

# HOUSE BILL REPORT

## HB 1721

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### As Reported By House Committee On:

Government Operations

**Title:** An act relating to products and services provided by community rehabilitation programs.

**Brief Description:** Requiring state agencies to purchase from community rehabilitation programs.

**Sponsors:** Representatives Hymes, Sheldon, Hankins, Scott, Mitchell, Basich, Quall, Sehlin, Reams, Tokuda, Cooke, Morris, L. Thomas, Goldsmith and Schoesler.

### **Brief History:**

#### **Committee Activity:**

Government Operations: 2/17/95, 2/28/95 [DPS].

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## HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Reams, Chairman; Goldsmith, Vice Chairman; L. Thomas, Vice Chairman; Rust, Ranking Minority Member; Scott, Assistant Ranking Minority Member; Honeyford; Hymes; Mulliken; D. Schmidt and Van Loven.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Chopp; R. Fisher; Hargrove; Sommers and Wolfe.

**Staff:** Bonnie Austin (786-7135).

**Background:** In the mid-1970s, the Legislature passed a series of laws encouraging state agencies and municipalities to purchase products and/or services from sheltered workshops. "Sheltered workshops" are nonprofit organizations that provide employment or rehabilitative services to handicapped individuals. Under current law, agencies and municipalities that make such purchases are required to pay the "fair market price." For state agencies, this determination is made by the division of purchasing in the Department of General Administration. To determine the fair market price, the division of purchasing is required to use the last comparable bid or the last price paid, as well as to consider increased costs of labor, materials, and other costs since that time.

Under current law, state purchases over \$400 must generally be based on competitive bids and purchases over \$35,000 require a sealed bid process. Subject to statutory preferences, contracts must be let to the "lowest responsible bidder," taking into account quality, conformity with specifications, and other elements. For purchases between \$400 and \$35,000, agencies are required to secure bids from at least three vendors to ensure a competitive price, and quotations must be invited from a certified minority and certified woman-owned vendor. Most of the state contracts with sheltered workshops are for less than \$35,000.

**Summary of Substitute Bill:** The term "sheltered workshops" is replaced with the term "community rehabilitation programs." The term "handicapped" is replaced with the term "severely disabled."

State agencies are required to purchase products and/or services manufactured or provided by community rehabilitation programs. The agency, rather than the division of purchasing, will determine the "fair market price" of the products or services.

The Department of General Administration is directed to establish a State Use Advisory Committee composed of equal representation from purchasers, community rehabilitation programs, and other appropriate parties. The committee will review the intent and application of this act and report findings and recommendations to the Legislature by December 1, 1996. The committee will terminate December 31, 1996.

**Substitute Bill Compared to Original Bill:** The redefinition of "fair market price" is deleted and the definition in existing law is restored. The requirement that municipalities purchase products and/or services from community rehabilitation programs is deleted and the existing provisions that encourage such purchases are restored.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This bill supports programs that move workers in community rehabilitation programs off of public assistance and into jobs. They become tax-payers instead of tax-consumers when they move off of SSI. Eighty percent of these placements are in the private sector.

Federal funding restrictions are coming. In Washington, these cuts could total \$8 billion. This bill will help community rehabilitation programs to continue their work.

Thirty-four states have some type of purchasing preference law for community rehabilitation programs, and Texas, New York, Florida, Ohio, Tennessee, and Oregon have mandatory laws.

**Testimony Against:** The products and services of community rehabilitation programs may not be the best buy if all of the costs listed in the redefinition of "fair market price" are included. This new definition removes incentives for rehabilitation programs to be competitive in their pricing. The current definition of "fair market price" should be restored. The cost of products could increase from 8 percent to 70 percent under this bill.

This bill does not distinguish between community rehabilitation programs that are moving their workers toward community integration and those programs that are not.

**Testified:** Representative Hymes, prime sponsor; Dean Hoffman, Columbia Industries; Robert Martin, Chinook Enterprises; Michael Brainbridge, Community Enterprises of Issaquah; Jim Larson and Nancy Hovey, Morningside; Jim Justin, Association of Washington Cities; Scott Pelham, Rehabilitation Enterprises of Washington; Vallie Jo Fry, State board Community and Technical Colleges; Terry Teale, Council of Presidents; and Toby Olson, citizen.