

HOUSE BILL REPORT

HB 1720

As Reported by House Committee On:
State Government & Tribal Affairs

Title: An act relating to reorganizing and streamlining central service functions, powers, and duties of state government.

Brief Description: Reorganizing and streamlining central service functions, powers, and duties of state government.

Sponsors: Representatives Hunt and McCoy; by request of Governor Gregoire.

Brief History:

Committee Activity:

State Government & Tribal Affairs: 2/7/11, 2/14/11 [DPS].

Brief Summary of Substitute Bill

- Creates the Department of Enterprise Services.
- Abolishes the Department of General Administration and transfers its duties to the new department.
- Abolishes the Department of Personnel and transfers its functions to the Office of Financial Management and the new department.
- Abolishes the State Printer and transfers its functions to the new department.
- Transfers the risk management and personal services contracts functions from the Office of Financial Management to the new department.
- Transfers certain functions within the Department of Information Services to the new department.

HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 7 members: Representatives Hunt, Chair; Alexander, Darneille, Dunshee, Hurst, McCoy and Miloscia.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Do not pass. Signed by 2 members: Representatives Taylor, Ranking Minority Member; Overstreet, Assistant Ranking Minority Member.

Staff: Thamas Osborn (786-7129) and Marsha Reilly (786-7135).

Background:

Department of General Administration.

The Department of General Administration (GA) is a state agency that provides a wide variety of support services for state agencies, city and county governments, school districts, colleges and universities, and a number of nonprofit organizations. The duties and functions of the GA include:

- purchasing and contracting for goods and services;
- lease management;
- maintenance of state buildings and grounds;
- administration and management of vendors and contractors;
- construction project management;
- facilities planning and management;
- management of the state motor pool;
- parking management;
- operating the consolidated mail service;
- sales and purchase of surplus property;
- administration of energy and resource conservation programs;
- adoption of the state building code;
- custodial and recycling services; and
- oversight and administration of bidding procedures.

Office of the Public Printer.

The Public Printer (Printer) is a state official appointed by the Governor with the advice and consent of the Senate. The duties of the Printer include responsibility for the printing and binding of a wide range of public documents, including:

- the session laws;
- bill, resolutions, and other documents on behalf of both houses of the state Legislature; and
- any document that may be ordered by state officers, boards, commissions, public agencies, or the courts.

The Printer is also authorized to engage in purchasing, leasing, and procurement functions related to his or her printing duties.

Public entities utilizing the services of the Printer are required to pay the actual cost of such services. The fees charged by the Printer are established in accordance with statutory requirements. Under certain circumstances, the Printer may enter into contracts with outside vendors for the printing of public documents where such outside vendors can provide more efficient service.

Department of Personnel

The Department of Personnel (DOP) manages the state's civil service system that was established through Initiative Measure No. 207 in 1960. The stated purpose of the initiative is to "establish for the state a system of personnel administration based on merit principles and scientific methods governing the appointment, promotion, transfer, layoff, recruitment, retention, classification and pay plan, removal, discipline, training and career development, and welfare of its civil employees, and other incidents of state employment."

The provisions of the civil service laws apply to all state agencies, institutions of higher education, boards, and commissions, and each employee and position unless expressly excluded or exempted by law.

The duties and functions of the DOP include oversight and administration of the civil service system and the administration, maintenance, and operation of the central personnel payroll system.

The Director of Personnel is responsible for the adoption of rules and procedures regarding:

- reduction, dismissal, suspension, or demotion of an employee;
- training and career development;
- probationary periods and rejection of probationary employees;
- transfers;
- promotional preferences;
- sick leaves and vacations;
- hours of work;
- layoffs and reemployment;
- certifications for vacancies;
- adoption and revision of a state salary schedule;
- incremental salary increases;
- relocation compensation; and
- performance evaluations.

The Personnel Resources Board conducts hearings and makes decisions to resolve state employee appeals.

The Public Employment Relations Commission manages collective bargaining provisions, including the determination of appropriate bargaining units within any agency.

Office of Financial Management

Overview of the Office of Financial Management.

