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November 24, 2015

Dear Members of the Senate Legislative Oversight Committee:

Re: Legislative Action on Best Practices in the Privatization of Contracts

We would like to focus our testimony at legislative efforts here in New Jersey and throughout the nation that have addressed contracting and privatization reform.

Regardless of philosophical positions on privatization, whether in support or in opposition to the concept, we can all agree that the interest of taxpayers and residents must be front and center when considering the merits of privatization. After all, these are the people who depend on efficient and cost-effective delivery of these services and pay for them.

We think common ground can be achieved, if we focus on the most basic of best practices – such as transparency in the contracting process and a cost-benefit analysis to protect taxpayers.

Today's hearing brings attention to privatization "gone wrong" specific to the lottery, but we all recognize this is not the first instance, and it certainly won't be the last unless we come together, both parties, to work towards a solution. Let's be frank - these types of privatization practices, where tax dollars are squandered, political interference is rife and workers lose their jobs and then a portion of them are then hired back at half their salaries with little to no benefits - keeps happening, time and time again. This is not good government, and it's certainly not being a good steward of taxpayer dollars. Something must be done.

To illustrate this is not a Democrat or Republican issue, you can look to recent legislative actions taken on this issue in deep red states such as Texas and Louisiana as well as deep blue states such as Massachusetts, California and Washington.

In 2014, Texas passed legislation increasing transparency, limiting no-bid contracts, strengthening conflicts of interest's laws and created an accountability system to measure contractor performance.

California is advancing legislation focusing on wage and benefit protections for employees contracted by the State's Public Colleges and Universities.

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Massachusetts has been perhaps the strongest leader on this subject passing in 1993 what is referred to as the "Pancheco Law." This law had seven separate provisions that focused on many of the best practices we are discussing here today. In 2004, a report assessing the law after 10 years was published by academics at Columbia University. A summary of that report is attached to this testimony. The conclusion stated that law prevented \$73 million in questionable privatization decisions and has "effectively delivered good management practices" to private contracts and now allows Massachusetts government agencies to accurately judge the cost impact on taxpayers of contracting.

The Pancheco Law is what S-770 of 2014, which was vetoed by the Governor, was modeled after. Unfortunately, the New Jersey bill was not bi-partisan and was viewed by some as purely a product to protect unionized workers when government functions were privatized, rather than the comprehensive set of best practices that it truly was. And although the NJ State AFL-CIO believes that wage and benefit protections should be front and center when talking about reforming the contracting practice, after the Governor's veto, we recognize that we must move past that in order to advance a bill that focuses on taxpayer protections.

And so, we urge the legislature to revisit this bill, to have representatives of the Governor review what they feel can be achieved. Perhaps a bill simply embracing the cost-benefit analysis and post contract audit are more palatable at this time. These concepts were strongly embraced 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 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.

This simple recommendation would go a long way ensuring that our elected officials are being the best stewards of taxpayer dollars as possible. If this logical requirement was in place, we would have avoided many of the pitfalls this hearing is outlined today.

Thank you for your attention to this matter and the New Jersey State AFL-CIO stands ready to work with those that are willing to make an effort to protect taxpayer dollars in the contracting process.

Sincerely,



Charles Wowkanech
President



Laurel Brennan
Secretary-Treasurer

CW:LB:jmn
Attachment
OPEIU:153