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**SENATE BILL 5550**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** Senators Rossi, Baumgartner, Bailey, Braun, Brown, Honeyford, Wilson, Becker, and Angel

AN ACT Relating to authorizing state agencies and institutions of higher education to contract for services; amending RCW 41.80.020, 43.105.052, 43.105.287, 72.09.100, 74.13.362, 74.13B.050, and 77.95.320; adding a new section to chapter 41.06 RCW; adding a new section to chapter 43.88 RCW; repealing RCW 41.06.142; and providing for submission of this act to a vote of the people.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  A new section is added to chapter 41.06 RCW to read as follows:

(1) Any department, agency, or institution of higher education may purchase services, including services that have been customarily and historically provided by employees in the classified service under this chapter, by contracting with individuals, nonprofit organizations, businesses, employee business units, or other entities.

(2) No department, agency, or institution of higher education may enter into, renew, extend, or allow the automatic extension of any collective bargaining agreement that restricts or modifies the authority granted by this section.

NEW SECTION. **Sec.**  A new section is added to chapter 43.88 RCW to read as follows:

(1) The office of financial management shall establish a process for identifying the savings achieved by state agencies and institutions of higher education as a result of contracting for services under the authority granted in section 1 of this act. Expenditures during the 2015-2017 fiscal biennium constitute the baseline for the purposes of calculating the savings.

(2) The office of financial management shall provide a report to the governor and the legislature biannually outlining the savings achieved by state agencies and institutions of higher education as a result of contracting for services under the authority granted in section 1 of this act. The first report is due December 1, 2018.

**Sec.**  RCW 41.80.020 and 2015 3rd sp.s. c 1 s 318 are each amended to read as follows:

(1) Except as otherwise provided in this chapter, the matters subject to bargaining include wages, hours, and other terms and conditions of employment, and the negotiation of any question arising under a collective bargaining agreement.

(2) The employer is not required to bargain over matters pertaining to:

(a) Health care benefits or other employee insurance benefits, except as required in subsection (3) of this section;

(b) Any retirement system or retirement benefit; or

(c) Rules of the director of financial management, the director of enterprise services, or the Washington personnel resources board adopted under RCW 41.06.157.

(3) Matters subject to bargaining include the number of names to be certified for vacancies, promotional preferences, and the dollar amount expended on behalf of each employee for health care benefits. However, except as provided otherwise in this subsection for institutions of higher education, negotiations regarding the number of names to be certified for vacancies, promotional preferences, and the dollar amount expended on behalf of each employee for health care benefits shall be conducted between the employer and one coalition of all the exclusive bargaining representatives subject to this chapter. The exclusive bargaining representatives for employees that are subject to chapter 47.64 RCW shall bargain the dollar amount expended on behalf of each employee for health care benefits with the employer as part of the coalition under this subsection. Any such provision agreed to by the employer and the coalition shall be included in all master collective bargaining agreements negotiated by the parties. For institutions of higher education, promotional preferences and the number of names to be certified for vacancies shall be bargained under the provisions of RCW 41.80.010(4). For agreements covering the 2013‑2015 fiscal biennium, any agreement between the employer and the coalition regarding the dollar amount expended on behalf of each employee for health care benefits is a separate agreement and shall not be included in the master collective bargaining agreements negotiated by the parties.

(4) The employer and the exclusive bargaining representative shall not agree to any proposal that would prevent the implementation of approved affirmative action plans or that would be inconsistent with the comparable worth agreement that provided the basis for the salary changes implemented beginning with the 1983-1985 biennium to achieve comparable worth.

(5) The employer and the exclusive bargaining representative shall not bargain over matters pertaining to management rights established in RCW 41.80.040.

(6) Except as otherwise provided in this chapter, if a conflict exists between an executive order, administrative rule, or agency policy relating to wages, hours, and terms and conditions of employment and a collective bargaining agreement negotiated under this chapter, the collective bargaining agreement shall prevail. A provision of a collective bargaining agreement that conflicts with the terms of a statute is invalid and unenforceable.

