

HOUSE BILL REPORT

HB 2585

As Reported by House Committee On:
Higher Education
Education Appropriations & Oversight

Title: An act relating to creating efficiencies for institutions of higher education.

Brief Description: Creating efficiencies for institutions of higher education.

Sponsors: Representatives Springer, Haler, Eddy, Seaquist and Zeiger.

Brief History:

Committee Activity:

Higher Education: 1/25/12, 1/26/12 [DPS];

Education Appropriations & Oversight: 2/1/12, 2/2/12 [DP2S(w/o sub HE)].

Brief Summary of Second Substitute Bill

- Exempts institutions of higher education from certain competitive contracting requirements for goods and services purchases and personal service contracts of less than \$100,000, and travel arrangements.
- Authorizes institutions of higher education to make advance payments for certain equipment maintenance services, implement compensation changes for certain health care classifications, and require that salaries and wages be paid using direct deposit or alternate methods.
- Authorizes institutions of higher education to enter into financing contracts for real property without further legislative approval where the contract is payable only from fees and revenues derived from operations of the college or university and that are neither allotted nor subject to appropriation nor "general state revenues" for purposes of the debt limit.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Seaquist, Chair; Carlyle, Vice Chair; Haler, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Asay, Buys, Crouse, Fagan, Hasegawa, Pollet, Reykdal, Sells, Springer, Warnick, Wylie and Zeiger.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Jill Reinmuth (786-7134).

Background:

Institutions of higher education and state agencies are subject to certain rules on procurement and employment.

Goods and Services. Purchases and sales must be based on competitive bids, and formal sealed, electronic, or web-based procedures must be used as standard procedure for purchases and contracts executed by agencies, including educational institutions. However, formal sealed, electronic, or web-based competitive contracting is not required for purchases such as: purchases by institutions of higher education of specialized equipment, instructional, and research material; purchases by universities for hospital operations; and certain purchases for resale by institutions of higher education.

Personal Services. Personal service contracts must be based on a competitive solicitation process except for emergency contracts, sole source contracts, contract amendments, and contracts of less than \$20,000. Contracts of \$5,000 or more, but less than \$10,000, must have documented evidence of competition. Contracts of \$10,000 or more, but less than \$20,000, must have documented evidence of competition, including agency posting of the opportunity on the common vendor registration and bid notification system.

Equipment Maintenance Services. Payments for periodic maintenance services performed on state-owned equipment may be made only if a written contract for such services is in effect. Payments may not be made in advance for equipment maintenance services to be performed more than 12 months after such payment.

Compensation; Health Care Classifications. Civil service rules, including a comprehensive classification plan and compensation system for all positions in the classified service, must be adopted by the Human Resources Director within the Office of Financial Management. These rules may include special competitive salary ranges for institutions of higher education. These rules must provide for local administration and management by institutions of higher education, subject to periodic audit and review by the Human Resources Director.

Compensation; Direct Deposit. Upon written request of at least 25 employees, payments of salaries and wages may be paid to a financial institution for credit to the employees' accounts in that institution, or for immediate transfer to the employees' accounts in other financial institutions.

Travel Arrangements. Competitive contracting requirements for goods and services apply to travel arrangements made by institutions of higher education.

Summary of Substitute Bill:

Certain rules on procurement and employment are modified for institutions of higher education.

Goods and Services. Institutions of higher education are exempt from formal sealed, electronic, and web-based competitive bidding requirements for goods and services purchases of \$100,000 or less. However, for purchases of \$10,000 or more, and less than \$100,000, institutions must: secure quotations from at least three vendors; post the purchasing opportunity on the institution's website for 30 days prior to the award; invite at least one quotation each from a certified minority-owned vendor and a certified woman-owned vendor qualified to perform the work; and keep documented records of such competition for audit purposes.

Personal Services. Institutions of higher education are exempt from competitive solicitation requirements for personal service contracts that are less than \$100,000 with a single entity within a fiscal year. However, for personal service contracts of \$10,000 or greater, but less than \$100,000, institutions must: post the purchasing opportunity on the institution's website for 30 days prior to the award; invite at least one quotation each from a certified minority-owned vendor and a certified woman-owned vendor qualified to perform the work; and document evidence of competition.

Equipment Maintenance Services. Institutions of higher education may make payments in advance for equipment maintenance services to be performed up to 60 months (instead of up to 12 months) after such payment.

Compensation; Health Care Classifications. Institutions of higher education may implement compensation changes for health care special pay and other health care classifications. Such changes include, but are not limited to, increases in salary ranges, new top steps in salary ranges, premium pay, and adjustments for community practices. Institutions must report such changes annually to the Human Resources Director within the Office of Financial Management.

Compensation; Direct Deposit. Institutions of higher education may make payments of salaries and wages via direct deposit. Such authority is not contingent upon the written request of at least 25 employees. Institutions also may provide alternate payment methods, such as payroll cards, for employees who do not have an account in a financial institution.

Travel Arrangements. Institutions of higher education are exempt from competitive contracting requirements applicable to travel arrangements. Instead, institutions may use all appropriate means to make and pay for travel arrangements. These arrangements must support travel in the most cost-effective and efficient manner possible, regardless of the source of funds.

