
SUBSTITUTE HOUSE BILL 1721

State of Washington

55th Legislature

1997 Regular Session

By House Committee on Government Administration (originally sponsored by Representatives McMorris, Koster, Honeyford, Van Luven and Mulliken)

Read first time 03/05/97.

1 AN ACT Relating to commercial activity by government agencies;
2 adding a new section to chapter 43.01 RCW; creating new sections; and
3 providing an expiration date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that private
6 enterprise is essential to the health, welfare, and prosperity of
7 Washington state citizens. When government engages in commercial
8 activities and provides goods and services to private citizens,
9 private businesses are unable to compete with the prices offered by
10 government because the true costs of the goods and services are not
11 reflected in the price. This sometimes results in businesses failing
12 or reducing the number of their employees.

13 The legislature also recognizes that it has been ten years since
14 legislation was enacted governing commercial activities by institutions
15 of higher education. No review of this legislation has been conducted
16 to determine whether it is achieving its intended purpose.

17 In addition, the legislature finds that there is no entity that is
18 designated as a source to which private enterprise may file complaints

1 against unfair competition by a government agency or institution of
2 higher education.

3 NEW SECTION. **Sec. 2.** (1) The joint legislative audit and review
4 committee shall conduct a performance audit of commercial activities
5 performed by institutions of higher education pursuant to chapter
6 28B.63 RCW. The audit shall include, at a minimum, a review of the
7 policies adopted by the institutions of higher education, the criteria
8 used in developing these policies, mechanisms in place for reviewing
9 commercial activities, and the procedures for responding to complaints
10 by private businesses. The committee shall seek input from private
11 sector businesses in conducting the audit. As part of the audit
12 process, the committee shall examine the extent to which goods,
13 services, or facilities are provided to people other than faculty,
14 staff, students, patients, or their guests, and how the costs of these
15 goods, services, and facilities compare to the costs of comparable
16 goods, services, and facilities from the private sector in the general
17 vicinity.

18 (2) In conducting the performance audit under subsection (1) of
19 this section, the joint legislative audit and review committee shall
20 review the regional universities, the University of Washington and its
21 branch campuses, Washington State University and its branch campuses,
22 The Evergreen State College, and a sample of community and technical
23 colleges within the state.

24 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.01 RCW
25 to read as follows:

26 (1) By December 1, 1997, the office of financial management shall
27 develop a methodology for reflecting the fully allocated costs of
28 conducting a commercial activity by a state agency or institution of
29 higher education. The methodology shall include, but is not limited
30 to: Employee salaries and benefits; capital outlays, including
31 supplies and equipment; administrative and overhead expenditures;
32 contract administration and evaluation; and taxes that would be
33 received by state and local governments from private providers of
34 goods, services, and facilities.

35 (2) By January 1, 1998, each state agency or institution of higher
36 education must determine the fully allocated costs of commercial
37 activities that it conducts in which it sells or rents goods, services,

1 or facilities to the general public. An agency must use the
2 methodology developed by the office of financial management under
3 subsection (1) of this section, or may develop its own methodology.
4 Copies of the breakdown of fully allocated costs for commercial
5 activities, as well as the methodology used, shall be available for
6 public inspection and copying.

7 (3) The office of financial management shall prepare a report by
8 July 1, 1998, on the implementation of this section by state agencies,
9 institutions of higher education, and related boards. The report shall
10 be submitted to the members of the government administration committee
11 and the appropriations committee of the house of representatives, and
12 to the members of the government operations committee and the ways and
13 means committee of the senate.

14 NEW SECTION. **Sec. 4.** (1) A task force on commercial activities by
15 government is established. The task force shall consist of the
16 following twelve members: (a) Two members of the house of
17 representatives, one member from each major political caucus, appointed
18 by the speaker of the house of representatives; (b) two members of the
19 senate, one member from each major political caucus, appointed by the
20 president of the senate; (c) four government representatives, one
21 member representing institutions of higher education appointed by the
22 governor, one member representing state agencies appointed by the
23 governor, one member representing local government appointed by the
24 governor, and the director of the office of financial management or the
25 director's designee; and (d) four members from private enterprise who
26 are owners or officers of small business, appointed by the governor.
27 The governor shall appoint one of the small business members to serve
28 as the chair of the task force. The task force may contract for
29 consultant or other services subject to available funds.

30 (2) The task force shall study and develop recommendations
31 pertaining to commercial activities by government, including but not
32 limited to: (a) The development of an effective mechanism for private
33 businesses to file and resolve complaints of unfair competition by
34 government; and (b) minimizing the impact of commercial activities on
35 small businesses by establishing criteria as to when commercial
36 activities can be engaged in by government. The task force shall
37 include as part of its study the operation of central stores by the
38 department of general administration, including the sale of surplus

1 items, and the provision of emergency medical services by local
2 governments.

3 (3) The task force shall report its findings and recommendations to
4 the appropriate legislative committees by December 1, 1998.

5 (4) This section expires January 1, 1999.

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