The Office of Financial Management (OFM) was established through legislation in 1969 as a division of the Office of the Governor. The general duties of the OFM are to provide planning, assistance, and coordination in the preparation of budgets; management and estimates of the cash flow of all public funds; performing functions and research related to the state census and assisting in the federal census; preparation of fiscal notes for proposed legislation; oversight of the state's risk management; and management of personal services contracts.

Risk Management Division.

The duties of the Risk Management Division include the process of risk identification, measurement, minimization, assumption, transfer, and loss adjustment. These duties are for the purpose of protecting assets and revenues against accidental loss. The Risk Management Division also purchases insurance and bonds for state agencies and, upon request, for municipalities. In addition, the division manages the safety and loss control program, and the loss prevention review team.

Management of Personal Services Contracts.

In its management of personal services contracts, the OFM must establish procedures for competitive solicitation and awarding of contracts. It must also develop guidelines and implement training for the effective and efficient management of personal services contracts. The OFM is authorized to exempt contracts from the competitive solicitation process and approve sole source contracts. It must make available to the public a list of all personal services contracts entered into by state agencies during each fiscal year. The list must include the contracting agency, the contractor, the purpose of the contract, effective dates, performance periods, cost and funding sources, and any contract modifications.

Department of Information Services.

Overview of the Department of Information Services.

The Department of Information Services (DIS) is a cabinet level agency that provides technology-based services to state agencies and local governments, as well as public benefit non-profit corporations, on a cost-recovery basis. The Director of the DIS is responsible for overseeing the functions of the DIS, as well as maintaining a strategic planning and policy component for the state by serving as the state Chief Information Officer.

Examples of the type of services that the DIS provides include: (1) telecommunications and computer services; (2) procurement of technology equipment through master contracts; (3) information technology support; and (4) the provision of other related technology-based products and services.

State agencies may procure information technology services through the DIS, but are not required to do so if other alternatives are more cost effective or provide better service.

High Speed Internet Services.

The DIS oversees and administers a range of functions pertaining to high-speed internet activities, including:

- the Broadband Mapping Account;
- duties relating to the creation of a geographic information system map of all high-speed internet infrastructure owned or leased by the state;
- the Community Technology Opportunity Program; and
- oversight of implementation of federally funded or mandated broadband programs for the state.

Data Processing Revolving Account.

The DIS administers a Data Processing Revolving Account that is in the custody of the State Treasurer. The Data Processing Revolving Account is used to pay for equipment, supplies, services, salaries, wages, and other costs related to the implementation of information services and telecommunications systems by the DIS, the Washington State University, and other public entities.

Licensed Certification Authority.

The Office of the Secretary of State (OSOS) administers the Electronic Authentication Act (EAA). The EAA governs the use of digital signature technology in electronic transactions and creates a process for the OSOS to license entities that verify the authenticity of digital signatures. These entities are called "certification authorities."

Under the EAA, a unit of state or local government is required to become a subscriber to a certificate issued by a licensed certification authority, if the governmental entity's signature is required for the purposes of conducting official public business with electronic records.

Summary of Substitute Bill:

Part I: Creation of The Department of Enterprise Services.

Introduction.

The Department of Enterprise Services (DES) is created as an executive branch agency vested with some or all of the powers and duties of the Department of General Administration (GA), the Public Printer (Printer), the Department of Personnel (DOP), the Office of Financial Management (OFM), and the Department of Information Services (DIS). The Director of the DES is appointed by the Governor and is subject to confirmation by the Senate.

Impacts of Agency Reorganization.

The creation of the DES and the concomitant reorganization of state agencies have the following impacts:

- The GA is eliminated and its powers and duties are transferred to the DES.
- The Printer is eliminated and its powers and duties are transferred to the DES.
- The OFM is retained, but some powers and duties are transferred to the DES.
- The DOP is eliminated and its powers and duties are distributed between the OFM and the DES.
- The DIS is retained, but some powers and duties are transferred to the DES and the Department of Commerce.

Duties and Responsibilities of the DES.

