

2017-19 Biennium Budget Decision Package

Agency: **205 Board of Pilotage Commissioners**
Decision Package Code/Title: **90 Maintenance Level Revenue**
Budget Period: **2017-19**
Budget Level: **M1 - Mandatory Caseload and Enrollment Changes**

Agency Recommendation Summary Text: Maintenance level revenue estimates

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 025-6 Revenue	FY 2018	FY 2019	FY 2020	FY 2021
0263 - Puget Sound Pilot Lc	1,052,000	1,052,000	1,052,000	1,052,000
0279 - Vessel Regis Fee	24,000	24,000	24,000	24,000
Total Revenue	1,076,000	1,076,000	1,076,000	1,076,000

Package Description

Maintenance level revenue assumptions for the Board of Pilotage by revenue source for the 17-19 Biennium.

Pilot Licenses: \$702,000 -- 54 pilots x \$6500 annual license fee x 2 years
 Vessel Exemptions: \$48,000 -- based on historical revenue from various sized yachts
 Stipends: \$1,402,000 -- 7788 vessels x \$15 surcharge x 6 trainees x 2 years
 Total Revenue: \$2,152,000

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service

N/A

Decision Package expenditure, FTE and revenue assumptions, calculations and details:

N/A

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

N/A

What alternatives were explored by the agency and why was this option chosen?

2017-19 Biennium Budget Decision Package

Agency: 205 Board of Pilotage Commissioners
Decision Package Code/Title: BA Self-Insurance premium increase
Budget Period: 2017-19
Budget Level: PL - Performance Level

Agency Recommendation Summary Text:

The Board of Pilotage is requesting funding to pay for the self-insurance payment increase that has resulted from a lawsuit. The agency is non-appropriated, but the pilotage account (fund 025-6) does not have the fund balance to make these payments.

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 025-6	\$1,618,446	\$1,618,446	\$1,618,446	\$1,618,446
Total Cost	\$1,618,446	\$1,618,446	\$1,618,446	\$1,618,446
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0.0	0.0	0.0	0.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
None	0.0	0.0	0.0	0.0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. E	\$1,618,446	\$1,618,446	\$1,618,446	\$1,618,446

Package Description

- The Board of Pilotage’s mission is to ensure against the loss of lives, loss of or damage to property and vessels, and to protect the marine environment by maintaining efficient and competent compulsory pilotage services in Washington waters.

- The Board of Pilotage is requesting funding to pay for the self-insurance payment increase that has resulted from a lawsuit. The agency is non-appropriated, but the pilotage account (fund 025-6) does not have the fund balance to make these payments. Self-Insurance premiums are an important part of the agency budget activities. Unfortunately, the large increases in cost are impossible for the agency to absorb. Funding these premiums will help us return our focus to providing a qualified and capable work force of highly skilled pilots.

- The Board issues licenses to pilots after qualifying for and passing a written examination, simulator evaluation, and successfully completing a training program established by the Board. The Board conducted a pilot examination in November 2005. A Tort Claim was filed by one of the unsuccessful candidates. Since then, the Board's legal counsel in the Attorney General's Tort Division defended the charges in a jury trial held in the summer of 2014. We did not prevail and the plaintiff was awarded \$3.2 million. The Board filed an appeal and is scheduled for oral arguments in late September, 2016 in the Washington Court of Appeals. However, in early August, 2016 the plaintiff presented a settlement offer to the Board in the amount of \$6.1 million. This amount includes the award, applicable attorney fees and interest awarded by the court. This amount was discounted by the plaintiff by almost \$1 million. In an effort to bring this matter to resolution and limit the escalating debt, the Board voted to accept the settlement offer.

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).

Decision Package expenditure, FTE and revenue assumptions, calculations and details:

- The State's liability account is financed through annual premiums determined by the State Risk Manager, with concurrence of the Office of Financial Management. The State Risk Manager determines the formula for allocating costs to participating state agencies based on an independent actuarial study of the state's projected liabilities. Premiums are computed biennially for each state agency, board, and commission based on claim. A biennial actuarial review is conducted to ensure that future premiums reflect changes in total state liability, employee growth, and current pay-out history.
- The most current biennial actuarial review, conducted before the above mentioned final settlement was accepted, concluded that the premiums would increase for the Board of Pilotage to \$3,236,892 per biennium, starting in the 17-19 Biennium.

Decision Package Justification and Impacts

Without increased funding the premiums will deplete existing funds, reducing resources needed for day to day operations of the agency.

What specific performance outcomes does the agency expect?

This request does not relate to Performance Measures.

Performance Measure detail:

Fully describe and quantify expected impacts on state residents and specific populations served. What are other important connections or impacts related to this proposal? Please complete the following table and provide detailed explanations or information below:

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	Identify:
Other local gov't impacts?	No	Identify:
Tribal gov't impacts?	No	Identify:
Other state agency impacts?	No	Identify:
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	Yes	Cause Number 11-2-36792-4SEA in the King County Superior Court
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

Without this funding, the Board of Pilotage will not be able to make their self-insurance payments. The agency's fund balance cannot absorb all years of the increased self-insurance payments.

What alternatives were explored by the agency and why was this option chosen?

The Board of Pilotage has been unable to identify any alternatives that appear to be sufficient to cover the increased premium amount. One alternative considered was to increase pilotage rates to a level that would no doubt impact the entire shipping community, from the farmer in eastern Washington to the shipping company moving the exports to other countries. With the shipping industry struggling, it is vital that Washington ports remain highly competitive. Raising shipping rates at this point would severely risk our ability to provide services at a competitive price, especially when there are viable alternatives just to our north in Canada and south in California. Loss of business at the ports would have a grave impact on local jobs and the local economy. A second alternative considered was to increase pilot license fees from the current level of \$6500 per year to a level nearly five times that amount, which would be catastrophic to safety on Washington waters. Raising license fees would greatly limit the pool of interested mariners looking towards a pilotage career as well as send our current pilots to other pilotage districts in the country. Without the knowledge of local waters and expertise of the pilots, the State's policy of prevention of loss of lives, loss of property and vessels, and protection of the marine environment of the State of Washington would be severely impacted. Washington pilots have an impeccable safety record. Over the past 16 years Washington pilots have moved 37,000 oil tankers with 0 reportable oil spills. We need to do what we can to keep our pilots here, safely navigating our waterways and future pilots interested in our districts to carry on the Washington legacy of safe pilotage.

What are the consequences of not funding this request?

The effects of non-funding for this decision package would include a decline in the agency's ability to ensure against the loss of lives, loss of or damage to property and vessels, and to protect the marine environment by maintaining efficient and competent pilotage service on our State's inland waters. Any other alternative funding results in the loss of many qualified pilots and a very significant decline in our state's shipping economy and marketability.

How has or can the agency address the issue or need in its current appropriation level?

We are non-appropriated and cannot support this immense expenditure through any of our revenue resources.

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

N/A

What are the consequences of not funding this request?

N/A

How has or can the agency address the issue or need in its current appropriation level?

N/A

Other supporting materials:

None

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)