

SENATE BILL REPORT

3SHB 2585

As of February 23, 2012

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

Committee Activity: Higher Education & Workforce Development: 2/21/12, 2/22/12
[DPA-WM].

Ways & Means: 2/23/12.

SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Tom, Chair; Shin, Vice Chair; Hill, Ranking Minority Member; Baumgartner, Becker, Frockt, Kastama, Kilmer and Stevens.

Staff: Kimberly Cushing (786-7421)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Maria Hovde (786-7710)

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.

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.

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 between \$5,000 and \$10,000 must have documented evidence of competition. Contracts of between \$10,000 and \$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. The Human Resources Director within the Office of Financial Management must adopt rules for various personnel procedures, including for the reduction, dismissal, suspension, or demotion of an employee, training and career development, transfers, promotion preferences, sick leaves and vacations, hours of work, layoffs, salary schedules, and increment increases. Subject to periodic audit and review by the Director, these rules must allow for local administration and management by the institutions of higher education and related boards.

Wages and Salaries. 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 Bill: Certain rules on procurement and employment are modified for institutions of higher education.

Goods and Services and Personal 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 between \$10,000 and \$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.

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. Institutions of higher education may implement compensation changes for health care special pay classifications and other identified health care classifications. Annually, the institutions must report changes they have made under this provision.

Wages and Salaries. 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.

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.

EFFECT OF CHANGES MADE BY HIGHER EDUCATION & WORKFORCE DEVELOPMENT COMMITTEE (Recommended Amendments): The requirement that institutions must post specific information about purchases or contracts between \$10,000 and \$100,000 on their web sites is removed. A provision allowing institutions of higher education to implement compensation changes for health care special pay classifications and other identified health care classifications is added.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony as Heard in Committee (Higher Education & Workforce Development): PRO: The state has reduced state support of institutions of higher education by more than 50 percent, and we are looking for any method we can find to lessen the burden. Universities need help to gain savings by reforming business practices. The amount saved will vary by institution and situation. This bill is a cornerstone for providing greater efficiency. The University of Washington (UW) thinks they can save up to \$1 million per year, which is compounded over time. We would like two amendments: (1) harmonize statutes with Department of Enterprise Services for procurement provisions, and (2) add back in health care provisions, which saves four months of staff time. These are common sense changes. While the community and technical colleges don't expect to save a lot of money, it will save time which is almost as good as money. Children need opportunities for public higher education. Provide higher education institutions with more operating flexibility, so institutions can do more with the resources they have.

Persons Testifying (Higher Education & Workforce Development): PRO: Representative Springer, prime sponsor; Shelby Pelon, WA Students Assn.; Deb Merle, State Board for Community and Technical Colleges; Chris Mulick, WA State University; Margaret Shepherd, UW; Neil Strege, WA Roundtable.