

# HOUSE BILL REPORT

## E2SHB 2880

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### As Amended by the Senate

**Title:** An act relating to state agency personal service contract guidelines.

**Brief Description:** Creating a task force on agency vendor contracting practices.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Clements, Dickerson, Backlund, Gombosky, Parlette, Gardner and Delvin).

**Brief History:**

**Committee Activity:**

Vendor Contracting & Services: 1/27/98, 2/3/98 [DPS];  
Government Administration: 2/5/98 [DPS(SVC)];  
Appropriations: 2/7/98 [DP2S(w/o sub SVC)].

**Floor Activity:**

Passed House: 2/13/98, 98-0.  
Senate Amended.

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### HOUSE SELECT COMMITTEE ON VENDOR CONTRACTING & SERVICES

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Clements, Chairman; Backlund; Delvin; Dickerson; Gardner; Gombosky and Parlette.

**Staff:** Josh Weiss (786-7292).

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### HOUSE COMMITTEE ON GOVERNMENT ADMINISTRATION

**Majority Report:** The substitute bill by Committee on Select Vendor Committee be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives D. Schmidt, Chairman; D. Sommers, Vice Chairman; Scott, Ranking Minority Member; Gardner, Assistant Ranking Minority Member; Doumit; Dunn; Dunshee; Murray; Reams; Smith; L. Thomas; Wensman and Wolfe.

**Staff:** Josh Weiss (786-7292).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Select Committee on Vendor Contracting & Services. Signed by 29 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Chopp; Cody; Cooke; Crouse; Grant; Keiser; Kenney; Kessler; Lambert; Lisk; Mastin; McMorris; Parlette; Poulsen; Regala; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

**Staff:** Joe Hauth (786-7271).

**Background:** RCW 39.29 governs the procurement of personal service contracts. Due to the exemption of fee-for-service contracts and client service contracts from RCW 39.29, there are no uniform contracting guidelines governing the procurement of all personal service contracts in the social services contracts. Other states such as Texas have performed in-depth studies culminating in uniform contract guidelines for personal service contracts.

**Summary of Bill:** A nine-member task force is selected and headed by the Office of Financial Management (OFM). The task force is charged with the duty of reviewing and suggesting legislative and administrative remedies to specific issues regarding fee-for-services and client services contracts held by not-for-profit entities for the provision of social services. The task force is required to look at: 1) the adequacy of 39.29 RCW, including the exemption of fee-for-service and client-service contracts; 2) process improvements to ensure contract oversight and the specific role of agencies in ensuring accountability of public moneys; 3) the appropriate level of state reimbursement which will determine which contractors are eligible to be audited by the state auditor under 43.88.570 RCW, and appropriate funding sources for the auditor to perform audits under 43.09 and 43.88.570 RCW; and 4) several factors related to the adoption of uniform contract guidelines. The task force staff will be employed by the OFM, and will be eligible to receive reimbursement for travel expenses. The task force is required to make a report of its findings and suggestions to the Legislature and to the director of the Office of Financial Management by November 1, 1999.

The bill is null and void unless funded in the budget.

**EFFECT OF SENATE AMENDMENT(S):** The task force is required to report to the Senate, in addition to the House.

**Appropriation:** The sum of \$207,825 is appropriated to the Office of Financial Management for the fiscal year ending June 30, 1999.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

**Testimony For:** (Vendor Contracting & Services) The bill is too narrow in looking only to personal services contracts, the Legislature needs to fundamentally re-examine the laws, methods, and practices pertaining to the use of all contracted resources. Terminology used in the bill needs to be carefully considered and weighed for their effective meanings. The task force should be charged with making "legislative" and "administrative" recommendations. "Investigation" is too strong, and has negative connotations. The task force should be allowed to take into account cost/benefit analysis when making recommendations. The task force should define the specific roles of state agencies in ensuring the accountability of public funds.

Testified Neutral (with comments): The bill is too narrow in only looking at personal service contracts.

(Government Administration ) None.

(Appropriations) This task force will be comprised of people with tenacity. Some of the largest not-for-profit organizations have had some problems. The bill is intended to ensure that state money goes into the hands of the people for whom it is intended. The Washington State Catholic Conference is probably one of the largest social-service providers and it supports these measures. This is a legitimate effort, not a witch hunt. The State Auditor's Office supports the bill. We have found a need to strengthen the expectations for not-for-profit organizations. Most of the problems found by the auditor are unintentional. The Select Committee on Vendor Contracting and Services has done an excellent job. The task force puts appropriate people around the table and has the support of agency contractors. The State Auditor has indirect authority to audit not-for-profits but it lacks the necessary resources and mandate to do so effectively.

**Testimony Against:** (Vendor Contracting & Services) None.

(Government Administration ) None.

(Appropriations) None.

**Testified:** (Vendor Contracting & Services) Susan Johnsen, Office of Financial Management (comments only). Linda Long, Office of the State Auditor (pro).

(Government Administration ) None.

(Appropriations) Representative Clements, prime sponsor; Margaret Casey, Washington State Catholic Conference; and Linda Long, State Auditor's Office.