarvis	Phone: (360) 902-0649	Date: 02/10/2016

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part IV: Capital Budget Impact

Individual State Agency Fiscal Note

Bill Number: 4251.2-H	Title: Recruitment and Retention of WSP	Agency: 240 Department of Licensing
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Fund	FY 16	FY 17	15-17 Total	17-19 Total	19-21 Total
<i>Total</i>					

Estimated Expenditures from:

	FY 16	FY 17	15-17 Total	17-19 Total	19-21 Total
FTE Staff Years					
Fund					
GF-State					
Other					
Other					
Other					
<i>Total</i>	0	0	0	0	0

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

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- If fiscal impact is **greater than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form
- Capital budget impact, complete Part IV
- Requires new rule making, complete Part V

Legislative Request:	Phone:	Date:
Agency Preparation: Rene Davis	Phone: 360-902-3751	Date: 1/11/16
Agency Approval: Diamatris Winston/Tami Dohrman	Phone: 360-902-3644	Date: 1/11/16

Request #: _____
 Bill: 4251.2-H

Part II: Explanation

This bill relates to the recruitment and retention of commissioned Washington State Patrol officers.

II. A – Brief Description of What the Measure Does that Has Fiscal Impact

This bill has no fiscal impact on the Department of Licensing.

II. B – Cash Receipt Impact

No fiscal impact.

II. C – Expenditures

None.

Part III: Expenditure Detail

None.

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

None.

Individual State Agency Fiscal Note

Bill Number: 2872 P S HB H-4251.2	Title: WSP recruitment & retention	Agency: AFN-Actuarial Fiscal Note - State A
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
Account					
All Other Funds-State 000-1	0	1,300,000	1,300,000	4,700,000	22,700,000
General Fund-State 001-1	0	100,000	100,000	400,000	1,700,000
Total \$	0	1,400,000	1,400,000	5,100,000	24,400,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

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Legislative Contact: Jerry Long	Phone: 360-786-7306	Date: 02/09/2016
Agency Preparation: Lauren Rafanelli	Phone: 360-786-6145	Date: 02/17/2016
Agency Approval: Luke Masselink	Phone: 360-786-6154	Date: 02/17/2016
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 02/17/2016

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits		1,400,000	1,400,000	5,100,000	24,400,000
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$1,400,000	\$1,400,000	\$5,100,000	\$24,400,000

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

SUMMARY OF RESULTS

BRIEF SUMMARY OF BILL: This bill requires that minimum salaries for commissioned troopers of the Washington State Patrol be competitive with law enforcement agencies in Washington. Beginning on July 1, 2016, trooper salaries must be the average of compensation paid to corresponding ranks in six specific law enforcement agencies.

COST SUMMARY

Impact on Contribution Rates (Effective 07/01/2016)	
Fiscal Year 2017 State Budget	WSPRS
Employee	0.00%
Total Employer	0.00%

No supplemental contribution rate is required for the 2017 Fiscal Year. However, there is a budget impact in the 2017 Fiscal Year due to the current adopted contribution rates being applied to higher salaries resulting from this bill.

Budget Impacts			
(Dollars in Millions)	2016-2017	2017-2019	25-Year
General Fund-State	\$0.1	\$0.4	\$19.5
Total Employer	\$1.4	\$5.1	\$279.0
Employee	\$1.2	\$2.7	\$64.6

Note: We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.

HIGHLIGHTS OF ACTUARIAL ANALYSIS

- ❖ This bill creates a new compensation policy not anticipated in our current assumptions that results in larger than expected pensionable compensation. Increasing pensionable compensation for active members will increase the benefits they receive during retirement, thus increasing required contributions to the trust fund.

Impact on Pension Liability			
(Dollars in Millions)	Current	Increase	Total
Today's Value of All Future Pensions	\$1,184	\$90.1	\$1,274

- ❖ We assumed a one-time 17 percent salary increase for WSPRS members. We based this assumption on input from OFM.

HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

- ❖ We analyzed the impact of assuming a 10 and 32 percent one-time salary increase. The resulting total employer budget impacts will range from approximately \$190 million to \$460 million over a 25-year period. However, the actual costs of this bill may fall outside this range.

See the remainder of this fiscal note for additional details on the summary and highlights presented here.

WHAT IS THE PROPOSED CHANGE?

Summary Of Change

This bill impacts the following systems:

- ❖ Washington State Patrol Retirement System (WSPRS).

