



# Budget Reduction Options

July 22, 2020

# Budget Savings Options for Consideration

- Background and Context
- Agency Furloughs
- 3% General Wage Increase
- Temporary Contribution Rate Reduction
- Key Questions, Discussion and Decisions

# Background

- Governor Inslee issued Directive 20-08 on June 17, 2020.
- Directive mandates agencies under the Governor's authority to implement furloughs and not implement the 3% 7/1/2020 scheduled general wage increase for select staff.
- Governor will monitor savings associated with furloughs and will direct further furloughs as necessary through the remainder of the fiscal year.
- Governor urged separately elected officials, the Legislature, courts, independent boards and commissions, and higher education institutions to adopt similar measures.

# Furloughs

- **Governor requested 8 days of furlough for agencies under his authority**
  - 4 days between June 28 – July 25 (one day a week)
  - One day in each month August, September, October and November
  - Additional days could be requested
- **Fiscal impact of 8 days for LEOFF 2 Board staff is \$25,000 in salary and benefits in a non-appropriated account**
- **Survey done by the Department of Enterprise Services for client agencies not under the Governor's authority, 50% are offering other reductions in lieu of furloughs**
- **Cuts in lieu of furloughs for LEOFF 2 Board could be in education/training and travel**

# 3% General Wage Increase

- A 3% general wage increase that was scheduled for implementation 7/1/2020 is canceled for non-represented state employees in Exempt Management Service, Washington Management Service, and non-represented exempt employees making more than \$53,000 a year under the authority of the Governor.
- Governor urged others not under his authority to comply.
- Others not implementing the increase:
  - All legislative agencies
  - All separately elected officials
  - Most judicial agencies
  - Unknown implementation of other independent boards and commissions
- Implementation of scheduled increase could pose a “reputation risk”

# Temporary Contribution Rate Reduction

- Should the Board consider adopting a supplemental rate for the remainder of the 2019-21 biennium?
- Each basis point would save approximately \$250K per year
- Legal framework
  - Role of the trustee – Is it appropriate for a trustee to set the rate for the plan based on budget conditions?
  - Could this option work with the statutory funding split?
    - 50% Employee
    - 30% Employer
    - 20% State

# Key Questions, Discussion and Decisions

1. What reduction options does the Board want to consider?
2. Next steps?



**Thank You**

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