The general responsibilities of the DES include: (1) providing products and services to support governmental entities and nonprofit organizations, and entering into agreements to this end; and (2) making information services available to state, local, and federal agencies, local governments, and public benefit nonprofit corporations.

State Procurement Practices.

The DES is tasked with effecting the reform and consolidation of state procurement practices and providing a report to the Governor with procurement reform recommendations. In doing so, the DES is directed to review national best practices and the procedures used in other states and by the federal government.

Part II: Powers and Duties Transferred from the GA to the DES.

The GA is eliminated, and all of the powers, duties, functions, assets, and personnel of the GA are transferred to the DES as part of the agency reorganization process. All statutory references to the "Department of General Administration" or its "Director" in the Revised Code of Washington are to be construed to mean the DES or its Director.

The transfer of the GA's powers, duties, and functions to the DES encompasses the following:

- agency records and assets;
- agency appropriations;
- agency employees; and
- collective bargaining units.

Repealed Statutes: Chapter 43.19 RCW (GA).

In the process of transferring the functions and duties of the GA to the DES, the following statutes pertaining to the GA are repealed:

- RCW 43.19.010; provisions pertaining to the appointment and powers of the Director of the GA;
- RCW 43.19.1923; provisions pertaining to the GA Central Services Account;
- RCW 43.19.1925; requirements for the combined purchases of commonly used items, advance payments by state agencies, and costs of operating central stores;
- RCW 43.19.590; employees of the motor pool retain their employment status and remain covered by civil service law upon being transferred to employment by the GA (1975 law);
- RCW 43.19.595; vehicles, property, facilities, funds and all other assets from the motor pool of the department of highways are transferred to the GA;
- RCW 43.19.615; requires that funds related to the motor vehicle transportation service be deposited in the GA's general administration services account;
- RCW 43.19.675; requires an energy audit be conducted for each state owned facility by either the GA or other agency responsible for such facility; and
- RCW 43.19.680; provisions relating to energy conservation maintenance and operation procedures for state-owned facilities.

Part III: Powers and Duties Transferred from the Printer to the DES.

The Printer is eliminated and all of the powers, duties, functions, assets, and personnel of the Printer are transferred to the DES as part of the agency reorganization process. All statutory references to the "Public Printer" in the Revised Code of Washington are to be construed to mean the DES or its Director.

The transfer of the Printer's powers, duties, and functions to the DES encompass the following:

- agency records and assets;
- agency appropriations;
- agency employees; and
- collective bargaining agreements, but subject to specified conditions and expiration dates.

The transfer of duties, functions, and powers to the DES includes the creation of additional statutory provisions and requirements pertaining to the printing of public documents under the authority of the DES, as described in the sections below.

Public Printing Revolving Account.

The Public Printing Revolving Account (Account) is created in the custody of the State Treasurer. All receipts from public printing must be deposited in the Account. Expenditures from the Account may be used only for administrative and operating purposes related to public printing. Only the Director of the DES or the Director's designee may authorize expenditures from the Account.

Print Management Contracts.

The DES must broker print management contracts for state agencies that are required to utilize such contracts. Also, the DES is authorized to broker print management contracts for other state agencies that choose to utilize these services. A state agency may be exempted from entering into a print management contract if the Director of the DES deems it unfeasible or if the DES and the agency cannot reach an agreement regarding print management.

Envelope Standardization.

The DES must consult with the OFM and other state agencies to more efficiently manage the use of envelopes by standardizing them to the extent feasible given the business needs of the agencies.

Printing and Binding Jobs.

For every printing and binding job ordered by a state agency, the DES shall advise the agency on how to choose more economic and efficient options to reduce costs.

Repealed Statutes: Chapter 43.78 RCW (Printer).

In the process of transferring the functions and duties of the Printer to the DES, the following statutes pertaining to the Printer are repealed:

- RCW 43.78.010; authorizing the Governor's appointment of a Printer;
- RCW 43.78.020; requirement that the Printer be bonded before assuming duties;
- RCW 43.78.040; requires that public entities requesting printing jobs do so by requisition and that such entities must oversee such printing jobs;
- RCW 43.78.050; requires that the Printer provide the requesting agency with an itemized statement of charges upon delivery of a printing or binding job; and
- RCW 43.78.080; contains requirements for charges assessed against public agencies for printing jobs and establishes five classes of printing and binding jobs.

