

HOUSE BILL REPORT

HB 2197

As Reported by House Committee On:
State Government & Tribal Affairs
Health & Human Services Appropriations
Ways & Means

Title: An act relating to the department of social and health services.

Brief Description: Abolishing the department of social and health services and creating new departments to take over its functions.

Sponsors: Representatives Armstrong, Angel, Haler, Appleton, Short, Morris, Johnson, Hunt, Kretz, Newhouse, Eddy, Lias, Warnick, McCune, Hurst, Roach, Rodne, Rolfes, Blake, Ericksen, Upthegrove, Simpson, Campbell, Takko, Moeller, Cox, Sells, Hope, Springer, Williams, Chase, Pearson and Kristiansen.

Brief History:

Committee Activity:

State Government & Tribal Affairs: 2/20/09 [DP];
Health & Human Services Appropriations: 2/2/10, 2/5/10 [DP];
Ways & Means: 2/8/10, 2/9/10 [DPS].

Brief Summary of Substitute Bill

- Restructures the Department of Social and Health Services (DSHS) to transfer authority regarding direct client services to four new agencies while retaining authority for the administrative functions over those activities.
- Creates a realignment team to submit a plan for restructuring the DSHS to the Legislature by December 1, 2010.

HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL AFFAIRS

Majority Report: Do pass. Signed by 7 members: Representatives Hunt, Chair; Appleton, Vice Chair; Armstrong, Ranking Minority Member; Alexander, Flannigan, Hurst and Miloscia.

Staff: Marsha Reilly (786-7135).

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.

Background:

The Department of Social and Health Services (DSHS) was established in 1970. It was created by merging the former Department of Health, Department of Public Assistance, Department of Institutions, the Veterans' Rehabilitation Council, and the Division of Vocational Rehabilitation of the Coordinating Council on Occupational Education. According to the legislative intent, the DSHS was designed to "integrate and coordinate all those activities involving provision of care for individuals who, as a result of their economic, social, or health condition, require financial assistance, institutional care, rehabilitation, or other social and health services."

Programs and administrations within the DSHS include: aging and disability; alcohol and substance abuse; child support; children's services; deaf and hard of hearing; health care assistance; juvenile rehabilitation; mental health; research and data analysis; residential habilitation centers; special commitment center; state hospitals; and vocational rehabilitation.

The DSHS has over 19,000 full-time equivalent employees, and the most recent operating budget totaled approximately \$19 billion.

Summary of Bill:

The stated findings of the Legislature are that the DSHS has grown significantly and is so large that it is difficult to administer; does not have the appropriate focus on critical functions; does not effectively deliver services and programs; leads to higher state costs through inefficiencies due to its size; and is difficult to measure the performance of the agency.

The DSHS is abolished and its powers, duties, and functions are transferred to the following new departments: (1) the Department of Economic Services; (2) the Department of Medical Assistance; (3) the Department of Health and Rehabilitative Services; and (4) the Department of Children's Services. By July 1, 2009, the Governor shall appoint a transition team consisting of representatives from the Office of Finance Management and the divisions of the DSHS. The transition team shall divide up the functions of the DSHS into the newly created departments and, by January 1, 2010, will submit the plan and the necessary implementing legislation to the Legislature so that the new agencies will be operating by July 1, 2011.

Appropriation: None.

Fiscal Note: Requested on February 16, 2009.

Effective Date: The bill takes effect on July 1, 2011, except for section 604 of the act, relating to the appointment and duties of the transition team, which contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) There is a lot of bi-partisan interest in this bill as evidenced by the number of representatives signing on to it. The bill dissolves the DSHS into four smaller departments. It allows the DSHS to make recommendations to the Legislature on its division and allows time for implementation. Phone calls received by the sponsor from a number of employees of the DSHS indicate support of the bill.

(With concerns) The Governor appreciates the intent of the bill, but does have concerns about its implementation. Resources are limited and there is a need to be more effective with state dollars. There is no study regarding the cost effectiveness of bigger agencies versus smaller ones. Smaller agencies are not necessarily more cost efficient, and there will be start-up costs associated with the new agencies.

(Opposed) None.

Persons Testifying: (In support) Representative Armstrong, prime sponsor.

(With concerns) Kari Burrel, Governor's Policy Office.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON HEALTH & HUMAN SERVICES APPROPRIATIONS

Majority Report: Do pass. Signed by 9 members: Representatives Seaquist, Vice Chair; Schmick, Ranking Minority Member; Alexander, Assistant Ranking Minority Member; Appleton, Fagan, Johnson, Miloscia, O'Brien and Walsh.

Minority Report: Do not pass. Signed by 6 members: Representatives Pettigrew, Chair; Cody, Dickerson, Morrell, Roberts and Wood.