((~~(7) This section does not prohibit bargaining that affects contracts authorized by RCW 41.06.142.~~))

**Sec.**  RCW 43.105.052 and 2015 3rd sp.s. c 1 s 104 are each amended to read as follows:

The agency shall:

(1) Make available information services to public agencies and public benefit nonprofit corporations;

(2) Establish rates and fees for services provided by the agency;

(3) Develop a billing rate plan for a two-year period to coincide with the budgeting process. The rate plan must be subject to review at least annually by the office of financial management. The rate plan must show the proposed rates by each cost center and show the components of the rate structure as mutually determined by the agency and the office of financial management. The rate plan and any adjustments to rates must be approved by the office of financial management;

(4) Develop a detailed business plan for any service or activity to be contracted under ((~~RCW 41.06.142(7)(b)~~)) section 1 of this act;

(5) Develop plans for the agency's achievement of statewide goals and objectives set forth in the state strategic information technology plan required under RCW 43.105.220;

(6) Enable the standardization and consolidation of information technology infrastructure across all state agencies to support enterprise-based system development and improve and maintain service delivery; and

(7) Perform all other matters and things necessary to carry out the purposes and provisions of this chapter.

**Sec.**  RCW 43.105.287 and 2015 3rd sp.s. c 1 s 212 are each amended to read as follows:

The board shall have the following powers and duties related to information services:

(1) To review and approve standards and policies, developed by the office, governing the acquisition and disposition of equipment, proprietary software, and purchased services, licensing of the radio spectrum by or on behalf of state agencies, and confidentiality of computerized data;

(2) To review and approve statewide or interagency technical policies and standards developed by the office;

(3) To review, approve, and provide oversight of major information technology projects to ensure that no major information technology project proposed by a state agency is approved or authorized funding by the board without consideration of the technical and financial business case for the project, including a review of:

(a) The total cost of ownership across the life of the project;

(b) All major technical options and alternatives analyzed, and reviewed, if necessary, by independent technical sources; and

(c) Whether the project is technically and financially justifiable when compared against the state's enterprise-based strategy, long-term technology trends, and existing or potential partnerships with private providers or vendors;

(4) To review and approve standards and common specifications for new or expanded telecommunications networks proposed by state agencies, public postsecondary education institutions, educational service districts, or statewide or regional providers of K-12 information technology services, and to assure the cost-effective development and incremental implementation of a statewide video telecommunications system to serve: Public schools; educational service districts; vocational-technical institutes; community colleges; colleges and universities; state and local government; and the general public through public affairs programming;

(5) To develop a policy to determine whether a proposed project, product, or service should undergo an independent technical and financial analysis prior to submitting a request to the office of financial management for the inclusion in any proposed operating, capital, or transportation budget;

(6) To approve contracting for services and activities under ((~~RCW 41.06.142(7)~~)) section 1 of this act for the agency. To approve any service or activity to be contracted under ((~~RCW 41.06.142(7)(b)~~)) section 1 of this act, the board must also review the proposed business plan and recommendation submitted by the office;

(7) To consider, on an ongoing basis, ways to promote strategic investments in enterprise-level information technology projects that will result in service improvements and cost efficiency;

(8) To provide a forum to solicit external expertise and perspective on developments in information technology, enterprise architecture, standards, and policy development; and

(9) To provide a forum where ideas and issues related to information technology plans, policies, and standards can be reviewed.

**Sec.**  RCW 72.09.100 and 2012 c 220 s 2 are each amended to read as follows:

It is the intent of the legislature to vest in the department the power to provide for a comprehensive inmate work program and to remove statutory and other restrictions which have limited work programs in the past. It is also the intent of the legislature to ensure that the department, in developing and selecting correctional industries work programs, does not encourage the development of, or provide for selection of or contracting for, or the significant expansion of, any new or existing class I correctional industries work programs that unfairly compete with Washington businesses. The legislature intends that the requirements relating to fair competition in the correctional industries work programs be liberally construed by the department to protect Washington businesses from unfair competition. For purposes of establishing such a comprehensive program, the legislature recommends that the department consider adopting any or all, or any variation of, the following classes of work programs:

(1) CLASS I: FREE VENTURE INDUSTRIES.

