

SENATE BILL REPORT

SB 5460

As Reported by Senate Committee On:
Ways & Means, January 26, 2009

Title: An act relating to reducing the administrative cost of state government during the 2007-2009 and 2009-2011 fiscal biennia.

Brief Description: Reducing the administrative cost of state government during the 2007-2009 and 2009-2011 fiscal biennia.

Sponsors: Senators Tom, Zarelli, Prentice, Hewitt and Kline.

Brief History:

Committee Activity: Ways & Means: 1/22/09, 1/26/09 [DPS, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5460 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Hewitt, Hobbs, Honeyford, Keiser, Kline, Kohl-Welles, McDermott, Murray, Pflug, Pridemore and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senators Carrell and Parlette.

Staff: Steve Jones (786-7440)

Background: The programs and functions of state government are administered by numerous state agencies and institutions, the costs of which are appropriated by the Legislature. These administrative costs include expenditures for salaries, wages, equipment, personal services contracts, and state employee travel and training.

The salaries and wages of state employees in positions that are classified under the State Civil Service Act are subject to collective bargaining agreements. The salaries and wages of other nonelected employees are determined by their employing agency, the Governor, or the state Department of Personnel.

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.

In September and November 2008, the State Economic and Revenue Forecast Council reported sharp deteriorations in economic conditions in both the nation and the state, resulting in significant downturns in state revenue collections.

In August 2008, the Governor requested that state agencies reduce administrative expenses by freezing the hiring of new employees, nonemergency out-of-state travel, discretionary purchases of new equipment, and the signing of nonemergency personal services contracts, with some exceptions.

Summary of Bill (Recommended Substitute): For the 12 months following the enactment of this legislation, state agencies are prohibited from granting salary or wage increases to any employees who are exempt from classification under the State Civil Service Act.

Until July 1, 2009, state agencies are prohibited from establishing new employee positions or filling existing vacant employee positions. Exceptions are provided for specified functions directly related to public health and safety, law enforcement, and revenue collections.

Until July 1, 2009, state agencies are prohibited from signing new contracts for personal services not related to an emergency.

Until July 1, 2009, state agencies are prohibited from acquiring items of equipment exceeding \$1,000.

Until July 1, 2009, state agencies are prohibited from making expenditures for state employee travel or training not related to an emergency or direct service delivery.

Exceptions to the prohibitions relating to hiring, contracts, equipment, travel, and training may be granted by the Director of Financial Management after ten days' notice to the legislative fiscal committees.

To reflect the expenditure reductions in the act, the Office of Financial Management is directed to reduce allotments of appropriations from the state General Fund and related funds to state agencies for the remainder of 2007-09 fiscal biennium by \$105,450,000. The allotment reduction for each agency is specified in a document compiled by the Legislative Evaluation and Accountability Program Committee on January 22, 2009, which document is incorporated by reference in the act.

The act applies to all agencies, offices, and institutions of the executive, legislative, and judicial branches of state government.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): For the legislative and judicial branches, exceptions will be granted by the Secretary of the Senate, Chief Clerk of the House, and the Chief Justice, respectively.

The legislative notification period is shortened from ten days to two business days. Exceptions may be granted for categories of expenditures that do not commit state funds.

The Special Commitment Center of the Department of Social and Health Services is exempt from the hiring freeze.

The restriction on employee training expenditures is limited to out-of-state training.

Natural resource agencies and the Department of Transportation maintenance programs may hire seasonal employees not exceeding prior levels. The Department of Agriculture may hire seasonal agricultural inspection employees.

The hiring freeze does not apply to the unemployment insurance program.

The travel and personal services contract restrictions do not apply to expenditures from private or federal grants.

The travel, training, and personal services contract restrictions do not apply to the unemployment insurance program.

The Office of Financial Management is directed to reduce allotments of appropriations from all state funds and accounts to reflect the expenditure restrictions.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: This bill is a great bill and a good start in addressing the state's fiscal situation. State agencies recognize that budget reductions will need to occur throughout state government.

OTHER: The exception process for judicial agencies needs to respect the constitutional separation of powers; the Office of Financial Management should not be reviewing the hiring decisions of the courts and the Legislature. While this bill adopts a budget strategy that is consistent with the Governor's directives, the Governor provided flexibility to allow agencies to reach reduction targets through a variety of methods without arbitrary controls on objects of expenditure, which have unintended consequences. The 10-day legislative notification process is too long. The bill unnecessarily affects funds and accounts beyond the General Fund and related funds, such as expenditures from private research grants and federal funds. Essential equipment purchases will be affected. Seasonal hiring by natural resource agencies should not be prohibited, nor should hiring by community college programs responding to the economic recession.

Persons Testifying: PRO: Dennis Eagle, Washington Federation of State Employees.

OTHER: Jeff Hall, Administrator for the Courts; Victor Moore, Office of Financial Management; Randy Hodgins, University of Washington and Council of Presidents; Sherry

Burkey, Western Washington University and Council of Presidents; Jim King, Citizens for Parks & Recreation; Chris Reykdal, State Board for Community and Technical Colleges.