SENATE BILL REPORT

ESHB 1509

AS REPORTED BY COMMITTEE ON WAYS & MEANS, APRIL 5, 1993

Brief Description: Increasing flexibility of institutions of higher education.

SPONSORS: House Committee on Appropriations (originally sponsored by Representatives Locke, Sommers, Silver, Jacobsen, Ludwig and Bray)

HOUSE COMMITTEE ON APPROPRIATIONS

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Bauer, Chairman; Drew, Vice Chairman; Jesernig, Quigley, von Reichbauer, and West.

Staff: Scott Huntley (786-7421)

Hearing Dates: March 24, 1993; March 30, 1993

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Higher Education.
Signed by Senators Rinehart, Chairman; Spanel, Vice Chairman; Anderson, Bauer, Bluechel, Gaspard, Hargrove, Hochstatter, Jesernig, McDonald, Moyer, Niemi, Owen, Quigley, Snyder, West, and Wojahn.

Staff: Linda Brownell (786-7715)

Hearing Dates: April 5, 1993

BACKGROUND:

The state Department of General Administration establishes requirements for the purchasing activities of all state agencies, including the institutions of higher education. Agencies are required to purchase from Central Stores and state mandatory contracts. Purchase of other items must comply with the public bid requirements of a formal, sealed bid for items costing more than $6,000. The bid requirement threshold for purchases from nonstate funds is $15,000 for institutions of higher education.

The Public Printer provides all printing, printing supplies, and paper for state agencies. For paper, stock, and binding materials, the public printer charges agencies the purchase price plus 5 percent for handling. The Public Printer may contract with private sources on behalf of agencies, and may charge agencies up to an additional 5 percent for handling.

Multiple-trade construction projects over $15,000 at community and technical colleges, and over $25,000 at four-year institutions, must be publicly bid. Single-trade construction projects over $10,000 at four-year institutions must be publicly bid. A small works roster process may be used for the purpose of competitively awarding construction projects costing up to $50,000 at all higher education institutions. Projects costing more than $50,000 must be awarded using a formal, publicly advertised, sealed-bid process. The Department of General Administration manages construction projects, including the bid process, at the community and technical colleges.

Student tuition is comprised of three parts: operating fees; building fees; and student services and activities fees. Revenue from building and operating fees is transmitted to the State Treasurer. The treasurer maintains separate operating fees and building fees accounts for each institution, subject to appropriation by the Legislature. Interest earnings are retained in the general fund.

The total tuition charged to students is a fixed percentage of educational costs. The percentage varies according to type of student and type of institution attended. The building fees portion of the total tuition, however, is fixed at a dollar amount.

The higher education personnel law is administered by the Higher Education Personnel Board (HEPB). The HEPB is responsible for civil service rules, classification for all higher education classified personnel, and collective bargaining procedures for classified personnel. Classified employees have the right to collectively bargain on grievance procedures and personnel matters over which the institution may "lawfully exercise discretion." Because the higher education personnel law provides rules for most major personnel functions, collective bargaining is limited. HEPB is paid for by charges to each institution against the salary base of classified employees.

Certain employees in higher education are exempt from civil service. Exempt employees include faculty, heads of administrative or academic divisions and their principal assistants, and employees involved in research, counseling, continuing education, and graphic arts.

The Public Employment Relations Commission is responsible for the administration of state collective bargaining statutes that cover many public employees, such as employees of cities, counties, municipal corporations, and political subdivisions; public school teachers; academic employees of community colleges; public utility districts; port district employees; and the Washington State Patrol.

SUMMARY:

Institutions may choose to manage competitive purchasing procedures independent of the Department of General Administration for a commodity or group of commodities. Purchasing policies established independently by institutions must comply with statutes regarding: minority and women's business enterprises; personal services contracts; employee expenses; leases; competitive bidding; equipment inventory requirements; acceptance of gifts by persons making purchasing decisions; purchases from inmate programs; energy conservation requirements for leases; in-state vendor preferences; and state-owned motor vehicles. If an institution demonstrates to the Office of Financial Management that the costs of compliance are greater than the benefits, then it shall be exempted from requirements for: purchases from inmate programs; energy conservation requirements for leases; or clean fuel vehicles. Community and technical colleges must continue to purchase engineering and architectural services from the Department of General Administration. Institutions must continue to participate in the state's risk management program, except for the University of Washington. The institutions are required to develop property disposition policies consistent with those of the Department of General Administration.

Formal sealed bids are required for items costing $15,000 for institutions of higher education. Limits are to be adjusted biennially for inflation by the Office of Financial Management.

Institutions may choose to perform or contract printing jobs independent of the Public Printer. If institutions contract with the public printer through an interlocal agreement, the 5 percent handling charges do not apply. Institutions are required to develop vendor selection procedures comparable to those used by the Public Printer.

Community and technical colleges may use their own employees for construction projects costing up to $25,000 for multiple-trade projects, and $10,000 for single-trade projects.