(a) The employer model industries in this class shall be operated and managed in total or in part by any profit or nonprofit organization pursuant to an agreement between the organization and the department. The organization shall produce goods or services for sale to both the public and private sector.

(b) The customer model industries in this class shall be operated and managed by the department to provide Washington state manufacturers or businesses with products or services currently produced or provided by out-of-state or foreign suppliers.

(c) The department shall review these proposed industries, including any potential new class I industries work program or the significant expansion of an existing class I industries work program, before the department contracts to provide such products or services. The review shall include the analysis required under RCW 72.09.115 to determine if the proposed correctional industries work program will compete with any Washington business. An agreement for a new class I correctional industries work program, or an agreement for a significant expansion of an existing class I correctional industries work program, that unfairly competes with any Washington business is prohibited.

(d) The department shall supply appropriate security and custody services without charge to the participating firms.

(e) Inmates who work in free venture industries shall do so at their own choice. They shall be paid a wage comparable to the wage paid for work of a similar nature in the locality in which the industry is located, as determined by the director of correctional industries. If the director cannot reasonably determine the comparable wage, then the pay shall not be less than the federal minimum wage.

(f) An inmate who is employed in the class I program of correctional industries shall not be eligible for unemployment compensation benefits pursuant to any of the provisions of Title 50 RCW until released on parole or discharged.

(2) CLASS II: TAX REDUCTION INDUSTRIES.

(a) Industries in this class shall be state-owned and operated enterprises designed primarily to reduce the costs for goods and services for tax-supported agencies and for nonprofit organizations.

(b)(i) The industries selected for development within this class shall, as much as possible, match the available pool of inmate work skills and aptitudes with the work opportunities in the free community. The industries shall be closely patterned after private sector industries but with the objective of reducing public support costs rather than making a profit.

(ii) Except as provided in RCW ((~~43.19.534~~)) 39.26.251(3) and this section, the products and services of this industry, including purchased products and services necessary for a complete product line, may be sold to the following:

(A) Public agencies;

(B) Nonprofit organizations;

(C) Private contractors when the goods purchased will be ultimately used by a public agency or a nonprofit organization;

(D) An employee and immediate family members of an employee of the department;

(E) A person under the supervision of the department and his or her immediate family members; and

(F) A licensed health professional for the sole purpose of providing eyeglasses to enrollees of the state medical program at no more than the health professional's cost of acquisition.

(iii) The department shall authorize the type and quantity of items that may be purchased and sold under (b)(ii)(D) and (E) of this subsection.

(iv) It is prohibited to purchase any item purchased under (b)(ii)(D) and (E) of this subsection for the purpose of resale.

(v) Clothing manufactured by an industry in this class may be donated to nonprofit organizations that provide clothing free of charge to low-income persons.

(c) Under no circumstance shall offenders under the custody of the department of corrections make or assemble uniforms to be worn by correctional officers employed with the department.

(d)(i) Class II correctional industries products and services shall be reviewed by the department before offering such products and services for sale to private contractors.

(ii) The secretary shall conduct a yearly marketing review of the products and services offered under this subsection. Such review shall include an analysis of the potential impact of the proposed products and services on the Washington state business community. To avoid waste or spoilage and consequent loss to the state, when there is no public sector market for such goods, by-products and surpluses of timber, agricultural, and animal husbandry enterprises may be sold to private persons, at private sale. Surplus by-products and surpluses of timber, agricultural and animal husbandry enterprises that cannot be sold to public agencies or to private persons may be donated to nonprofit organizations. All sales of surplus products shall be carried out in accordance with rules prescribed by the secretary.

