

# HOUSE BILL REPORT

## HB 1724

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**As Reported by House Committee On:**  
Commerce & Labor

**Title:** An act relating to requiring disclosure of work under state contracts that is performed at locations outside the United States.

**Brief Description:** Requiring disclosure of outsourcing.

**Sponsors:** Representatives Conway, Hudgins, Wood, Appleton, Ormsby, Simpson, Morrell, Williams, Kenney, Kirby, Kagi, Cody, Schual-Berke, McCoy, Chase, Sells, Clibborn, O'Brien, Hunt, Hasegawa, Moeller and P. Sullivan.

**Brief History:**

**Committee Activity:**

Commerce & Labor: 2/9/05, 2/28/05 [DPS].

**Brief Summary of Substitute Bill**

- Requires certain state contracts to include provisions requiring disclosure of offshore outsourcing information.
- Makes this requirement applicable to state personal services, purchased services, and civil service contracts.
- Makes this requirement inapplicable if the Director of the Office of Financial Management determines that the only practicable location where the services may be performed is clearly and justifiably outside the United States.
- Also makes this requirement inapplicable to goods procured under certain state contracts, and to certain state contracts entered into prior to July 1, 2005.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Conway, Chair; Wood, Vice Chair; Hudgins and McCoy.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Sump, Assistant Ranking Minority Member; and Crouse.

**Staff:** Jill Reinmuth (786-7134).

**Background:**

The State of Washington contracts with individuals and companies outside of state government to provide certain services to the state and its residents. The state's purchasing authority is generally organized into categories based on the type of service. These categories include the following:

- Personal services. This term refers to professional or technical expertise provided by a consultant to accomplish a specific study or project.
- Purchased services. These services are ones provided by a vendor to accomplish routine, continuing and necessary functions.
- Information services. These services include data processing, telecommunications, office automation, and computerized information systems.
- Public works. This term refers to the construction, repair, or alteration of buildings and other real property.
- Highway design and construction. This term includes both architectural and engineering services, as well as construction services related to highways.
- Printing services. This term refers to the production of printed materials.

In addition, beginning July 1, 2005, the state may contract for services historically and traditionally provided by state employees, so long as the state complies with the contracting out provisions of the Civil Service Reform Act of 2002.

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**Summary of Substitute Bill:**

Certain state contracts, or subcontracts awarded under such contracts, must include provisions requiring disclosure of offshore outsourcing information. "Offshore outsourcing information" means records of:

- the locations, by country, in which work is performed outside the United States;
- the nature of the work being performed outside the United States; and
- the percentage of the work being performed outside the United States.

This requirement applies to state personal services, purchased services, and civil service contracts.

This requirement does not apply to goods procured under certain state contracts, or to certain state contracts entered into by the state prior to July 1, 2005.

This requirement also does not apply if the Director of the Office of Financial Management (OFM) determines that the only practicable location where the services may be performed is

clearly and justifiably a location outside the United States. Annual reports from the Director of OFM to the House Commerce and Labor Committee and the Senate Labor, Commerce, Research, and Development Committee on such contracts are required.

**Substitute Bill Compared to Original Bill:**

The definition of "offshore outsourcing information" is modified to add: (1) the nature of the work being performed outside the United States; and (2) the percentage of the work being performed outside the United States.

The definition is also modified to delete: (1) the number of workers performing work at locations outside of the United States; (2) the occupations of each of the workers; (3) the number of hours worked by each of the workers; and (4) the amount of wages paid and the types and values of benefits provided to each of the workers.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately, except section 3, relating to civil service contracts, which takes effect July 1, 2005.

**Testimony For:** There are many examples of work under state contracts that has been contracted out and is being performed at locations outside of the United States. The Department of Social and Health Services is contracting with a company that subcontracts with companies in Mexico and India. The Department of Corrections has a contract worth \$3.6 million being performed outside the United States. Other state agencies also have contracts that are being performed offshore.

When we initially requested information about work under state contracts being performed outside the United States, many state agencies could not answer that question. This bill would require disclosure of that key information.

**Testimony Against:** The information that must be disclosed goes pretty far, into wages, hours, and employment standards. It may include proprietary information. It is not practical to require such information because some of that information may not be known when the contract is let, and the bill does not provide for periodic or rolling disclosure.

Other states focus on exactly what work is being done offshore. Disclosure as a concept is not as problematic as disclosure as required in this bill.

There are concerns about imposing administrative burdens on companies doing business with the state, as well as requiring disclosure of confidential information.

**Persons Testifying:** (In support) Randy Loomans, Washington State Labor Council.

(Opposed) Kris Tefft, Association of Washington Business; Nancy Atwood, AeA; and Kevin Underwood, AllianceOne.

**Persons Signed In To Testify But Not Testifying:** None.