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FISCAL NOTE(Form 1)
(Office of Fiscal Analysis)
Analyst: MW 4/13/92
tc
Version:

BILL NUMBER: SHB 5541
FILE NUMBER:
AMENDMENTS:

TITLE: "AN ACT CONCERNING STATE SERVICE CONTRACTS"

FAVORABLY REPORTED BY Labor and Public Employees, Government
Administration and Elections

EFFECTIVE DATE: 10/1/92

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FISCAL IMPACT STATEMENT - BILL NUMBER SHB 5541

STATE IMPACT	Cost, see explanation below
MUNICIPAL IMPACT	None
STATE AGENCY(S)	Department of Administrative Services, All State Agencies

EXPLANATION OF ESTIMATES:

STATE IMPACT: The passage of this bill would result in additional costs to the State that could be significant. The bill limits the State's authority to contract for services or hire consultants. Under the bill, before any agency can conclude a contract for services, including consultant services, it must prove that the State will save at least 15% (or \$150,000 in the case of contracts over \$1 million) over the cost of State employees providing identical services. In addition, before entering into such contract an agency must prepare a "formal plan" to assist all State employees the contract will displace. This does not affect contracts between the State and nonprofit organizations, unless the new contracts will lead to the reduction or elimination of State positions.

Cost would result from two factors. First, the administrative requirements of calculating the savings for each potential contract and developing a formal plan for displaced employees would require additional personnel for the purchasing functions of most State agencies. This would impact larger agencies more significantly, especially Administrative Services, Higher Education, Correction, Public Works, DOT and the Health and Human Services agencies. Legislative Management indicated the need for two additional positions.

Second, this limits the use of contractual services, or privatization, to instances where savings are greater than 15%, or \$150,000 in contracts or over \$1 million. Potential State savings resulting from privatization that fall below these thresholds would not be realized.