SENATE BILL REPORT

SHB 2090

As Reported By Senate Committee On:
Higher Education, April 1, 1997
Ways & Means, April 3, 1997

Title: An act relating to community and technical college employees.

Brief Description: Establishing a community and technical college employees attendance incentive program.

Sponsors: House Committee on Higher Education (originally sponsored by Representatives Schoesler, Dyer, D. Sommers, Carrell, Linville, Sterk, Parlette and Doumit).

Brief History:
Committee Activity: Higher Education: 3/31/97, 4/1/97 [DP-WM].
Ways & Means: 4/3/97 [DP].

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Wood, Chair; Winsley, Vice Chair; Hale, Kohl, Patterson, Prince, Sheldon and West.

Staff: Aldo Melchiori (786-7439)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.
Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, McDonald, Rossi, Schow, Sheldon, Snyder, Thibaudeau and Winsley.

Staff: Deb Kime (786-7454)

Background: Most permanent full-time state employees at community and technical colleges accrue sick leave at the rate of one day per month. These employees may participate in the attendance incentive program established for all eligible employees of a college district or the state board. Each January, participating employees who have 60 or more days of sick leave accrued can chose to receive one day's pay for every four of sick leave accrued during the previous year.

Upon retirement or death, the former employee or the estate may receive remuneration at a rate equal to one day's current compensation for every four days' accrued sick leave. This pay is subject to income tax.

State law also allows eligible retiring employees to invest their sick leave compensation in a medical benefit plan instead of receiving direct payment. The employee must sign an agreement with the employer that includes a provision to hold the employer harmless should the federal government find that income taxes are due on the amounts paid. Employers do not withhold federal income tax.

The medical benefit plan has not been implemented. The tax benefits of participation are vitiated by an IRS letter ruling stating that all employees in a unit must participate before any participant can obtain the tax exemption. A number of school districts have implemented a similar option for their retiring employees.

Summary of Bill: For the purposes of community and technical colleges, eligible employee– includes teachers, counselors, librarians, or department heads whether full or part-time; employees of a bargaining unit; and exempt employees, including employees of the state board. Eligible employees must meet the same requirements as other state employees. Most classified staff are not eligible to participate in the attendance incentive program, with the exception of those at technical colleges.

The attendance incentive program is very similar to the general state employee program. Each January, participating employees who have 60 or more days of sick leave accrued can choose to receive one day's pay for every four of sick leave accrued during the previous year. Upon retirement or death, the former employee or the estate may receive remuneration at a rate equal to one day's current compensation for every four days' accrued sick leave. This pay is subject to income tax. Compensation received is not included in salary calculations for retirement benefits. The state board adopts rules for the program including a requirement that colleges maintain accurate records and further defining eligible employees. OFM approves employee categories.

Retiring eligible employees may choose to participate in a medical plan that is different from the plan generally available to state employees. A medical benefit plan is not an option for employees covered by a collective bargaining agreement unless it is bargained for the entire bargaining unit. The employer has the option to institute the option for all exempt employees.
Participating employees must sign an agreement with their employer which includes provisions covering possible income tax liabilities and, if the employee belongs to a unit designated to participate, provision requiring eligible employees to choose between program participation or forfeit compensation for unused sick leave.

The program can only be offered if each eligible employee is given the option to participate and the committee has received an opinion from the IRS stating that participating employees will incur no federal income tax liability on the amount transferred to the plan. Medical benefit option provisions conflicting with federal tax laws or rulings are inoperable.

Appropriation: None.

Fiscal Note: Requested on February 21, 1997.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For (Higher Education): Employers will save money because they will not pay FICA. Employees save money to fund post-retirement medical expenses. This bill is supported by the unions. This is the best attendance program available.

Testimony Against (Higher Education): None.

Testified (Higher Education): PRO: Larry Lael, SBCTC; Don Moseid, TCC, John Haldi, Spokane CC; James Taylor.

Testimony For (Ways & Means): Currently, K-12 has implemented a similar option for their retiring employees. A good deal that doesn't cost any additional money.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): Larry Lael, SBCTC.