

SENATE BILL REPORT

SB 5176

As Reported By Senate Committee On:
Government Operations, February 13, 1997

Title: An act relating to personal service contracts.

Brief Description: Controlling personal service contracts.

Sponsors: Senators McCaslin and Haugen.

Brief History:

Committee Activity: Government Operations: 1/30/97, 2/13/97 [DPS].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS

Majority Report: That Substitute Senate Bill No. 5176 be substituted therefor, and the substitute bill do pass.

Signed by Senators McCaslin, Chair; Anderson, Horn and Patterson.

Staff: Eugene Green (786-7405)

Background: It is state policy to have open competition for personal service contracts and subcontracts to personal service contracts entered into by state agencies, unless specifically exempt. State policy also provides for legislative and executive review of personal service contracts, to centralize the location of information about personal service contracts for ease of public review, and ensure proper accounting of personal services expenditures.

Personal service contracts of \$2,500 or greater but less than \$10,000 must have documented evidence of competition (agency has solicited responses from multiple firms). Personal service contracts greater than \$10,000 are entered into pursuant to competitive solicitation (documented formal process providing an equal and open opportunity based on pertinent criteria). These limits were established in 1979 and 1987, respectively.

State-funded personal service contracts subject to competitive solicitation, as well as substantial changes and amendments to personal service contracts exceeding 50 percent of the value of the contract, emergency contracts, and sole source contracts, including documented justification, must be provided to both the Joint Legislative Audit and Review Committee (JLARC) and the Office of Financial Management (OFM). Because OFM provides JLARC with a monthly report summarizing the contracts filed for the period and since JLARC does not have contract approval authority, it has been suggested that the filings with JLARC are duplicative and costly.

If subcontracts are authorized, but the subcontractors are not specifically identified in a contractor's response to a competitive solicitation, any subcontracts must comply with the competitive solicitation requirements. It is argued that agencies have the right to approve

subcontractors before they can be added to a contract, assuring quality control without subjecting subcontractors to competitive solicitation requirements.

Summary of Substitute Bill: The threshold for contracts that must have documented evidence of competition is raised from \$2,500-\$10,000 to \$5,000-\$20,000 and future adjustments are based on the Implicit Price Deflator.

The threshold for contracts for which competitive solicitation is required is raised from \$10,000 to \$20,000 and future adjustments are based on the Implicit Price Deflator.

The filing of personal service contracts with the Joint Legislative Audit and Review Committee is eliminated.

The requirement that personal service contractors must use a competitive process to select subcontractors, when subcontractors are required after the initial award, is eliminated.

Substitute Bill Compared to Original Bill: The threshold for contracts that must have documented evidence of competition is raised to \$5,000-\$20,000 rather than \$5,000-\$15,000.

The threshold for which competitive solicitation is required is raised to \$20,000 rather than \$15,000.

The filing of sole source contracts funded by nonstate funds remains unchanged.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: A multiagency task force met for one year to discuss how the state does business. Many participants felt strongly that procurement in Washington is rule bound and paper bound.

Testimony Against: (original bill): It is a waste of time to have to file nonstate funded contracts. The contracts have to be annually filed regardless.

Testified: Susan Johnson, OFM (pro); Teresa Morris, Employment Security Department (pro); Lambert van der Walde, University of Washington (con).