

SENATE BILL REPORT

ESSB 5460

As Amended by House, February 13, 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: Senate Committee on Ways & Means (originally sponsored by Senators Tom, Zarelli, Prentice, Hewitt and Kline).

Brief History:

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

Passed Senate: 1/28/09, 49-0.

Passed House: 2/13/09, 88-7.

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

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other nonelected employees are determined by their employing agency, the Governor, or the state Department of Personnel.

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 Engrossed Substitute Bill: 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, revenue collections, and seasonal employment in natural resources agencies and the Department of Transportation maintenance program.

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

Until July 1, 2009, state agencies are prohibited from acquiring items of equipment exceeding \$1,000 and not relating to an emergency.

Until July 1, 2009, state agencies are prohibited from making expenditures for state employee out-of-state travel or training not related to an emergency or direct service delivery. Travel costs paid from private or federal grants are not affected.

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

In institutions of higher education, the restrictions on hiring, personal service contracts, equipment, travel, and training do not apply if the costs are not paid from state funds or tuition.

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

To reflect the expenditure reductions in the act, the Office of Financial Management is directed to reduce allotments of appropriations from all state funds and accounts to state agencies for the remainder of 2007-09 fiscal biennium. The allotment reduction of

appropriations from the state General Fund and related funds 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.

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.

House Amendment(s): The direction to the Office of Financial Management to reduce allotments of agency appropriations is deleted. Higher education academic programs and Gambling Commission enforcement officers are exempted from the hiring freeze. The equipment purchase threshold is changed from \$1,000 to \$5,000. Expenditures necessary for tax and fee collection, revenue generation, and receipt of funds from the federal government are exempt from prohibitions on personal service contracts, equipment purchases, and out-of-state travel. The legislative notification period for exceptions from the bill's prohibitions is changed from two days to five days.