

## Deficit Alert: State Employee Health Care Collective Bargaining Agreement

*In light of yesterday's \$529 million forecast drop, should the Governor re-negotiate the agreement she reached with state employee unions in July?*

### **I. Policy of proposed 2009-11 state employee health care contract is costly**

In July, Governor Gregoire – *after one day of negotiation* – reached agreement with state employee unions on health care premiums for the next budget.<sup>1</sup> The agreement requires the state to pay 88% of the cost with employees paying 12%.

If policymakers choose to provide the same funding to non-union state employees and K-12 employees as is tradition, this policy will cost taxpayers in the neighborhood of almost \$500 million more general fund state in the 2009-11 budget than in the current budget.<sup>2</sup>

To put this in context, \$500 million is the equivalent of the entire state funding for nursing homes. Or five times the amount of state funding for state parks. Or more than twice what the state expends on supervising released state felons.<sup>3</sup>

### **II. State employees contribute lower share for health care benefits than four years ago**

In the 2003-05 budget, state employees paid 16% of the health care premiums. (This was up from 14% in the prior biennium.) In actual dollars, this translated to an average employee premium of \$79 per month in CY 2005.<sup>4</sup>

In the 2005-07, 2007-09, and now proposed for 2009-11 budget, state employees paid 12% of health care premiums. Each of these contracts was collectively bargained. In actual dollars, this translates to an average employee premium of \$91 per month for CY 2009.<sup>5</sup>

### **III. State employees' share of health care costs is less than half the nationwide average**

The 2007 Kaiser Family Foundation nationwide survey on employer health benefits found that employees pay on average 28% for family coverage. This includes both small and large companies.<sup>6</sup>

If just large companies were the point of comparison, the average employee in a large firm (more than 200 employees) pays 24% of the cost.<sup>7</sup> Or twice what state government employees in Washington pay for family coverage.

And it should be noted this is what people who receive health coverage through their employer pay. In Washington state, only 62% of employers offer coverage to employees.<sup>8</sup>

IV. **Legal requirement: The Governor's budget director must certify collective bargaining agreements as financially feasible.**

RCW 41.80.010 requires that:

[T]he provisions of bargaining agreements shall not be submitted to the legislature by the governor unless such requests:

...

(b) Have been certified by the director of the office of financial management as being feasible financially for the state.

V. **With yesterday's \$529 million revenue forecast drop, on top of the already projected \$2.7 billion budget problem, can the health care contract legitimately be certified as financially feasible?**

This week has brought ample bad news on the economic and budget front.

- Unemployment in the state rose to 6%, higher than at any point in last four years.<sup>9</sup>
- The state has lost 42,000 jobs since the beginning of the year.<sup>10</sup>
- Today's revenue forecast brings the state deficit to over \$3.2 billion.<sup>11</sup>

It is hard to imagine, in the face of an over \$3 billion budget shortfall, how an agreement – reached in one day of negotiations -- whose policy will cost taxpayers nearly \$500 million more than what they're paying in the current budget could be certified as "financially feasible."

**Bottom Line**

In light of yesterday's half-a-billion revenue drop, should the Governor conclude the health care agreement she reached with state employee unions in July is not financially feasible for taxpayers and re-open negotiations?

Note: No state resources were used in preparing or distributing this document.

1. "Costs Higher in New Health Care Deal," The Olympian (7/14/08).
2. Projection based off funding \$774 per employee per month in CY 2010 and \$832 per employee per month in CY 2011.
3. 2007-09 agency activity inventory
4. 2004 Legislative Budget Notes
5. [http://www.hca.wa.gov/pebb/documents/press\\_release\\_rates\\_070808.pdf](http://www.hca.wa.gov/pebb/documents/press_release_rates_070808.pdf)
6. Kaiser Family Foundation, Employer Health Benefits, Annual Survey 2007.
7. Id.
8. Employer Health Insurance Data Book, OFM (March 2007, p. 6).
9. [http://www.workforceexplorer.com/admin/uploadedPublications/9178\\_ESR\\_Sep\\_16\\_08.pdf](http://www.workforceexplorer.com/admin/uploadedPublications/9178_ESR_Sep_16_08.pdf)
10. Id. (Seasonally adjusted employment was 3.307 million in Jan. 08. Aug. 08 employment was 3.265 million.)
11. "A bigger hole in the state budget," Seattle Times (9/18/08).