This bill requires that minimum salaries for commissioned troopers of the Washington State Patrol (WSP) be competitive with other law enforcement officers in Washington. Beginning on July 1, 2016, trooper salaries must be the average of compensation paid to corresponding ranks in the following local law enforcement agencies:

- ❖ Seattle Police Department.
- ❖ King County Sheriff's Office.
- ❖ Tacoma Police Department.
- ❖ Snohomish County Sheriff's Office.
- ❖ Spokane Police Department.
- ❖ Vancouver Police Department.

Compensation must be calculated using base salary, premium pay, education pay, and longevity pay. The bargaining units of the Office of Financial Management (OFM) and WSP must open up collective bargaining on July 1, 2016, in order to agree on an addendum to the existing contract to implement these new salaries. Funding for these new salaries will be provided by the 2016 Omnibus Transportation Appropriations Act.

Additionally, OFM is directed to conduct a survey of the six law enforcement agencies listed above and publish the results of that survey by June 1 of each year in which collective bargaining takes place. During negotiations, the bargaining units of OFM and WSP must take the results of this survey and the dedicated compensation funding provided in the State Patrol Highway Account into consideration.

This bill also requires the Select Committee on Pension Policy (SCPP) to review the pension-related items in the Joint Transportation Committee Recruitment and Retention Study. The SCPP must make recommendations to the Governor's Office and Legislature by November 1, 2016, on pension policy that will assist with recruiting and retaining state patrol officers.

Effective Date: Immediately upon passage.

HOW THE SUBSTITUTE DIFFERS FROM THE ORIGINAL VERSION

The following list includes only the changes that impact the pricing of this bill. For a complete list of changes to the current version of the bill, please refer to the bill reports prepared by legislative staff.

- ❖ The substitute bill amends the minimum monthly salary statute for state patrol officers (RCW 43.43.380), requiring minimum salaries be the average of compensation paid to corresponding ranks in six specific law enforcement agencies.
- ❖ The substitute bill also requires the bargaining units of OFM and WSP to agree upon an addendum to the existing contract in order to implement this salary increase on July 1, 2016.
- ❖ The substitute bill removes the following types of pay from the required calculation of compensation: educational incentive pay, seniority pay, physical performance pay, post-education incentives, and officer contributions to retirement.

What Is The Current Situation?

RCW 43.43.380 establishes minimum salaries for WSP troopers. This statute has not changed since 1965 and contains the following minimum monthly salaries:

- ❖ Officers: \$350.
- ❖ Staff or technical sergeants: \$325.
- ❖ Line sergeants: \$350.
- ❖ Lieutenants: \$375.
- ❖ Captains: \$425.

Under RCW 41.45.0631, members pay 50 percent of the costs to the retirement system, up to a cap of 7 percent. Any costs above that cap are paid by the employer (state). The 7 percent cap is adjusted to account for any benefit improvements due to revised pension statutes enacted on or after July 1, 2007. The current cap is 7.34 percent.

Who Is Impacted And How?

We estimate this bill would affect all 1,044 active members of this system through an increase in salary above our current expectations. This bill would increase the benefits we expect a typical member to receive during retirement by increasing the average final compensation used in calculating that benefit.

This bill could impact all 1,044 active members and employers of this system through increased contribution rates. See the **Special Data Needed** section of this fiscal note for more details about how much salaries could increase.

WHY THIS BILL HAS A COST AND WHO PAYS FOR IT

Why This Bill Has A Cost

This bill creates a new compensation policy not anticipated in our current assumptions that results in larger than expected pensionable compensation. Increasing pensionable compensation for active members will increase the benefits they receive during retirement, thus increasing required contributions to the trust fund. This bill also increases the value of their prior service and will require higher contributions in the future to cover those costs.

Who Will Pay For These Costs?

Any costs that arise from this bill will be divided according to the standard funding method of 50 percent member and 50 percent employer, subject to the member maximum contribution rate. The current member maximum contribution rate is 7.34 percent. This maximum rate will not increase as a result of this bill since this bill does not revise pension statutes. Costs above the member maximum contribution rate are fully assumed by the employer.

HOW WE VALUED THESE COSTS

Assumptions We Made

Based on the information described in the **Special Data Needed** section, we assumed active member salaries would have a one-time 17 percent increase. In addition, we assumed future service-based salary increases match those in the Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System in order to maintain competitive salaries consistent with the requirements of the bill. On average, the LEOFF service-based salary scale assumes higher salary increases than the WSPRS service-based salary scale. For more detail please see **Appendix A**.