Part IV: Powers and Duties Transferred from the DOP to the DES.

The DOP is eliminated and its powers and duties divided between the OFM and the DES. Generally, the OFM shall direct and supervise personnel policies and the application of civil service laws and the DES shall direct and supervise the implementation of the laws.

The position of Director of Human Resources is created within the OFM. The Director of Human Resources has the same responsibilities for the adoption of rules and procedures as the Director of Personnel. In addition, the Director of Human Resources must adopt and maintain a comprehensive classification plan and compensation system for all positions in the classified service that must:

- be simple and streamlined;
- support state agencies in responding to changing environments;
- ensure salary alignment for similar positions;
- value workplace diversity;
- facilitate the reorganization and decentralization of governmental services;
- enhance mobility and career advancement opportunities; and
- consider rates in other public and private employment in the state.

Upon request by an appointing authority and an employee organization representing classified employees, the Director of Human Resources may initiate a classification study. The Director of Human Resources may adopt special competitive salary ranges for institutions of higher education and related boards. Salary surveys of positions in public and private employment may be undertaken to establish market rates. Information collected from salary surveys that identify a specific employer is exempt from public disclosure.

Duties transferred to the OFM formerly performed by the DOP, include:

- compensation surveys for officers and entry-level officer candidates of the Washington State Patrol;
- prescription of training provisions for employees appointed to a supervisory or management position;
- adoption of policies and rules regarding diversity, employee leave, moving expenses of new employees, travel expenses of prospective employees, and the undergraduate internship program;
- study of the duties and salaries of various directors of departments and members of boards and commissions who are subject to appointment by the Governor and whose salaries are fixed by the Governor;
- oversight and custody of the Disability Accommodation Revolving Account, and the Higher Education Personnel Service Account; and
- joint oversight and custody of the Personnel Service Account.

Duties transferred to the DES formerly performed by the DOP include:

- training and career development;
- oversight of the payroll system;
- administration of the Data Processing Revolving Account and the Personnel Service Account;
- background checks on prospective agency heads appointed by the Governor;
- duties transferred from the Personnel Resources Board to the OFM;
- amendment and adoption of rules relating to employees with unsupervised access to children; and

- oversight and custody of the Data Processing Revolving Account.

Other policy changes include the removal of the Printer and its employees from the list of exemptions from civil service law; elimination of a reemployment list for terminated state employees; and elimination of reports regarding agencies' progress toward meeting affirmative action goals and various training activities.

Statutes relating to the establishment of the DOP and the appointment of the Director of the DOP are repealed. Obsolete statutes relating to the Personnel Appeals Board and transfer of records from the data processing center to the Central Personnel Payroll System are repealed. Other statutes, classification system for classified service, salary changes to achieve comparable worth, classification and salary schedules to consider rates of public and private employment, and background checks are repealed but the functions are added to other new statutes.

Part V: Powers and Duties Transferred from the OFM to the DES.

The OFM's division of risk management and all of the division's powers and duties are transferred to the DES as the Office of Risk Management. Oversight and all duties related to the OFM's personnel services contracts are transferred to the DES.

Part VI: Powers and Duties Transferred from the DIS to the DES.

A limited number of specified power, duties, and functions of the DIS are transferred to the DES, as described in the sections below.

Data Processing Revolving Account.

The DES is authorized to receive funding from the Data Processing Revolving Account in order to pay for equipment, supplies, services, salaries, wages, and other costs related to the implementation of information services and telecommunications systems.

Licensed Certification Authority.

The DES is authorized to become a licensed certification authority as part of the system for authenticating digital signatures under the requirements of the Electronic Authentication Act.

Purchase of Wireless Devices or Services.

State agencies that are purchasing wireless devices or services must make such purchases through the state master contract, unless the state agency provides to the OFM evidence that the state agency is securing its wireless devices or services from another source for a lower cost than through participation in the state master contract.