Substitute Bill Compared to Original Bill:

For goods and services purchases and personal service contracts of \$10,000 to \$100,000, institutions of higher education must post purchasing and contract opportunities on institution websites for 30 days prior to awards. For personal service contracts of \$10,000 to \$100,000, institutions must invite at least one quotation each from a certified minority-owned vendor and a certified woman-owned vendor. Dollar thresholds relating to goods and services purchases and personal services contracts are made consistent. A paragraph that provided for

biennial adjustments to certain dollar thresholds is deleted. (The dollar thresholds to which the paragraph applied were deleted in 2011.) Institutions are exempt from competitive contracting requirements, and may use all appropriate means to make travel arrangements.

Appropriation: None.

Fiscal Note: Requested on January 27, 2012.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is one of a series of bills to help the higher education system act more efficiently. After slashing funding, these bills provide opportunities to lessen administrative burdens. There is a lot of work to do, and not enough time or money. So, at this point, there is a need to look at any way to save time and money.

These are common sense kinds of approaches, and good business practices. They will allow the institutions to save money and gain efficiency, and also enable institutions to focus on their core mission of academics.

These are common sense reforms to redundant and outdated business practices in personnel, procurement, and payment methods. Over the past two years, the University of Washington (UW) has saved \$30 million in administrative costs through "lean" processes. Now, greater efficiencies are not possible without changes in regulation. These changes will promote greater efficiency at the UW, and help the UW continue to be competitive.

These provisions were developed through the collaborative efforts of the four-year institutions and the community and technical colleges. They align various procurement thresholds with the current technology procurement thresholds. They provide for efficiencies by allowing for longer maintenance agreements and eliminating duplicative reports. The direct deposit piece allows institutions to be sensitive to employees who do not want or have bank accounts, while saving the costs of processing checks. Longer maintenance contracts will allow institutions to lock in to lower fixed rates.

Students support these efficiencies, and hope they will slow the pace of tuition increases.

(Opposed) None.

Persons Testifying: Representative Springer, prime sponsor; Margaret Shepherd, University of Washington; Deb Merle, State Board for Community and Technical Colleges; David Buri, Eastern Washington University; Sherry Burkey, Western Washington University; Jane Wall, The Evergreen State College; Chris Mulick, Washington State University; Steve DuPont, Central Washington University; and Eric Lint, Associated Students of the University of Washington, Tacoma.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS & OVERSIGHT

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Higher Education. Signed by 10 members: Representatives Haigh, Chair; Probst, Vice Chair; Hansen, Maxwell, Orwall, Pollet, Reykdal, Santos, Seaquist and Sells.

Minority Report: Do not pass. Signed by 8 members: Representatives Anderson, Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Fagan, Assistant Ranking Minority Member; Dahlquist, Hargrove, Hope, Nealey and Short.

Staff: Trista Zugel (786-7157).

Summary of Recommendation of Committee On Education Appropriations & Oversight Compared to Recommendation of Committee On Higher Education:

The regional universities, The Evergreen State College, and community and technical colleges are authorized to enter into financing contracts for real property without further legislative approval where the contract is payable only from fees and revenues that are derived from operations of the college or university and that are neither allotted nor subject to appropriation nor "general state revenues" for purposes of the debt limit. Institutions of higher education must post purchasing and contract opportunities on either the institution's website or the common vendor registration and bid notification system (instead of only the institution's website) for either 30 days prior to an award or for the minimum length of time otherwise required for such notices (instead of only for 30 days). Institutions may require payment of wages by direct deposit for employees with accounts in financial institutions and by alternative methods for employees without such accounts. Institutions of higher education must report on the amount of savings and the manner in which such savings were used to promote student academic success by January 1, 2017.

Appropriation: None.

Fiscal Note: Requested on January 27, 2012.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill is an example of several small steps for us to take to lessen the burden on higher education institutions. Given the devastating cuts we have made, it is incumbent on us to make their lives a little easier. This is an exercise in smart administrative procedure. This bill helps higher education in this time of devastating cuts. We think this is a reasonable list that dovetails well with the rigorous requirements of House Bill 1795. This bill will save staff time. Though it does not create a huge savings, it allows us to put some resources back into student services. This bill removes some outdated restrictions that keep us from

maximizing our resources. This bill will allow us to get back to the business of the state and allows us to reduce our reporting requirements so we can better connect with women and minority businesses in our contracting. We are providing tremendous information about our performance and accountability already. We think this bill will allow people who are doing more than one job to get back to educating students. This bill is a collaborative effort among all six four-year institutions. Members asked for the list this bill is based on. We received bipartisan support for this bill last year and this year. These are common sense reforms. One-hundred percent of our business processes are regulated by this state even though only a small portion of our funding comes from the state.

(In support with concerns) Please work with us and with the institutions to make some specific links between the efficiencies in this bill and accountability for students.

(Opposed) None.

Persons Testifying: (In support) Representative Springer, prime sponsor; David Buri, Eastern Washington University; Sherry Burkey, Western Washington University; Julie Garver, The Evergreen State College; Deb Merle, State Board for Community and Technical Colleges; Paul Francis, Council of Presidents; and Steve Dupont, Central Washington University.

(In support with concerns) Leslie Goldstein, Governor's Executive Policy Office.

Persons Signed In To Testify But Not Testifying: None.