(e) Security and custody services shall be provided without charge by the department.

(f) Inmates working in this class of industries shall do so at their own choice and shall be paid for their work on a gratuity scale which shall not exceed the wage paid for work of a similar nature in the locality in which the industry is located and which is approved by the director of correctional industries.

(g) Provisions of ((~~RCW 41.06.142~~)) section 1 of this act shall not apply to contracts with Washington state businesses entered into by the department through class II industries.

(3) CLASS III: INSTITUTIONAL SUPPORT INDUSTRIES.

(a) Industries in this class shall be operated by the department. They shall be designed and managed to accomplish the following objectives:

(i) Whenever possible, to provide basic work training and experience so that the inmate will be able to qualify for better work both within correctional industries and the free community. It is not intended that an inmate's work within this class of industries should be his or her final and total work experience as an inmate.

(ii) Whenever possible, to provide forty hours of work or work training per week.

(iii) Whenever possible, to offset tax and other public support costs.

(b) Class III correctional industries shall be reviewed by the department to set policy for work crews. The department shall prepare quarterly detail statements showing where work crews worked, what correctional industry class, and the hours worked.

(c) Supervising, management, and custody staff shall be employees of the department.

(d) All able and eligible inmates who are assigned work and who are not working in other classes of industries shall work in this class.

(e) Except for inmates who work in work training programs, inmates in this class shall be paid for their work in accordance with an inmate gratuity scale. The scale shall be adopted by the secretary of corrections.

(4) CLASS IV: COMMUNITY WORK INDUSTRIES.

(a) Industries in this class shall be operated by the department. They shall be designed and managed to provide services in the inmate's resident community at a reduced cost. The services shall be provided to public agencies, to persons who are poor or infirm, or to nonprofit organizations.

(b) Class IV correctional industries shall be reviewed by the department to set policy for work crews. The department shall prepare quarterly detail statements showing where work crews worked, what correctional industry class, and the hours worked. Class IV correctional industries operated in work camps established pursuant to RCW 72.64.050 are exempt from the requirements of this subsection (4)(b).

(c) Inmates in this program shall reside in facilities owned by, contracted for, or licensed by the department. A unit of local government shall provide work supervision services without charge to the state and shall pay the inmate's wage.

(d) The department shall reimburse participating units of local government for liability and workers compensation insurance costs.

(e) Inmates who work in this class of industries shall do so at their own choice and shall receive a gratuity which shall not exceed the wage paid for work of a similar nature in the locality in which the industry is located.

(5) CLASS V: COMMUNITY RESTITUTION PROGRAMS.

(a) Programs in this class shall be subject to supervision by the department. The purpose of this class of industries is to enable an inmate, placed on community supervision, to work off all or part of a community restitution order as ordered by the sentencing court.

(b) Employment shall be in a community restitution program operated by the state, local units of government, or a nonprofit agency.

(c) To the extent that funds are specifically made available for such purposes, the department shall reimburse nonprofit agencies for workers compensation insurance costs.

**Sec.**  RCW 74.13.362 and 2009 c 520 s 4 are each amended to read as follows:

Pursuant to ((~~RCW 41.06.142(3)~~)) section 1 of this act, performance-based contracting under RCW 74.13.360 is expressly mandated by the legislature and is not subject to the processes set forth in ((~~RCW 41.06.142 (1), (4), and (5)~~)) section 1 of this act.

A continuation or expansion of delivery of child welfare services under the provisions of RCW 74.13.372 shall be considered expressly mandated by the legislature and not subject to the provisions of ((~~RCW 41.06.142 (1), (4), and (5)~~)) section 1 of this act.

