

# HOUSE BILL REPORT

## 3SHB 2585

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### As Passed Legislature

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

**Brief Description:** Creating efficiencies for institutions of higher education.

**Sponsors:** House Committee on Ways & Means (originally sponsored by 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)];

Ways & Means: 2/6/12 [DP3S].

##### **Floor Activity:**

Passed House: 2/14/12, 98-0.

Senate Amended.

Passed Senate: 2/29/12, 48-0.

Passed House: 3/7/12, 56-41.

Passed Legislature.

#### **Brief Summary of Third 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 also for 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.
- Makes local operating fee accounts subject to allotment procedures, and makes permanent the requirement that institutions of higher education charge certain expenditures in ratios that conserve appropriated funds.

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### HOUSE COMMITTEE ON HIGHER EDUCATION

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*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.*

**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.

**Staff:** Jill Reinmuth (786-7134).

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## 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).

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## HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** The third substitute bill be substituted therefor and the third substitute bill do pass. Signed by 27 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt, Kagi, Kenney, Ormsby, Parker, Pettigrew, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

**Staff:** Trista Zugel (786-7157).

### **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.

*Operating Fee Accounts; Allotment.* Tuition fees must be deposited in local operating fee accounts. These accounts are not subject to appropriation or allotment procedures.

*Operating Fee Accounts; Charges.* Moneys from the State General Fund that are appropriated but not expended must be returned to the State General Fund at the end of a biennium. State agencies must charge expenditures to appropriated and nonappropriated funds in ratios that conserve appropriated funds. In 2011 the Legislature made institutions of higher education subject to this requirement during the 2011-13 biennium.

### **Summary of Third 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; 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. However, for personal service contracts of \$10,000 or greater, but less than \$100,000, institutions must: 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 special pay plans for health care classifications to be competitive with similar positions in the institution's locality. Such compensation 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 may require payment of wages by direct deposit for employees with accounts in financial institutions and by alternative methods, such as payroll cards, for employees without such accounts.

*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.

*Operating Fee Accounts; Allotment.* Local operating fee accounts are subject to allotment procedures by budget program and fiscal year.

*Operating Fee Accounts; Charges.* The requirement that institutions of higher education charge expenditures in ratios that conserve appropriated funds is made permanent. This requirement applies to appropriated funds and operating fee accounts (rather than all nonappropriated funds).

*Report.* 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:** Available.

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

**Staff Summary of Public Testimony (Higher Education):**

(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.

**Staff Summary of Public Testimony (Education Appropriations & Oversight):**

(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.

**Staff Summary of Public Testimony (Ways & Means):**

(In support) This bill is an attempt to recognize that base budgets at institutions of higher education have been cut significantly. These are common sense fixes. This bill will improve student services at a time of shrinking budgets and increasing requirements. We already request adjustments for health care worker salaries from the Department of Personnel. The two- and four-year sectors worked on this together and agree on the bill's provisions. We do not expect the Community and Technical College system to shave a lot of money, we expect to save staff time and spend that time on students. State higher education appropriations have been cut in half. As a result, real programs and services have had to be cut. Institutions have incentives to be as efficient as possible. This bill helps do that. This bill helps save some money and gain a lot of efficiency in a time when staff is shrinking. About 85 percent of employees already engage in direct deposit. Institutions are willing to offer an easy and free way to assist those individuals who do not have bank accounts. This bill allows institutions to operate like private businesses in this regard. We work in a competitive market and we have to function very well within our limited resources. Institutions have a wide range of goods and services we purchase; this flexibility will provide an opportunity to save money.

(Opposed) None.

**Persons Testifying (Higher Education):** 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 Testifying (Education Appropriations & Oversight):** (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 Testifying (Ways & Means):** Representative Springer, prime sponsor; Margaret Shepherd, University of Washington; Deb Merle, State Board for Community and Technical Colleges; Chris Mulick, Washington State University; Sherry Burkey, Western Washington University; Jane Vall, The Evergreen State College; Steve Dupont, Central Washington University; and David Buri, Eastern Washington University.

**Persons Signed In To Testify But Not Testifying (Higher Education):** None.

**Persons Signed In To Testify But Not Testifying** (Education Appropriations & Oversight):  
None.

**Persons Signed In To Testify But Not Testifying** (Ways & Means): None.