

and no member of the committee may be considered or held to be an insurer of the funds or assets of the retirement system nor shall any member be liable for actions performed with the exercise of reasonable diligence within the scope of his or her duly authorized activities as a member of the committee.

NEW SECTION. Sec. 7. Section 1, chapter 34, Laws of 1980 and RCW 35.39.041 are each repealed.

NEW SECTION. Sec. 8. Sections 1 through 6 of this act are each added to chapter 35.39 RCW.

NEW SECTION. Sec. 9. This act shall take effect July 1, 1982.

Passed the House March 11, 1982.

Passed the Senate March 10, 1982.

Approved by the Governor April 1, 1982.

Filed in Office of Secretary of State April 1, 1982.

CHAPTER 167

[Substitute House Bill No. 837]

STATE EMPLOYEES—PRODUCTIVITY BOARD—INCENTIVE PAY— APPROPRIATION

AN ACT Relating to state employees; amending section 1, chapter 142, Laws of 1965 ex. sess. as last amended by section 103, chapter 169, Laws of 1977 ex. sess. and RCW 41.60.010; amending section 2, chapter 142, Laws of 1965 ex. sess. as last amended by section 1, chapter 122, Laws of 1975-'76 2nd ex. sess. and RCW 41.60.020; amending section 3, chapter 142, Laws of 1965 ex. sess. and RCW 41.60.030; amending section 5, chapter 142, Laws of 1965 ex. sess. as last amended by section 3, chapter 122, Laws of 1975-'76 2nd ex. sess. and RCW 41.60.050; amending section 5, chapter 122, Laws of 1975-'76 2nd ex. sess. and RCW 41.60.080; amending section 28, chapter 1, Laws of 1961 as amended by section 1, chapter 215, Laws of 1963 and RCW 41.06.280; adding new sections to chapter 41.60 RCW; adding a new section to chapter 43.131 RCW; repealing section 4, chapter 142, Laws of 1965 ex. sess., section 5, chapter 152, Laws of 1969 ex. sess., section 2, chapter 122, Laws of 1975-'76 2nd ex. sess. and RCW 41.60.040; repealing section 6, chapter 142, Laws of 1965 ex. sess., section 7, chapter 152, Laws of 1969 ex. sess. and RCW 41.60.060; repealing section 8, chapter 152, Laws of 1969 ex. sess., section 4, chapter 122, Laws of 1975-'76 2nd ex. sess. and RCW 41.60.070; providing an expiration date; decodifying RCW 41.60.900 and 41.60.905; and making an appropriation.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Section 1. (1) There is hereby created the productivity board. The board shall administer the employee suggestion program under this chapter and shall review applications for incentive pay for state employees under sections 2, 3, and 4 of this act.

(2) The board shall be composed of:

- (a) The secretary of state who shall act as chairperson;
- (b) The state auditor;
- (c) The director of financial management; and

(d) Three persons with experience in administering incentives such as those used by industry, with the governor, lieutenant governor, and speaker of the house of representatives each appointing one person. The governor's appointee shall be a representative of an employee organization certified as an exclusive representative of at least one bargaining unit of classified employees, but no one organization may be represented for two consecutive terms.

Initially, the person appointed by the governor shall serve a one-year term, the person appointed by the lieutenant governor shall serve a two-year term, and the person appointed by the speaker shall serve a three-year term. Thereafter, these members shall serve three-year terms.

NEW SECTION. Sec. 2. With the exception of the legislative and judicial branches and the offices of elected officials, any organizational unit of any agency of state government having an identifiable budget or having its financial records maintained according to an accounting system which identifies the expenditures and receipts properly attributable to that unit may apply to the board for selection as a candidate for the award of incentive pay to its employees. The application shall be submitted prior to the beginning of any year and shall have the approval of the head of the agency within which the unit is located.

Applications shall be in the form specified by the board and contain such information as the board may require, including but not limited to those evaluation components developed by the applying unit which will provide quantitative measures of program output and performance.

The board shall evaluate the applications submitted. From those proposals which are considered to be reasonable and practical and which are found to include developed performance indicators which lend themselves to a judgment of success or failure, the board shall select the units to participate in the incentive pay program.

NEW SECTION. Sec. 3. (1) To qualify for the award of incentive pay to its employees, a unit selected shall demonstrate to the satisfaction of the board that it has operated during the year at less cost than the immediately preceding year either with an increase in the level of services rendered or with no decrease in the level of services rendered.

(2) The board shall satisfy itself from documentation submitted by the organizational unit that the claimed cost of operation is real and not merely apparent and that it is not, in whole or in part, the result of:

- (a) Chance;
- (b) A lowering of the quality of the service rendered;
- (c) Nonrecurrence of expenditures which were single outlay, or one-time expenditures, in the preceding year;
- (d) Stockpiling inventories in the immediately preceding year so as to reduce requirements in the eligible year;

(e) Substitution of federal funds, other receipts, or nonstate funds for state appropriations;

(f) Unreasonable postponement of payments of accounts payable until the year immediately following the eligible year;

(g) Shifting of expenses to another unit of government; or

(h) Any other practice, event, or device which the board decides has caused a distortion which makes it falsely appear that a savings or increase in level of services has occurred.