**Sec.**  RCW 74.13B.050 and 2012 c 205 s 6 are each amended to read as follows:

(1) To achieve the service delivery improvements and efficiencies intended in RCW 74.13B.005, 74.13B.020, 74.13B.030, and 74.13B.060 and in RCW 74.13.370, and pursuant to ((~~RCW 41.06.142(3)~~)) section 1 of this act, contracting with network administrators to provide services needed by children and families in the child welfare system, pursuant to RCW 74.13B.020 and 74.13B.030, and execution and monitoring of individual provider contracts, pursuant to RCW 74.13B.020, are expressly mandated by the legislature and are not subject to the processes set forth in ((~~RCW 41.06.142 (1), (4), and (5)~~)) section 1 of this act.

(2) The express mandate in subsection (1) of this section is limited to those services and activities provided in RCW 74.13B.020 and 74.13B.030. If the department includes services customarily and historically performed by department employees in the classified service in a procurement for network administrators that exceeds the scope of services or activities provided in RCW 74.13B.020 and 74.13B.030, such contracting is not specifically mandated and will be subject to all applicable contractual and legal obligations.

**Sec.**  RCW 77.95.320 and 2013 c 93 s 1 are each amended to read as follows:

(1) The department shall establish a program that utilizes department-partner agreements for the resumption or continued operation and management of state-owned salmonid hatcheries that are located in the Hood Canal basin. To implement the program, the department shall accept and review applications to determine the appropriateness of the partner to manage and operate selected salmonid hatcheries. The department shall accelerate the application process relating to any hatchery currently in operation to avoid cessation of ongoing salmon production.

(2)(a) To select a partner, the department shall develop and apply criteria identifying the appropriateness of a potential partner. The criteria must seek to ensure that the partner has a long-range business plan, which may include the sale of hatchery surplus salmon, including eggs and carcasses, to ensure the long-range future solvency of the partnership. The business plan may also allow the partner to harvest hatchery chum salmon in a designated area through persons under contract with the partner as provided under a permit from the department or by rule of the commission. All chum salmon harvested must be sold at prices commensurate with the current market and all funds must be utilized by the partner to operate the hatchery.

(b) Partners under this section must be:

(i) Qualified under section 501(c)(3) of the internal revenue code;

(ii) A for-profit private entity; or

(iii) A federally recognized tribe.

(3) The department shall place a higher priority on applications from partners that provide for the maximum resumption or continuation of existing hatchery production in a manner consistent with the mandate contained in RCW 77.04.012 to maintain the economic well-being and stability of the fishing industry.

(4)(a) Agreements entered into with partners under this section must be consistent with existing federally recognized tribal rights, state laws, agency rules, collective bargaining agreements, hatchery management policy involving species listed under the federal endangered species act, or, in the case of a tribal partner, any applicable tribal hatchery management policy or recreational and commercial harvest policy.

(b) Agreements under this section must also require that partners give preference to retaining classified employees whenever possible. In circumstances where it is not possible, partners conducting hatchery operations must maintain staff with comparable qualifications to those identified in the class specifications for the department's fish hatchery personnel.

(5) All partnership agreements entered into under this section must contain a provision that requires the partner to hold harmless the department and the state for any civil liability arising from the partner's participation in the agreement or activities at the subject hatchery or hatcheries.

(6) All partnership agreements entered into under this section must identify any maintenance or improvements to be made to the hatchery facility, and the source of funding for such maintenance or improvements. If funding for the maintenance or improvements is to come from state funds or revenue sources previously received by the department, the work must be performed either by employees in the classified service or in compliance with the contracting procedures set forth in ((~~RCW 41.06.142~~)) section 1 of this act.

NEW SECTION. **Sec.**  RCW 41.06.142 (Purchasing services by contract—Effect on employees in the classified service—Criteria to be met—Bidding—Definitions) and 2011 1st sp.s. c 43 s 408, 2008 c 267 s 9, & 2002 c 354 s 208 are each repealed.

NEW SECTION. **Sec.**  The secretary of state shall submit this act to the people for their adoption and ratification, or rejection, at the next general election to be held in this state, in accordance with Article II, section 1 of the state Constitution and the laws adopted to facilitate its operation.

**--- END ---**