Four-year institutions, and the Department of General Administration may use a small works roster for construction projects costing up to $100,000 for construction projects at community and technical colleges.

Institutions are required to deposit operating fees in a local account containing only operating fees revenue and related interest. The local accounts are not subject to appropriation by the Legislature.

Appropriations to institutions of higher education will be reduced by the amount of operating fee revenue estimated to be collected from students enrolled at the state-funded enrollment level specified in the state budget, plus any interest on that revenue. Institutional obligations for payment on general obligation bonds and the institutional long-term loan fund, and statutorily authorized tuition waivers are not to be counted toward the estimate of collected operating fee revenue.

The building fee is changed from a fixed amount to a percentage of total tuition.

The responsibility to administer collective bargaining procedures for classified higher education employees, including jurisdiction over cases in progress, and regardless of whether they are covered by civil service, is transferred from the Higher Education Personnel Board to the Public Employees Relations Commission (PERC). Bargaining units in existence on the date of transfer under HEPB will be recognized by PERC. The scope of bargaining is limited by civil service provisions unless a campus bargaining unit and institution management choose to opt out of civil service. Employee relations with units that opt out are wholly governed by the terms of the collective bargaining agreement; however, the scope of bargaining excludes health or retirement benefits. The Higher Education Personnel Board (HEPB) continues to administer the civil service system for employees who do not opt out.

Compensation for employees who opt out of civil service is appropriated by the Legislature. If a bargained agreement includes salary increases beyond those authorized by the Legislature, the salary base used to calculate future legislative increases may not include these additional increases.

New categories of personnel are exempt from civil service, including managerial/professional employees with substantial responsibility for: (1) directing or controlling program operations; (2) formulating institution policy; or (3) carrying out personnel functions, legislative relations, public information, and audits.

HEPB charges to institutions will continue to be based on a classified employee salary base that includes any employees who opt out of civil service for a period of six months. After the six months, the budget of the HEPB will be reduced to reflect the loss of revenue.

Appropriation: An unspecified amount is appropriated from each public four-year institution's and the community colleges' operating fees account to the respective institution's local account for containing operating fee revenue.

SUMMARY OF PROPOSED SENATE AMENDMENT:

Technical colleges are not required to set aside tuition funds for the institutional long-term loan program. The change in building fees from a fixed dollar amount to a percentage of total tuition will occur in the 1995-96 academic year. The percentage will be based on the actual percentage the building is of total tuition in the 1994-95 academic year rounded up to the nearest half-percent.

Technical corrections and clarifications are made to sections dealing with employment relations.

Revenue: none

Fiscal Note: available

Effective Date: The bill contains an emergency clause and takes effect on July 1, 1993.

TESTIMONY FOR (Higher Education):

The bill enhances local control, local decision-making and changes the incentives for institutions to manage their resources wisely. Decentralized decision-making will save the colleges and universities considerable money. College construction projects will be more timely and efficient. Private sector principles are applied to the public sector. Colleges are given more opportunity to manage locally, and contract with small and local businesses. The collective bargaining option for classified employees is unique in that it provides an option to bargain and leave civil service. There will be no overlap between civil service and collective bargaining.

TESTIMONY AGAINST (Higher Education):

This will cause fractionalization of state employees. Some will be under civil service and some will not. State employees should have civil service protection. Collective bargaining should be allowed on state-funded salaries. It isn’t true collective bargaining unless salaries and benefits are included. There should not be further exemptions allowed for staff positions at the institutions. This bill should not pass; civil service reform should be contained in one bill, not two.

TESTIFIED (Higher Education): Representative Gary Locke, original prime sponsor (pro); Dan Steele, WSL (pro); Bob Edie, UW (pro); Terry Teale, Council of Presidents (pro); Earl Halt, SBCTC (pro); John Retit, UW (pro); Eugene St. John, WEA; Susan Johnson, Service Employees Union (pro); David Westberg, Stationary Engineers (pro); Judy McNickle, HEC Board (pro); Gary Moore, WFSE; Marv Shirley, PERC

TESTIMONY FOR (Ways & Means):

The bill is supported by all six of the four-year higher education institutions. This legislation will allow better management of the institutions. It supports flexibility and local decision making, and will give managers the ability to apply management concepts to create changes and incentives.

The civil service provisions don’t overlap sectors. This provides local solutions to local problems and the ability to solve problems more quickly. Concern was expressed that all classified employees would be covered by the Public Employees Relations Commission whether they opt out of civil service or not. If groups wanted to stay under the current arrangement with the Higher Education Personnel Board they should be able to retain their services for labor relations disputes.

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): PRO: Terry Teale, COP; Bob Edie, UW; Earl Hale, SBCTC; Susan Johnson, SEIU; Ellie Mengies, District 1199 NW, SEIU; CON: Gary Moore, WFSE, WPEA