(3) The board shall consider as legitimate savings those reductions in expenditures made possible by such items as the following:

(a) Reductions in overtime;

(b) Elimination of consultant fees;

(c) Less temporary help;

(d) Improved systems and procedures;

(e) Better deployment and utilization of personnel;

(f) Elimination of unnecessary travel;

(g) Elimination of unnecessary printing and mailing;

(h) Elimination of unnecessary payments for items such as advertising;

(i) Elimination of waste, duplication, and operations of doubtful value;

(j) Improved space utilization; and

(k) Any other items considered by the board as representing true savings.

NEW SECTION. Sec. 4. At the conclusion of the eligible year, the board shall compare the expenditures for that year of each unit selected against the expenditures of that unit for the immediately preceding year and, after making such adjustments as in the board's judgment are required to eliminate distortions, shall determine the amount, if any, that the unit has reduced the unit's cost of operations or increased its level of services in the eligible year. Adjustments to eliminate distortions may include any legislative increases in employee compensation and inflationary increases in the cost of services, materials, and supplies. If the board also determines that in the board's judgment a unit qualifies for an award, the board shall award to the employees of that unit a sum equal to twenty-five percent of the amount determined to be the savings to the state for the level of services rendered. The amount awarded shall be divided and distributed in equal shares to the employees of the unit, except that employees who worked for that unit less than the twelve months of the year shall receive only a pro rata share based on the fraction of the year worked for that unit. Funds for this incentive pay shall be drawn from the appropriation of the agency in which the unit is located.

In addition to the amount awarded, the agency shall transfer two percent of the savings to the department of personnel for deposit in the department of personnel service fund. Moneys so transferred shall be used

exclusively for the operations of the productivity board. Any moneys remaining unexpended at the end of the fiscal biennium shall revert to the original fund source.

NEW SECTION. Sec. 5. The secretary of state shall prepare and submit to the legislative budget committee a comprehensive annual status report on the board's activities, decisions, awards, and recommendations with respect to the employee incentive pay program.

Sec. 6. Section 1, chapter 142, Laws of 1965 ex. sess. as last amended by section 103, chapter 169, Laws of 1977 ex. sess. and RCW 41.60.010 are each amended to read as follows:

As used in this chapter:

(1) "Board" means the ~~((employee suggestion awards))~~ productivity board.

(2) "Employee suggestion program" means the program developed by the board under RCW 41.60.020~~((2))~~.

(3) ~~("Secretary" means the secretary of the employee suggestion program:~~

~~(4) "Institutions of higher learning" are the University of Washington, Washington State University, Central Washington University, Eastern Washington University, Western Washington University, The Evergreen State College, and the various state community college districts))~~ "State employees" means employees subject to chapter 41.06 or 28B.16 RCW.

Sec. 7. Section 2, chapter 142, Laws of 1965 ex. sess. as last amended by section 1, chapter 122, Laws of 1975-'76 2nd ex. sess. and RCW 41.60-.020 are each amended to read as follows:

~~(1) ((There is established the employee suggestion awards board. The board shall consist of the director of personnel or his designee who shall serve as its chairman and three state officers or state employees appointed by the governor, to serve at his pleasure. The governor shall appoint a state officer or state employee to serve as secretary of the employee suggestion program:~~

~~(2))~~ The board shall formulate, establish, and maintain an employee suggestion program to encourage and reward meritorious suggestions by state employees that will promote efficiency and economy in the performance of any function of state government: PROVIDED, That the program shall include provisions for the processing of suggestions having multi-agency impact and post-implementation auditing of suggestions for fiscal accountability.

~~((3))~~ (2) The ~~((secretary, with the approval of the employee suggestion awards))~~ board~~((;))~~ shall ~~((prepare))~~ adopt rules and regulations necessary or appropriate for the proper administration and for the accomplishment of the purposes of this chapter.

Sec. 8. Section 3, chapter 142, Laws of 1965 ex. sess. and RCW 41.60-.030 are each amended to read as follows:

The board shall make the final determination as to whether an employee suggestion award will be made and (~~(, subject to the rules and regulations adopted pursuant to RCW 41.60.020(3), the board)~~) shall determine the nature and extent of the award.

No employee suggestion award may normally be made to an employee for a suggestion which is within the scope of the employee's regularly assigned responsibilities.

NEW SECTION. Sec. 9. There is added to chapter 41.60 RCW a new section to read as follows:

(1) Cash awards for suggestions generating net savings to the state shall be calculated on a sliding scale percentage basis in the following manner:

- (a) Ten percent of the first ten thousand dollars;
- (b) Eight percent of the next twenty thousand dollars;
- (c) Six percent of the next thirty thousand dollars;
- (d) Four percent of the next forty thousand dollars; and
- (e) Two percent of all amounts in excess of one hundred thousand dollars.

(2) No award may be granted in excess of ten thousand dollars.

(3) If the suggestion is significantly modified when implemented, the percentages specified in subsection (1) of this section may be decreased at the option of the board.

