

# HOUSE BILL REPORT

## HB 1721

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**As Reported By House Committee On:**  
Government Administration  
Appropriations

**Title:** An act relating to commercial activity by government agencies.

**Brief Description:** Providing economic opportunities for private enterprise.

**Sponsors:** Representatives McMorris, Koster, Honeyford, Van Luven and Mulliken.

**Brief History:**

**Committee Activity:**

Government Administration: 2/21/97, 3/5/97 [DPS];  
Appropriations: 3/8/97 [DP2S(w/o sub GVAD)].

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### HOUSE COMMITTEE ON GOVERNMENT ADMINISTRATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives D. Schmidt, Chairman; D. Sommers, Vice Chairman; Scott, Ranking Minority Member; Dunn; Reams; Smith; L. Thomas and Wensman.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Gardner, Assistant Ranking Minority Member; Doumit; Dunshee; Murray and Wolfe.

**Staff:** Bill Lynch (786-7092).

**Background:** The Legislature enacted legislation in 1987 requiring institutions of higher education to consult with local business organizations and representatives of the small business community to develop: comprehensive policies that define the legitimate purposes under which these institutions could provide goods, services, or facilities that were available from private businesses; a mechanism for reviewing current and proposed commercial activities to ensure they are consistent with institutional policies; and a mechanism for receiving, reviewing, and responding to enquiries from private businesses regarding commercial activities by higher education. No similar statutory provisions exist for state agencies or units of local government.

**Summary of Substitute Bill:** The Joint Legislative Audit and Review Committee (JLARC) must conduct a performance audit of commercial activities by institutions of higher education.

By December 1, 1997, the Office of Financial Management (OFM) must develop a methodology for reflecting the fully allocated costs of conducting a commercial activity by a state agency or institution of higher education. By January 1, 1998, each state agency or institution of higher education must determine the fully allocated costs of commercial activities it conducts in which it sells or rents goods, services or facilities to the general public. The OFM must report on how this is being implemented by July 1, 1998.

A task force on commercial activities by government is established. The task force may contract for consultant or other services subject to available funds. The task force is required to make recommendations on developing a mechanism for private businesses to file and resolve complaints about unfair competition. The task force must study the operation of central stores by the Department of General Administration and the provision of emergency medical services by local government. The task force must report its recommendations and findings by December 1, 1998. The task force terminates on January 1, 1999.

**Substitute Bill Compared to Original Bill:** The substitute largely turns the issue into a study.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Some small businesses feel that government is in direct competition with them. Businesses need a place where they can complain. Some businesses are forced to close.

**Testimony Against:** (Original) Commercial activity is defined very broadly. It is not clear to what this measure applies.

**Testified:** (Pro) Representative McMorris, prime sponsor; Gary Smith, Independent Business Associations; Amber Balch, Association of Washington Business; and Dedi Hitchens, National Federation of Independent Businesses.

(Con) Janeen Wadsworth, Department of Corrections; Greg Devereaux, Washington Federation of State Employees; Diane Oberquell, Thurston County Commissioners; and Russell Bullock, Shepards Ambulance Service.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**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 Government Administration. Signed by 18 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; Benson; Carlson; Cooke; Crouse; Dyer; Lambert; Lisk; Mastin; McMorris; Parlette; D. Schmidt; Sehlin; Sheahan and Talcott.

**Minority Report:** Do not pass. Signed by 13 members: Representatives H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Chopp; Cody; Grant; Keiser; Kenney; Kessler; Linville; Poulsen; Regala and Tokuda.

**Staff:** Jim Lux (786-7152).

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Government Administration:** The requirement for the Joint Legislative Audit and Review Committee to conduct a performance audit of the commercial activities conducted by higher education institutions is removed. Language creating a Task Force on Commercial Activities is also eliminated.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

**Testimony For:** The laws governing commercial activities conducted by higher education institutions have not been reviewed in a long time. A performance audit is necessary to assess the implications of government provided services on private businesses trying to compete. A good, accurate picture of government provided commercial services is needed on a state-wide basis and the creation of a task force is a good way to achieve that end. The review of emergency medical services programs is necessary. There have been instances of local governments eliminating contracts with private emergency medical services providers in order to provide the services themselves. There were no warnings, and good, working public-private partnerships have been destroyed without adequate notice or review.

**Testimony Against:** There is no definition of commercial activity, which is problematic. The Legislature should evaluate these programs, particularly in light of the new performance measures implemented by state government. It is unclear whether the task force is to study both state and local government services. If it includes local activities, such as jail industries or garbage collection, then there is reason for concern. Emergency medical services programs conduct very serious businesses. The programs work well and receive public input regularly. The public decides the services and those service decisions should remain at the local level. Emergency medical services should not be part of a state-level study.

**Testified:** Representative McMorris, prime sponsor; Representative Dave Schmidt; Susie Tracy and Russ Bullock, American Medical Response; Cliff Webster, Architects & Engineers Legislative Council; and Nick Federici, Washington Ambulance Association (all pro); Bob Mack, Richard Moore, and Bud Lucas, City of Tacoma (con--one section); Cody Arledge, Washington State Coalition of Firefighters; Diane Oberguell, Thurston County Commission; John Sinclair, Central Pierce Fire and Rescue; Paul Harvey, Seattle Fire Fighters Union; and Greg Devereaux, Washington Federation of State Employees (all con).