

# SENATE BILL REPORT

## SB 5672

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As of February 17, 1995

**Title:** An act relating to the powers and duties of the department of information services and the office of financial management to establish a state-owned nonprofit corporation.

**Brief Description:** Authorizing the department of information services to create a separate legal entity.

**Sponsors:** Senators Quigley, Prince, Drew, Hargrove, West, Gaspard, Long and Sutherland; by request of Department of Information Services and Office of Financial Management.

**Brief History:**

**Committee Activity:** Ways & Means: 2/16/95.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Susan Lucas (786-7711)

**Background:** The Department of Information Systems (DIS) was created by the Legislature in 1987. The agency has provided coordinated planning and management of state information services. The intent of DIS' enabling legislation is to ensure that users' needs are met through the evaluation of cost-effective, appropriate information technology alternatives in the information systems, telecommunications, equipment, software and related services areas. DIS has provided information services to state agencies, local governments, school districts and other public sector organizations.

DIS consists of four divisions plus the director's office. The four divisions are: Computer Services, which processes information and transactions on mainframe computer systems; Telecommunications, which administers the state's local and long distance phone systems; Policy and Regulations, which acts as staff to the Information Services Board and develops and implements statewide regulations for information technology; Administrative Services, which supports agency operations. The director's office administers special projects, Washington Interactive Television and strategic initiatives such as Washington Information Network (WIN).

**Summary of Bill:** DIS and the Office of Financial Management are authorized to jointly create a state-owned, nonprofit corporation in accordance with the Washington Nonprofit Act. The corporation is a public agency for purposes of the Interlocal Cooperation Act.

The corporation may contract with DIS, with other governments or with nonprofit entities to provide information services. The corporation may incur liabilities, but may not obligate the state for payment and is subject to audit by an independent public accounting firm. The corporation is governed by a board consisting of five to nine directors from state government and from private information services firms. Directors are appointed by the Governor. Public agencies contracting with the corporation are exempt from limitations on contracting.

Employees of the corporation are exempt from civil service rules and are defined as employees for purposes of the Health Care Authority and the Public Employee Retirement Systems.

DIS is authorized to contract with the corporation to provide information services to governmental and nonprofit entities. DIS may transfer its assets to the corporation, may allow the corporation to assume its contractual rights and responsibilities and may transfer certain employees to the corporation. Employees who may not be transferred are those in the director's office, the state information operators and employees in the Policy Regulation Division.

Upon dissolution of the corporation, all assets and liabilities are transferred to DIS. If DIS provides services previously provided by the corporation, employees of the corporation are offered employment with DIS in equivalent positions if those positions are created by DIS. Employees who accept this employment are subject to civil service rules.

The requirement that DIS prepare a rate plan for review and approval by the Office of Financial Management is deleted.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The proposal is an intermediate step toward complete privatization of the information technology services function. The corporation should operate for some time with the preferred provider designation to allow changes to be made in the rate structure and procedures of the corporation. After some time, competition with private sector firms on an even basis could be implemented. The proposal promotes more flexibility, a wider customer base and the best aspects of private sector firms. The move to privatization needs to be made over time. This is why employees are eligible for health and retirement benefits under the proposal and why no cost savings are projected. Over a longer period of time, efficiencies and savings are expected.

**Testimony Against:** The proposal removes civil service protections from employees. In the long run, employees could be worse off. The proposal removes a public agency from the scrutiny of the public and of the Legislature.

**Testified:** George Lindamood, Department of Information Services; Ruta Fanning, Office of Financial Management; Len McComb, Information Services Board; Gene Martel, Olympia; Dale Vincent, US West; Janeane Dubuar, Computer Professionals for Social Responsibility; Greg Devereux, Washington Federation of State Employees.