(4) The board shall establish guidelines for making cash awards for suggestions for which benefits to the state are intangible or for which benefits cannot be calculated.

(5) Funds for the awards shall be drawn from the appropriation of the agency benefiting from the employee's suggestion. In addition to the amount awarded, the agency shall transfer two percent of the savings to the department of personnel for deposit in the department of personnel service fund. Moneys so transferred shall be used exclusively for the operations of the productivity board. Any moneys remaining unexpended at the end of the fiscal biennium shall revert to the original fund source.

NEW SECTION. Sec. 10. There is added to chapter 41.60 RCW a new section to read as follows:

Incentive pay or awards provided under this chapter shall not be included for the purpose of computing a retirement allowance under any public retirement system of this state.

Sec. 11. Section 5, chapter 142, Laws of 1965 ex. sess. as last amended by section 3, chapter 122, Laws of 1975-'76 2nd ex. sess. and RCW 41.60-.050 are each amended to read as follows:

Administrative expenses of the board in administering this chapter shall not exceed fifty thousand dollars per year and shall be paid from the department of personnel service fund ((from sources provided in RCW 41.06.080, 41.06.350, 41.60.010, 41.60.020 and 41.60.040 through 41.60.070 together with such other funds as may be available from donations, grants and other sources)).

Sec. 12. Section 5, chapter 122, Laws of 1975-'76 2nd ex. sess. and RCW 41.60.080 are each amended to read as follows:

The chairman of the ~~((employee suggestion awards))~~ board may design and initiate contests between agencies and between agency suggestion evaluators to encourage participation in the suggestion program at management levels. Any tokens of recognition offered during these contests shall be non-monetary and shall not be considered an award, or subject to RCW 41.60.030.

Sec. 13. Section 28, chapter 1, Laws of 1961 as amended by section 1, chapter 215, Laws of 1963 and RCW 41.06.280 are each amended to read as follows:

There is hereby created a fund within the state treasury, designated as the "Department of Personnel Service Fund", to be used by the board as a revolving fund for the payment of salaries, wages and operations required for the administration of the provisions of this chapter and chapter 41.60 RCW. An amount not to exceed one percent of the approved allotments of salaries and wages for all positions in the classified service in each of the agencies subject to this chapter, except the institutions of higher learning and the department of highways, shall be charged to the operations appropriations of each agency and credited to the department of personnel service fund as such allotments are approved pursuant to chapter ~~((328, Laws of 1959 [chapter 43.88 RCW]))~~ 43.88 RCW. Subject to the above limitations, such amount shall be charged against the allotments pro rata, at a rate to be fixed by the director from time to time which, together with income derived from services rendered under RCW 41.06.080, will provide the department with funds to meet its anticipated expenditures during the allotment period.

The director of personnel shall fix the terms and charges for services rendered by the department of personnel pursuant to RCW 41.06.080, which amounts shall be credited to the department of personnel service fund and charged against the proper fund or appropriation of the recipient of such services on a quarterly basis; payment for services so rendered under RCW 41.06.080 shall be made on a quarterly basis to the state treasurer and by him deposited in the department of personnel service fund.

Moneys from the department of personnel service fund shall be disbursed by the state treasurer by warrants on vouchers duly authorized by the board.

NEW SECTION. Sec. 14. The following acts or parts of acts are each repealed:

(1) Section 4, chapter 142, Laws of 1965 ex. sess., section 5, chapter 152, Laws of 1969 ex. sess., section 2, chapter 122, Laws of 1975-'76 2nd ex. sess. and RCW 41.60.040;

(2) Section 6, chapter 142, Laws of 1965 ex. sess., section 7, chapter 152, Laws of 1969 ex. sess. and RCW 41.60.060; and

(3) Section 8, chapter 152, Laws of 1969 ex. sess., section 4, chapter 122, Laws of 1975-'76 2nd ex. sess. and RCW 41.60.070.

NEW SECTION. Sec. 15. There is added to chapter 43.131 RCW a new section to read as follows:

Chapter 41.60 RCW as now existing or hereafter amended shall terminate on June 30, 1987.

NEW SECTION. Sec. 16. RCW 41.60.900 and 41.60.905 are each decodified.

NEW SECTION. Sec. 17. There is appropriated from the department of personnel service fund to the department of personnel for the fiscal year ending June 30, 1983, the sum of fifty thousand dollars, or so much thereof as may be necessary, for the operations of the productivity board. Funds expended under this section shall not exceed the revenue to the department of personnel service fund under sections 4 and 9 of this act.

NEW SECTION. Sec. 18. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 19. Sections 1 through 5 of this act are each added to chapter 41.60 RCW.

Passed the House March 9, 1982.

Passed the Senate March 3, 1982.

Approved by the Governor April 1, 1982.

Filed in Office of Secretary of State April 1, 1982.

CHAPTER 168

[Substitute House Bill No. 824]

HEALTH CARE INSURANCE BENEFITS—PAYMENT

AN ACT Relating to payment of health care insurance benefits; and adding a new section to chapter 48.44 RCW.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Section. 1. There is added to chapter 48.44 RCW a new section to read as follows: