

# HOUSE BILL REPORT

## HB 2352

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### As Amended by the Senate

**Title:** An act relating to transferring statewide risk management functions from the department of general administration to the office of financial management.

**Brief Description:** Transferring risk management functions from the department of general administration to the office of financial management.

**Sponsors:** By Representatives Alexander, Lantz and Esser; by request of Governor Locke and Attorney General.

### Brief History:

#### Committee Activity:

State Government: 1/22/02, 1/25/02 [DP].

#### Floor Activity:

Passed House: 2/8/02, 97-0.

Senate Amended.

Passed Senate: 3/5/02, 45-0.

### Brief Summary of Bill

- All powers, duties, functions, funds, and personnel of the Risk Management Office are transferred from the Department of General Administration to the Office of Financial Management.

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## HOUSE COMMITTEE ON STATE GOVERNMENT

**Majority Report:** Do pass. Signed by 7 members: Representatives Romero, Chair; Miloscia, Vice Chair; McMorris, Ranking Minority Member; McDermott, Schindler, Schmidt and Upthegrove.

**Staff:** Marsha Reilly (786-7135).

### Background:

In 1977 the Legislature created the Risk Management Office within the Department of General Administration. The Risk Management Office was directed to develop policies and plans for self-insuring liabilities, funding tort claims on an actuarial basis,

implementing a program of safety and loss control, and proposing legislative recommendations to carry out its mandate. Specifically, the Risk Management Office is to:

- identify liability and property risks that may have a significant economic impact on the state;
- evaluate risk in terms of the state's ability, as opposed to an individual agency's ability, to fund potential loss;
- eliminate or improve conditions and practices which contribute to loss;
- assume risks to the maximum extent practical;
- provide flexibility to meet the unique requirements of any state agency for insurance coverage or service;
- purchase commercial insurance under specified circumstances; and
- develop plans for the management and protection of the revenues and assets of the state.

In fiscal year 2001, state tort payouts reached an all-time high at over \$85 million. A Risk Management Task Force was convened by the Governor and the attorney general to recommend ways to improve the state's risk management program.

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### **Summary of Bill:**

The powers, duties, and functions of statewide risk management are transferred from the Department of General Administration (GA) to the Office of Financial Management (OFM), including all written materials, reports, documents, etc., relating to risk management and all tangible property utilized by the Risk Management Office. All funds, credits, and other assets held by the Risk Management Office are assigned to the OFM. Any appropriations made in connection with the powers, duties, and functions transferred under this bill are transferred and credited to the OFM.

All employees of the Risk Management Office in the GA are transferred to the jurisdiction of the OFM. Civil service employees are transferred under the same terms under which they currently operate and without any loss of rights.

Rules developed by the Risk Management Office and any pending business are continued and acted upon by the OFM and any existing contracts and obligations remain in full force and are continued.

If apportionments of budgeted funds are required due to the transfer, the director of financial management will certify the apportionments to the affected agencies, the State Auditor, and the State Treasurer who, in turn, will make the appropriate transfer and adjustments in funds and appropriation accounts and equipment records.

Technical changes are made in the RCW to reflect this transfer. The Risk Management Office becomes the Risk Management Division and the Risk Management Administration account is created in custody of the State Treasurer. Changes to the Office of Financial Management's statutory authority are made for the purpose of performing the duties relating to risk management.

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**EFFECT OF SENATE AMENDMENT(S):**

The transfer of statewide risk management functions is effective July 1, 2002.

**Appropriation:** None.

**Fiscal Note:** Requested on January 16, 2002.

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

**Testimony For:** The financial responsibility of state tort payouts has increased dramatically. The Risk Management Task Force looked at how the state could prevent tragedies and large tort payouts. Moving the risk management functions to the OFM communicates its importance as a high priority. It also integrates risk management into executive policy. There needs to be more executive and legislative involvement in risk management. The trilogy of bills resulting from the task force represents a better job of managing tort liability. It elevates visibility and our overall responsibility to tax payers. Tying risk management to the budget brings about greater accountability to tax payers. This is a simple but important package to increase accountability through policy goal-setting and performance measures.

**Testimony Against:** None.

**Testified:** Christine Gregoire, Office of the Attorney General; Marty Brown, Office of Financial Management; and Larry Shannon, Washington State Trial Lawyers Association.