We also assumed the starting salaries for new members of WSPRS would be impacted by this bill and would be 17 percent higher than what we currently assume.

How We Applied These Assumptions

We modeled the one-time 17 percent salary increase for active members by adjusting the first-year general salary increase assumption from 3.75 percent to approximately 21 percent ($= 1.0375 \times 1.17 - 1$). This maintains the comparable compensation with applicable LEOFF salaries since we also assume a first year salary increase of 3.75 percent in the LEOFF system.

We used our projection system to calculate rounded contribution rate changes in the future. These projected rates are collected over current member payroll and assumed new entrant payroll for purposes of estimating budget impacts.

Special Data Needed

We relied on OFM's fiscal note for this bill for our one-time salary increase assumption. OFM compared the average salary of the six law enforcement departments referenced in this bill to the Washington State Patrol (WSP) salary schedules for entry level positions at corresponding ranks. They assumed the average percent increase for WSP salary would range from 14 percent to 21 percent based on the WSP ranks. Based on the headcounts for each rank, we calculated the weighted average increase in WSP salary to be approximately 17 percent.

Otherwise, we developed these costs using the same assets, data, assumptions, and methods as disclosed in the [June 30, 2014, Actuarial Valuation Report](#) (AVR) and as described on the [Projections Disclosures](#) webpage of the Office of the State Actuary website.

ACTUARIAL RESULTS

How The Liabilities Changed

This bill will impact the actuarial funding of WSPRS by increasing the present value of future benefits payable under the system as shown below.

Impact on Pension Liability			
(Dollars in Millions)	Current	Increase	Total
Actuarial Present Value of Projected Benefits			
<i>(The Value of the Total Commitment to all Current Members)</i>			
WSPRS 1/2	\$1,184	\$90.1	\$1,274
Unfunded Entry Age Accrued Liability			
<i>(The Value of the Total Commitment to all Current Members Attributable to Past Service that is Not Covered by Current Assets)</i>			
WSPRS 1/2	(\$2)	\$41.3	\$39

Note: Totals may not agree due to rounding.

How The Assets Changed

This bill does not change asset values so there is no impact on the actuarial funding of the affected plans due to asset changes.

How The Present Value Of Future Salaries (PVFS) Changed

This bill will impact the actuarial funding of WSPRS by increasing the PVFS of the members of the system as shown below.

Present Value of Future Salaries			
(Dollars in Millions)	Current	Increase	Total
Actuarial Present Value of Future Salaries			
<i>(The Value of the Future Salaries Expected to be Paid to Current Members)</i>			
WSPRS 1/2	\$775	\$145.9	\$921

Note: Totals may not agree due to rounding.

How Contribution Rates Changed

This bill does not impact pension statutes, and as a result, no supplemental contribution rate will be charged in the 2017 Fiscal Year. The following table illustrates how we expect the cost of this bill will impact contribution rates in future biennia as compared to our current projections. Note that WSPRS pension statutes currently cap the member contribution rate at 7.34 percent.

Impact on Contribution Rates		
Fiscal Year	Employee	Employer
2017	0.00%	0.00%
2018	0.00%	0.00%
2019	0.00%	0.00%
2020	0.00%	6.98%
2021	0.00%	6.98%
2022	0.00%	8.18%
2023	0.00%	7.64%
2024	0.00%	6.62%
2025	0.00%	7.49%
2026	0.08%	6.72%
2027	0.08%	6.72%
2028	0.00%	5.66%
2029	0.00%	5.66%
2030	0.00%	4.70%
2031	0.00%	4.70%
2032	0.00%	3.98%
2033	0.00%	3.98%
2034	0.00%	3.42%
2035	0.00%	3.42%
2036	0.00%	2.98%
2037	0.00%	2.98%
2038	0.00%	2.62%
2039	0.00%	2.62%
2040	0.00%	2.34%
2041	0.00%	2.34%

The June 30, 2017, valuation will be used to determine contribution rates for the fiscal year ending 2020. This is the first rate setting valuation that is expected to reflect the impact of this bill. Because of this, we do not expect contribution rates for fiscal years ending prior to 2020 to change under this bill.

How This Impacts Budgets And Employees

Note that the budget impact in the 2017 Fiscal Year is a result of the current adopted contribution rates being collected on the one-time 17 percent salary increase.