Repealed Statute: Chapter 43.105 RCW (DIS).

In the process of transferring some of the functions and duties of the DIS to the DES, the following statutes pertaining to the DIS are repealed:

- RCW 43.105.300; encouraging state agencies and local governments to provide employee education in the use and implementation of electronic technologies; and
- RCW 43.105.360; requires DIS to make publicly available a web directory of public facilities that provide community technology programs throughout the state.

VII: Powers and Duties Transferred from the DIS to the Department of Commerce.

The oversight and administration of a wide range of functions pertaining to high-speed Internet activities are transferred from the DIS to the Department of Commerce, including:

- the Broadband Mapping Account;
- duties relating to the creation of a geographic information system map of all high-speed Internet infrastructure owned or leased by the state;
- the Community Technology Opportunity Program; and
- oversight of implementation of federally funded or mandated broadband programs for the state.

Part VIII: Administrative Provisions; Review of Collective Bargaining Units.

By January 1, 2012, the Public Employment Relations Commission (Commission) must review the appropriateness of the collective bargaining units transferred to the DES by the GA, the Printer, and the DIS. If the Commission determines that an existing collective bargaining unit is appropriate under state collective bargaining laws, the exclusive bargaining representative certified to represent the bargaining unit prior to January 1, 2012, shall continue as the exclusive bargaining representative without the necessity of an election.

If the Commission determines that existing collective bargaining units are not appropriate, the Commission may modify the units and order an election. The Commission may also require an election if similarly situated employees are represented by more than one employee organization.

Substitute Bill Compared to Original Bill:

The substitute bill makes the following changes to the original bill:

- transfers high-speed Internet activities from the DIS to the Department of Commerce, including: (1) the Broadband Mapping Account; (2) duties relating to the creation of a geographic information system map of all high-speed Internet infrastructure owned or leased by the state; (3) the Community Technology Opportunity Program; and (4) oversight of implementation of federally funded or mandated broadband programs for the state;
- makes technical changes to correct references to the DOP and various cross-references to repealed statutes; and
- requires the DES to implement a quality management program that includes: (1) yearly scorecard assessments of its program; (2) application for regular assessments of its program by the Washington State Quality Award Program and the Baldridge National Quality Program or similar national program; and (3) begin implementation of a Lean Six Sigma program by 2013.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect July 1, 2011, except for sections 109, relating to the definition of executive state officer, and 449, relating to the compensation for an executive director to the public disclosure commission, which take effect January 1, 2012, and section 464, relating to the definitions for purposes of the minimum wage act, which takes effect December 31, 2011.

Staff Summary of Public Testimony:

(In support) This bill is the Governor's proposal for the creation of a new state agency, the Department of Enterprise Services (DES), which involves the reorganization of several major state agencies. Combining the duties and powers of several agencies under the umbrella of the DES will create much greater efficiency by eliminating the fragmented, overlapping duties and authorities that exist under the current structure of state agencies. The creation of the DES will consolidate state procurement functions from three agencies into one. In addition, the reorganization will allow the Office of Financial Management (OFM) to focus on its financial management functions and relieve it of most service-related duties.

The bill will result in \$11.2 million in savings, with 50 to 60 percent of the savings being monies received from the General Fund. After reorganization, the Department of Personnel will save approximately \$2 million and the OFM will save \$495,000. While there will be initial costs related to moving and other aspects of the reorganization, overall the consolidation of agencies will yield substantial net savings. These savings will result in the lowering of the dollar amount of the rate structures used by the agencies. It will take approximately one year to create the DES, and several years to complete the overall consolidation and reorganization.

(With concerns) The bill creates concerns about how the reorganization will affect the competitive bidding process and procurement practices. Accordingly, these bidding and procurement issues should receive further review. The elimination of the Public Printer also provides reason for concern.

(Opposed) None.

Persons Testifying: (In support) Kathleen Drew, Governor's Policy Office; Peter Antolin, Office of Financial Management; and Jason Mercier, Washington Policy Center.

(With concerns) Jim King, Independent Business Association.

Persons Signed In To Testify But Not Testifying: None.