Staff: Chris Blake (786-7392).

Summary of Recommendation of Committee On Health & Human Services Appropriations Compared to Recommendation of Committee On State Government & Tribal Affairs:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 101, 201 - 208, 301 - 308, 401 - 408, 501 - 508, and 601 - 603, relating to the creation of new agencies, which take effect July 1, 2011 and section 604, relating to the appointment of a transition team, which takes effect immediately.

Staff Summary of Public Testimony:

(In support) This bill has wide bipartisan support. There have been several media reports about children being abused while under the care of the DSHS. Sixteen children die each year while under the care of the DSHS. The DSHS employees believe that different entities and regions within the DSHS cannot work together because of the agency's large size. Children and seniors are among the most vulnerable people in society and they are not being adequately cared for by the DSHS. Washington ranks 36th in caring for children. There are many layers of management in the DSHS that could be eliminated and divided into smaller programs to run more efficiently and be more accountable. The savings in lawsuits against the DSHS would cover any costs for the transition.

(With concerns) The Governor is supporting several reform proposals to streamline agencies and reduce fragmentation and duplication of services, but this bill goes in the opposite direction. The people that the DSHS serves generally have multiple service needs and the DSHS helps the whole person in the most integrated fashion possible. The new Secretary is committed to improving outcomes to the state's clients. The reorganization in the bill would be disruptive and cost money in the short-term and state resources are at a premium this year.

(Opposed) The DSHS is currently taking steps to focus on impact, realignment, and shared governance and partnership as well as reduce management layers and risk management activities. The DSHS is focused on impact, improving the health status of people, reducing poverty, and increasing employment and educational success.

Persons Testifying: (In support) Representative Mike Armstrong, prime sponsor.

(With concerns) Kari Burrell, Governor's Policy Office.

(Opposed) Susan Dreyfus, Department of Social and Health Services.

Persons Signed In To Testify But Not Testifying:

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Haigh, Hinkle, Hunt, Kessler, Priest, Ross, Schmick and Seaquist.

Minority Report: Do not pass. Signed by 7 members: Representatives Cody, Conway, Darneille, Hunter, Kagi, Kenney and Pettigrew.

Staff: Chris Blake (786-7392).

Summary of Recommendation of Committee On Ways & Means Compared to Recommendation of Committee On Health & Human Services Appropriations:

The substitute bill restructures, rather than abolishes, the DSHS so that it provides common administrative functions to the four new client service-based agencies. The Department of Children's Services will be operational by July 1, 2011. The departments of Economic Services, Medical Assistance, and Health and Rehabilitative Services shall be operational by July 1, 2012.

A realignment team, rather than a transition team, is established to submit a plan and implementing legislation to the Legislature by December 1, 2010. The realignment team shall consist of Governor-appointed representatives from the Office of Financial Management and the affected programs and administrations of the DSHS. In addition, the leadership of each of the two major caucuses of each chamber of the Legislature shall appoint legislative representatives to the realignment team. The realignment team must work with stakeholders and regularly consult the appropriate fiscal and policy committees of the Legislature.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 10, 2010.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 101, 201 - 208, 301 - 308, 401 - 408, 501 - 508, and 601 - 603, relating to the creation of new agencies, which take effect July 1, 2011, and section 604, relating to the appointment of a transition team, which takes effect immediately.

Staff Summary of Public Testimony:

(In support) This is a study bill with teeth. Sixteen children per year die under the DSHS' watch and it is not possible to quantify the savings against the lost lives. There are too many layers of management that direct employees have to go through in order to make systemic changes. The financial savings will be huge.

(With concerns) Passing this bill will decrease productivity, stop the momentum of the DSHS, increase costs, and lose an opportunity to lead change in government agencies. Resetting government requires renewed focus, accountability for real results, integration, alignment, and harnessing the power of leverage and this bill dismantles all of that. The problems at the DSHS have nothing to do with organizational structure. This bill will separate functions that need a higher emphasis on integration.

(Oppose) The Governor is proposing several reform proposals to streamline agencies and reduce fragmentation and duplication of services, but this bill goes in the opposite direction. The people that the DSHS serves generally have multiple service needs and the DSHS helps the whole person in the most integrated fashion possible. The new Secretary is committed to improving outcomes to the state's clients. The reorganization in the bill would be disruptive and cost money in the short-term and state resources are at a premium this year. It is not clear whether there are either programmatic or fiscal advantages to this bill. It is not apparent how the bill would address either tort liability or client safety.

Persons Testifying: (In support) Representative Armstrong, prime sponsor.

(With concerns) Susan Dreyfus, Secretary, Department of Social and Health Services.

(Opposed) Kari Burrell, Office of the Governor.

Persons Signed In To Testify But Not Testifying: None.