Budget Impacts	
<i>(Dollars in Millions)</i>	WSPRS
2016-2017	
General Fund	\$0.1
Non-General Fund	1.3
Total State	\$1.4
Local Government	0.0
Total Employer	\$1.4
Total Employee	\$1.2
2017-2019	
General Fund	\$0.4
Non-General Fund	4.7
Total State	\$5.1
Local Government	0.0
Total Employer	\$5.1
Total Employee	\$2.7
2016-2041	
General Fund	\$19.5
Non-General Fund	259.4
Total State	\$279.0
Local Government	0.0
Total Employer	\$279.0
Total Employee	\$64.6

Note: Totals may not agree due to rounding. We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.

The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.

As with the costs developed in the actuarial valuation, the emerging costs of the system will vary from those presented in the AVR or this fiscal note to the extent that actual experience differs from the actuarial assumptions.

HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

To determine the sensitivity of the actuarial results to the best estimate assumptions selected for this pricing, we varied the initial assumed salary increase (17 percent):

- ❖ Lower - We applied a one-time salary increase of 10 percent.
- ❖ Higher - We applied a one-time salary increase of 32 percent. Using our pension valuation data we were able to identify the six law enforcement departments referenced in this bill. We then used our valuation data to analyze

average active salaries in WSPRS and applicable LEOFF members by years of service. For more details on our valuation salary data, please see **Appendix B**.

Example Range of 25-Year Budget Impacts			
	Lower	Best Estimate	Higher
<i>(Dollars in Millions)</i>	10 Percent	17 Percent	32 Percent
General Fund-State	\$13.5	\$19.5	\$32.5
Total Employer	\$192.5	\$279.0	\$464.2
Employee	\$43.7	\$64.6	\$109.2

The Lower and Higher budget impacts provided are for illustration purposes only. The actual cost of this bill may be more or less than these examples.

The Higher cost scenario relies on our pension valuation data to determine an average salary increase. Please note, in comparing average LEOFF pensionable salary to WSPRS pensionable salary, both salaries include eligible overtime and each system has different overtime rules. Also, our LEOFF average pensionable salaries are based on actual employment figures, so to the extent that departments with larger staff also provide larger salaries, the LEOFF average salaries may be skewed towards the larger paid employers.

In addition, costs or savings could arise if this bill impacts member behavior, such as termination or retirement, differently than what current assumptions would expect. For instance, if members delay retirement later than expected, there could be savings to the plan, alternatively, if the higher salaries lead to members retiring earlier, there could be additional costs.

WHAT THE READER SHOULD KNOW

The Office of the State Actuary (“we”) prepared this fiscal note based on our understanding of the proposal as of the date shown in the footer. We intend this fiscal note to be used by the Legislature during the 2016 Legislative Session only.

We advise readers of this fiscal note to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this fiscal note as a whole. Distribution of, or reliance on, only parts of this fiscal note could result in its misuse, and may mislead others.

ACTUARY'S CERTIFICATION

The undersigned hereby certifies that:

1. The actuarial cost methods are appropriate for the purposes of this pricing exercise.
2. The actuarial assumptions used are appropriate for the purposes of this pricing exercise.
3. The data on which this fiscal note is based are sufficient and reliable for the purposes of this pricing exercise.
4. Use of another set of methods, assumptions, and data may also be reasonable, and might produce different results.
5. We prepared this fiscal note for the Legislature during the 2016 Legislative Session.
6. We prepared this fiscal note and provided opinions in accordance with Washington State law and accepted actuarial standards of practice as of the date shown in the footer of this fiscal note.

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

While this fiscal note is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.



Luke Masselink, ASA, EA, MAAA
Actuary

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APPENDIX A – ASSUMPTIONS WE MADE

The following table documents the difference in future service-based salary increases we used for this pricing. The Salary Ratio column represents the cumulative increase in salaries we expect from that service year going forward.

