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Competitive strategies update

To achieve the privatization savings anticipated in the House budget, Washington's restrictions on contracting out government services have to be repealed. The House approach to competitive strategies is 2SHB 1969. The bill encourages state departments, higher education institutions and public schools to use competitive strategies to reduce costs and improve services.

As the Research Council first pointed out in a 1988 report, *Contracting Out in Washington State*, Washington's current law substantially blocks public-private competition, a tool available to nearly every other state government. In March, 1993, we recommended a five-part strategy to bring competitive strategies into state government.

- 1) Repeal the state law obstructing the contracting out of state services.
- 2) Adopt a comprehensive approach to privatization, including appointment of a state level task force, establish criteria for identifying privatization opportunities, estimate costs and savings, and establish guidelines for monitoring contracts and protecting the public interest.
- 3) Address state employee concerns about the effects of privatization on job security, including allowing them to bid for contracts.
- 4) Require that no new service should be provided by state government until it is determined whether it is available at a lower cost from a private source.
- 5) Inventory current state-owned facilities and examine opportunities for their sale or lease to the private sector.

The first three of those recommendations are reflected in part in 2SHB 1969, and expanded to include public schools.

The bill provides that state agencies and school districts (for nonacademic services) "may purchase services or the delivery of services through contracts with individuals, nonprofit organizations, businesses or other entities." Current law prohibits contracting for services historically performed by public employees.

The bill also states that:

- contracting for services will not be subject to collective bargaining;
- state employees may propose alternatives to any contract, language which seems to stop short of allowing employees to bid for the work;
- the Office of Financial Management shall develop a procedure for comparing state costs with contract proposals, although state agencies, higher education institutions, and public schools are not required to use the OFM methodology; and
- a Joint Legislative Task Force on Competitive Strategies shall identify opportunities for competitive contracting and evaluate results obtained in other states.

Passage of the bill is by no means guaranteed. The governor has repeatedly linked contracting out to expanded collective bargaining rights. And the Senate has passed a bill which more nearly conforms to the governor's approach, ESB 5841. The House, however, at this time seems unlikely to consider any expansion of collective bargaining, and may not consider ESB 5841.

With competitive strategies playing an explicit role in the budgets of both the governor and the House, continued legislative interest in this long-standing WRC issue seems assured.