

NEW JERSEY STATE AFL-CIO

106 West State Street
Trenton, New Jersey 08608

(609) 989-8730

FAX (609) 989-8734

www.njafcio.org



CHARLES WOWKANECH LAUREL BRENNAN

CHARLES H. MARCIANTE

| | | | |
|--------------------|-------------------|-----------------------|-----------------|
| SCOTT ADAMS | JOHN GERRITY | C. ROBERT McDEVITT | ANTHONY SANTO |
| JOYCE ALSTON | THOMAS GIBLIN | GERARD MEARA | DAVID SCHNECK |
| MICHAEL BARNES | SHERRYL GORDON | JOHN MIRANTI | JOHN SHINN |
| JAMES R. CHEW, JR. | RAYMOND GREAVES | JUAN NEGRON | JOSEPH SORESI |
| NOEL CHRISTMAS | CHARLES HALL, JR. | JOHN T. NICCOLLA, JR. | RICHARD SWEENEY |
| JOSEPH DEMARK, JR. | HARRY HARCHETT'S | DANIEL O'CONNELL | DERRICK THOMAS |
| WYATT EARP | JAMES KEHOE | GERALD OWENS | RICHARD TOLSON |
| SHARON EASTWICK | CHRISTINE KERBER | RAYMOND POCINO | ANN TWOMEY |
| FRANCELINE EHRET | DOMINICK MARINO | JOHN POTTS | HARVEY WHILLE |
| ROY FOSTER | MATTHEW McCARTY | HETTY ROSENSTEIN | |

May 15, 2014

Dear Members of the Assembly Labor Committee:

**Re: Please Support A-2873 (Vainieri-Huttle / Moriarty)
Promotes Transparency & Accountability in the Privatization of Contracts**

The New Jersey State AFL-CIO supports A-2873 and respectfully asks for your support. We commend the sponsors, Assembly members Vainieri-Huttle and Moriarty, for their efforts in promoting transparency in the contracting process and accountability to taxpayers when public contracts are being privatized.

Regardless of philosophical positions on privatization, whether in support or in opposition to the concept, we can all agree that the interests of three groups – taxpayers, residents and employees – must be front and center when considering the merits of privatization. After all, these are the people who depend on the delivery of these services, depend on them as a means of making a living, and of course, pay for them. The legislation before you today seeks to implement best practices for the benefit of all three of these categories of stakeholders.

It is important to note that this legislation does not forbid the privatization of services, rather, it puts in place common sense mechanisms to ensure that savings promised to taxpayers actually materialize. This is achieved by the bill's requirement that the state agency with jurisdiction over the contract perform a cost analysis to confirm the anticipated savings presented by the private proposal. This analysis would be a requirement prior to the approval of the contract.

It should be noted, that this same recommendation was made by Dick Zimmer, Chairman of the Governor's Privatization Task Force, in their report issued in May 2010. Specifically, the Zimmer report advocated for government entities to "apply a rigorous cost-benefit analysis to determine if a privatization should go forward." The bill also then requires an annual post audit if the contract was privatized to assure actual net reduction in costs and therefore realized anticipated savings to taxpayers.

- over-

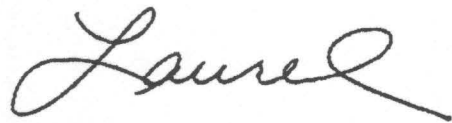
Furthermore, the bill requires additional procedures which promote transparency in the contracting process, including making the proposal available to the public. It also has employee protections, such as giving qualified displaced workers the right of first refusal for jobs under the new private contract and comparable benefits and compensation rates. And, finally, the bill protects taxpayers by assuring that user fees aren't added above the contract cost and requires that staffing levels are maintained at a level to assure adequate delivery of services.

This legislation is a common sense approach to ensure that taxpayers, employees and residents all benefit if a contract is privatized. We respectfully ask for your support.

Sincerely,



Charles Wowkanech
President



Laurel Brennan
Secretary-Treasurer

CW:LB:jn
OPEIU: 153

Attachment

Privatization deals / Oversight needed

Posted: Friday, May 2, 2014 12:01 am

Democratic leaders in the state Senate are pushing a bill that would increase oversight of deals privatizing government services.

The bill will never become law - not as long as Chris Christie, or any other privatization-loving Republican, is governor.

And it is a blatant attempt to curry favor with public-worker unions, which of course lose members and jobs when government services are privatized.

But all that aside, the measure (S770) is sound. Indeed, for the most part, it isn't *increasing* oversight of privatization deals as much as it is *establishing* oversight for the first time.

We agree with Senate Majority Leader Loretta Weinberg, D-Bergen, that "privatization is a solution in search of a problem." (Or, as writer Michael Kinsley puts it, "Privatization cannot work. This is a mathematical certainty, not an opinion.")

But even supporters of privatization should agree that any proposed deal be publicly scrutinized ahead of time, and over the course of the contract, to ensure that any projected cost-savings are real - and don't come as a result of reduced services or increased costs to taxpayers.

And that is what this bill, which is being sponsored Weinberg, Senate President Steve Sweeney, D-Salem, Gloucester, and Sen. Shirley K. Turner, D-Mercer, would do.

Under the measure, a cost analysis demonstrating actual savings would have to be performed and then reviewed by the Office of the State Comptroller.

Last year, the Christie administration privatized aspects of the state lottery, turning over sales and marketing for 15 years to a private company co-owned by GTECH corporation without any public hearing on the supposed savings from the deal. GTECH is represented in New Jersey by Christie crony David Samson (he of recent Port Authority of New York and New Jersey fame); the consortium that won the deal was the lone bidder; and Christie refused to let the state treasurer testify before the Legislature about the details of the deal.

In other words, there was little oversight.

Of course, the benefits of the deal were a \$120 million payment upfront to the state and the prospect of fewer state employees.

But if privatization is such a good deal, there is no reason why proponents should not be willing to have these arrangements scrutinized, as the measure being pushed by Senate Democrats would do.