Service-Based Salary Increases by System				
Service Years	LEOFF		WSPRS	
	Percent Increase	Salary Ratio	Percent Increase	Salary Ratio
0	10.70%	1.827	8.50%	1.642
1	10.70%	1.650	8.50%	1.513
2	7.50%	1.491	6.00%	1.395
3	5.90%	1.387	5.00%	1.316
4	3.70%	1.310	5.00%	1.253
5	2.60%	1.263	5.00%	1.194
6	1.80%	1.231	3.50%	1.137
7	1.40%	1.209	0.60%	1.098
8	1.30%	1.192	0.60%	1.092
9	1.20%	1.177	0.60%	1.085
10	1.70%	1.163	0.60%	1.079
11	1.20%	1.144	0.60%	1.072
12	1.20%	1.130	0.40%	1.066
13	1.20%	1.117	0.40%	1.062
14	1.20%	1.104	0.40%	1.057
15	1.20%	1.090	0.40%	1.053
16	1.00%	1.078	0.40%	1.049
17	1.00%	1.067	0.40%	1.045
18	1.00%	1.056	0.40%	1.041
19	1.00%	1.046	0.40%	1.037
20	1.00%	1.036	0.40%	1.032
21	0.50%	1.025	0.40%	1.028
22	0.50%	1.020	0.40%	1.024
23	0.50%	1.015	0.40%	1.020
24	0.50%	1.010	0.40%	1.016
25	0.50%	1.005	0.40%	1.012
26	0.00%	1.000	0.40%	1.008
27	0.00%	1.000	0.40%	1.004
28	0.00%	1.000	0.00%	1.000
29	0.00%	1.000	0.00%	1.000
30+	0.00%	1.000	0.00%	1.000

APPENDIX B – HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

The following tables provide a summary of our active valuation data from the applicable LEOFF employers and WSPRS, along with a table indicating the percentage difference between them.

In reviewing the percent increase in salary table, we focused on service years 5 through 24, which covers about 75 percent of the active WSPRS members. We removed the low and high service level data from our comparisons due to inconsistent average service levels for these cohorts between WSP members and their applicable LEOFF counterparts. Given the average age and service for current WSPRS members, we ultimately selected a one-time salary increase assumption of 32 percent for the higher cost scenario.

Number of Actives and Average Annual Pensionable Salary										
City of Seattle, City of Tacoma, King County, Snohomish County, City of Spokane, and City of Vancouver										
Years of Service										
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
<25	31	0	0	0	0	0	0	0	0	31
	\$63,686	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$63,686
25-29	87	68	0	0	0	0	0	0	0	155
	\$67,798	\$96,152	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$80,237
30-34	81	230	13	0	0	0	0	0	0	324
	\$78,768	\$100,452	\$99,369	\$0	\$0	\$0	\$0	\$0	\$0	\$94,988
35-39	47	152	144	32	0	0	0	0	0	375
	\$80,287	\$100,464	\$105,020	\$116,524	\$0	\$0	\$0	\$0	\$0	\$101,056
40-44	27	94	148	203	33	0	0	0	0	505
	\$78,665	\$98,664	\$103,829	\$109,538	\$122,857	\$0	\$0	\$0	\$0	\$105,060
45-49	8	32	84	198	257	54	0	0	0	633
	\$86,208	\$100,421	\$103,629	\$110,460	\$118,203	\$126,072	\$0	\$0	\$0	\$113,215
50-54	2	13	28	82	162	189	34	0	0	510
	\$95,813	\$100,358	\$106,001	\$107,262	\$116,353	\$124,869	\$133,329	\$0	\$0	\$118,122
55-59	0	3	5	29	52	80	105	17	0	291
	\$0	\$110,689	\$105,800	\$105,134	\$112,537	\$125,261	\$130,702	\$115,350	\$0	\$121,881
60-64	0	1	1	10	6	29	42	15	4	108
	\$0	*	*	\$98,253	\$118,931	\$111,190	\$129,814	\$129,694	\$93,510	\$119,074
65-69	0	0	1	1	0	4	6	2	11	25
	\$0	\$0	*	*	\$0	\$133,437	\$112,755	\$144,442	\$98,939	\$110,901
Total	283	593	424	555	510	356	187	34	15	2,957
	\$74,317	\$99,705	\$104,156	\$109,458	\$117,347	\$124,122	\$130,404	\$123,389	\$97,492	\$107,929

*Annual salary omitted for privacy reasons.

