

# HOUSE BILL REPORT

## SB 6427

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### As Reported by House Committee On:

State Government

**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:** Senators B. Sheldon, Johnson, Gardner, Costa, McCaslin, Long and Winsley; by request of Governor Locke and Attorney General.

### Brief History:

#### Committee Activity:

State Government: 2/21/02, 2/28/02 [DP].

#### Brief Summary of Bill

- Transfers all powers, duties, functions, funds, and personnel of the Risk Management Office 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 6 members: Representatives Romero, Chair; Miloscia, Vice Chair; McMorris, Ranking Minority Member; McDermott, Schindler and Schmidt.

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

### Background:

In 1977 the Legislature created the Risk Management Office within the Department of General Administration (GA). 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 pay-outs 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. The task force determined that increased visibility and executive priority could be achieved by transferring the office from the GA to the Office of Financial Management (OFM).

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### **Summary of Bill:**

The powers, duties, and functions of statewide risk management are transferred from the GA to the OFM, including all written materials, reports, documents, etc., relating to risk management, and all tangible property utilized by the Risk Management Office is made available to the OFM. 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 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 the OFM 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.

Representatives from higher education and state agencies on the Risk Management Advisory Committee are limited to presidents or vice-presidents from institutions of

higher education and directors or deputy directors from state agencies.

Technical changes are made in statute 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 OFM's statutory authority are made for the purpose of performing the duties relating to risk management.

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**Appropriation:** None.

**Fiscal Note:** Not Requested.

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

**Testimony For:** This is an important move that will put risk management in the forefront of policy. It is a key element in minimizing tort liability for the state and is an important component of the package of recommendations that came out of the task force.

**Testimony Against:** None.

**Testified:** Senator Sheldon, prime sponsor; Dave Horn, Attorney General's Office; and Michael Temple, Washington State Trial Lawyers Association.