Actuary's Fiscal Note For SHB 2872

Number of Actives and Average Annual Pensionable Salary										
WSP All Plans:										
Years of Service										
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
<25	32	0	0	0	0	0	0	0	0	32
	\$53,485	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$53,485
25-29	89	34	0	0	0	0	0	0	0	123
	\$58,737	\$73,172	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$62,727
30-34	32	76	26	0	0	0	0	0	0	134
	\$58,730	\$76,718	\$77,276	\$0	\$0	\$0	\$0	\$0	\$0	\$72,531
35-39	11	37	88	33	0	0	0	0	0	169
	\$59,458	\$76,520	\$81,278	\$80,588	\$0	\$0	\$0	\$0	\$0	\$78,682
40-44	8	15	55	120	33	0	0	0	0	231
	\$60,591	\$75,496	\$78,314	\$83,983	\$90,033	\$0	\$0	\$0	\$0	\$82,136
45-49	1	4	18	60	108	18	1	0	0	210
	*	\$73,545	\$77,825	\$82,329	\$91,078	\$94,254	*	\$0	\$0	\$87,294
50-54	3	2	5	26	36	27	4	0	0	103
	\$63,524	\$72,431	\$73,275	\$80,108	\$85,062	\$92,230	\$87,434	\$0	\$0	\$84,338
55-59	0	1	7	4	5	7	9	0	0	33
	\$0	*	\$73,376	\$82,054	\$73,731	\$79,398	\$87,271	\$0	\$0	\$79,706
60-64	0	0	1	3	1	1	3	0	0	9
	\$0	\$0	*	\$77,999	*	*	\$79,930	\$0	\$0	\$77,070
65-69	0	0	0	0	0	0	0	0	0	0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	176	169	200	246	183	53	17	0	0	1,044
	\$58,036	\$75,738	\$79,123	\$82,610	\$89,125	\$90,871	\$86,610	\$0	\$0	\$78,313

*Annual salary omitted for privacy reasons.

Note: Age and Service Distribution table may differ from the 2014 AVR table due to rounding.

Percent Increase in Pensionable Salary for LEO Compared to WSP										
WSP All Plans:										
Years of Service										
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
<25	19%	-	-	-	-	-	-	-	-	19%
25-29	15%	31%	-	-	-	-	-	-	-	28%
30-34	34%	31%	29%	-	-	-	-	-	-	31%
35-39	35%	31%	29%	45%	-	-	-	-	-	28%
40-44	30%	31%	33%	30%	36%	-	-	-	-	28%
45-49	-	37%	33%	34%	30%	34%	-	-	-	30%
50-54	51%	39%	45%	34%	37%	35%	52%	-	-	40%
55-59	-	-	44%	28%	53%	58%	50%	-	-	53%
60-64	-	-	-	26%	-	-	62%	-	-	55%
65-69	-	-	-	-	-	-	-	-	-	-
Total	28%	32%	32%	32%	32%	37%	51%	-	-	38%

GLOSSARY OF ACTUARIAL TERMS

Actuarial Accrued Liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions (i.e. interest rate, rate of salary increases, mortality, etc.).

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. Under this method, all plan costs (for past and future service credit) are included under the normal cost. Therefore, the method does not produce an unfunded actuarial accrued liability outside the normal cost. It's most common for the normal cost to be determined for the entire group rather than on an individual basis for this method.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- ❖ Normal cost.
- ❖ Amortization of the unfunded actuarial accrued liability.

The normal cost is most commonly determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Projected Benefits: Pension benefit amounts that are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

Unfunded EAN Liability: The excess, if any, of the Present Value of Benefits calculated under the EAN cost method over the valuation assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Individual State Agency Fiscal Note

Bill Number: 2872 P S HB H-4251.2	Title: WSP recruitment & retention	Agency: SWF-SWF Statewide Fiscal Note - OFM
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
Account					
General Fund-State 001-1	0	1,207,012	1,207,012	2,414,024	2,414,024
General Fund-Federal 001-2	0	9,110	9,110	18,220	18,220
General Fund-Private/Local 001-7	0	41,653	41,653	83,306	83,306
Vehicle License Fraud Account-State 04V-1	0	26,029	26,029	52,058	52,058
State Patrol Highway Account-State 081-1	0	13,378,240	13,378,240	26,756,480	26,756,480
State Patrol Highway Account-Federal 081-2	0	88,389	88,389	176,778	176,778
State Patrol Highway Account-Private/Local 081-7	0	9,110	9,110	18,220	18,220
Highway Safety Account-State 106-1	0	1,433,063	1,433,063	2,866,126	2,866,126
Total \$	0	16,192,606	16,192,606	32,385,212	32,385,212

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jerry Long	Phone: 360-786-7306	Date: 02/09/2016
Agency Preparation: Kim Grindrod	Phone: (360) 407-4110	Date: 02/12/2016
Agency Approval: Pam Davidson	Phone: (360) 902-0550	Date: 02/12/2016
OFM Review: Regan Hesse	Phone: (360) 902-0650	Date: 02/15/2016

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached narrative.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

For simplicity, all costs including benefits are shown in Object A.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years					
A-Salaries and Wages		16,192,606	16,192,606	32,385,212	32,385,212
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$16,192,606	\$16,192,606	\$32,385,212	\$32,385,212

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

2872 PSHB Fiscal Note Narrative for Statewide

This bill relates to the recruitment and retention of Washington state patrol commissioned officers and declaring an emergency for the bill to take effect immediately.

The proposed substitute version of this bill directs collective bargaining activities to be commenced upon signing of the bill and requires competitive pay to be implemented effective July 1, 2016 for Washington State Patrol commissioned officers. The bill removes the direction that employee pension contributions be considered in collective bargaining and revises the definition of what must be considered in compensation.

Section 3 of the bill requires the minimum monthly salary paid to state patrol officers to be competitive with law enforcement agencies within the State of Washington effective July 1, 2016. The bill requires the salary levels on July 1, 2016 to be the average of compensation paid to the corresponding range for the following city police departments and sheriff's offices: Seattle, King County, Tacoma, Snohomish County, Spokane and Vancouver. Total compensation must include base salary, premium pay (a pay received by a majority of employees), education pay and longevity pay.

The bill directs the collective bargaining units of the Washington State Patrol (WSP) and the Office of Financial Management (OFM) to open collective bargaining negotiations on the effective date of this section and agree upon an addendum to the existing contract to implement this section with funds provided by the legislature.

Assumptions:

The following assumptions are made.

- With some revisions, the survey required to obtain the information from the identified law enforcement agencies can be captured in the current survey conducted by OFM State Human Resource division. However, OFM does not currently have all the required data to be considered in total compensation. For example, data that determines if a majority of employees are receiving premium pay has not been captured in the current compensation survey and will require further data collection.
- For this fiscal note, we assume if the base salary is increased to a competitive wage at the minimum wage scale, the total compensation package will be considered competitive.
- The calculations done to measure anticipated costs include base salary, benefits¹ and percentage based premium pay and other extra pay that increases when the base salary increases.
- For simplicity, all anticipated expenditures, including benefits, are shown in Object A.
- Other compensation paid by the Washington State Patrol, such as geographic assignment pay, is not called out in the bill but may be considered to determine competitiveness during collective bargaining. Based on our preliminary survey results, the jurisdictions identified in this bill do not pay a geographic assignment pay but the WSP pays between three percent (3%) and ten percent (10%) above the base pay for positions assigned to work in specified locations/counties.
- No assumption is made for salary growth in the future.
- It is unlikely negotiations will be completed with enough time to implement payroll changes by July 1, 2016. Therefore, we assume a retroactive pay adjustment may be necessary and will meet the intent of the legislation.
- Other assumptions will result in different cost estimates.

¹ Benefits include employer paid Medicare and Retirement for all and Social Security for the non-represented/exempt employees.

Fiscal Impact:

To measure the fiscal impact, we compared the entry level positions for the corresponding ranks, calculated the average of the six departments named in the bill and compared that to the WSP salary schedules. We calculated the difference and applied the results.

The following set of tables show the job title, position count, current monthly base salary, anticipated percentage increase and the revised base monthly salary that would need to be applied to each corresponding rank for the base pay to be competitive.

Represented WSP Commissioned Salary Schedule for Troopers and Sergeants			
		Effective July 1, 2016	Anticipated Revised July 1, 2016
Pay Scale Area	Position Count	Base Monthly Amount	Base Monthly Amount
WSP Troopers 0-5 yrs	240		Increase 17%
0 - .5 years		\$ 4,419	\$ 5,170
.5 - 1.5 years		\$ 4,684	\$ 5,480
1.5 - 2.5 years		\$ 4,965	\$ 5,809
2.5 - 3.5 years		\$ 5,262	\$ 6,157
3.5 - 4.5 years		\$ 5,578	\$ 6,526
4.5+ years		\$ 5,914	\$ 6,919
WSP Troopers > 5 yrs	736		Increase 17%
0 - 5 years			
5 - 10 years		\$ 6,091	\$ 7,126
10 - 15 years		\$ 6,214	\$ 7,270
15-20 years		\$ 6,339	\$ 7,417
20+ years		\$ 6,465	\$ 7,564
WSP Sergeants	154		Increase 14%
0 - 5 years		\$ 6,798	\$ 7,750
5 - 10 years		\$ 7,002	\$ 7,982
10 - 15 years		\$ 7,142	\$ 8,142
15 - 20 years		\$ 7,285	\$ 8,305
20+ years		\$ 7,430	\$ 8,470

Represented WSP Commissioned Salary Schedule for Lieutenants and Captains			
		Effective July 1, 2016	Anticipated Revised July 1, 2016
Pay Scale Area	Position Count	Base Monthly Amount	Base Monthly Amount
WSP Lieutenants	42		Increase 21%
0 - 5 years		\$ 7,978	\$ 9,653
5 - 10 years		\$ 8,138	\$ 9,847
10 - 15 years		\$ 8,300	\$ 10,043
15 - 20 years		\$ 8,467	\$ 10,245
20+ years		\$ 8,637	\$ 10,451
WSP Captains	20		Increase 15%
0 - 5 years		\$ 9,356	\$ 10,759
5 - 10 years		\$ 9,356	\$ 10,759
10 - 15 years		\$ 9,356	\$ 10,759
15 - 20 years		\$ 9,543	\$ 10,974
20+ years		\$ 9,734	\$ 11,194

Non Represented/Exempt employees are also impacted by compression, inversion and recruitment principles and would require an equivalent salary increase. We assumed an increase for the Chief, Deputy Chief and Assistant Chief equivalent the Captains and we assumed an increase for the Trooper Cadets equivalent to the Troopers.

Non-Represented WSP Employees but Impacted Due to Compression, Inversion and Recruitment Principles			
		Effective July 1, 2016	Anticipated Revised July 1, 2016
Pay Scale Area	Position Count	Base Monthly Amount	Base Monthly Amount
WSP Assistant Chief	4		Increase 15%
0 - 5 years		\$ 10,545	\$ 12,127
5 - 10 years		\$ 10,545	\$ 12,127
10 - 15 years		\$ 10,545	\$ 12,127
15 - 20 years		\$ 10,545	\$ 12,127
20+ years		\$ 10,545	\$ 12,127
WSP Deputy Chief	1	\$ 11,599	\$ 13,339
WSP Chief	1	\$ 13,255	\$ 15,243
WSP Trooper Cadet			Increase 17%
WSP Trooper Cadet	56	\$ 3,928	\$ 4,596

The following tables show the fiscal impacts, separated by represented and non-represented employees, with the assumptions described above.

Represented WSP Commissioned Officers						
	FY16	FY17	FY18	FY19	FY20	FY21
	0 months	12 months	12 months	12 months	12 months	12 months
GF-S	-	1,076,752	1,076,752	1,076,752	1,076,752	1,076,752
Other	-	14,476,590	14,476,590	14,476,590	14,476,590	14,476,590
Total	-	15,553,342	15,553,342	15,553,342	15,553,342	15,553,342

Source: CIM 3.0 version 30, Scenario 78,79, 80, 83

Non-Represented/Exempt WSP Employees						
	FY16	FY17	FY18	FY19	FY20	FY21
	0 months	12 months	12 months	12 months	12 months	12 months
GF-S	-	130,260	130,260	130,260	130,260	130,260
Other	-	509,004	509,004	509,004	509,004	509,004
Total	-	639,264	639,264	639,264	639,264	639,264

Source: CIM 3.0 version 30, Scenario 81, 82

All Impacted WSP Employees						
	FY16	FY17	FY18	FY19	FY20	FY21
	0 months	12 months	12 months	12 months	12 months	12 months
GF-S	-	1,207,012	1,207,012	1,207,012	1,207,012	1,207,012
Other	-	14,985,594	14,985,594	14,985,594	14,985,594	14,985,594
Total	-	16,192,606	16,192,606	16,192,606	16,192,606	16,192,606

Unintended Consequence:

The bill does not alter the existing bargaining obligation in RCW 41.56.475 to consider out-of-state comparators for purposes of collective bargaining and interest arbitration. This could result in ambiguity in the application of comparable compensation data for existing bargaining obligations. The result could be additional and different compensation awards provided by interest arbitrators in Washington State Patrol Troopers Association (WSPTA) or Washington State Patrol Lieutenants Association (WSPLA) proceedings.