

The Taxpayer Empowerment Agenda

Below are a number of responsible contracting proposals that have the impact of curbing privatization. These policy ideas are divided into four sections: transparency, accountability, shared prosperity, and competition. Note that these are just policy ideas to start a conversation, and not specific recommendations.

TRANSPARENCY

Require any company being paid with tax dollars to open its books and meetings to the public, just as government does.

Access to information is a cornerstone of our democracy. Open meetings and open records laws ensure that taxpayers have access to government discussions and documents and can understand how tax dollars are being spent and hold elected officials accountable. Yet government contractors, paid with tax dollars, are often not subject to sunshine laws so the public does not have information about services and programs performed by contractors.

State and local governments should track how much money is spent on private contracts, how many workers are employed by those contracts, and worker wage rates. This information should be readily available to the public.

While researchers calculate that total state and local procurement may be roughly valued at \$1.5 trillion, it is difficult to know how accurate this figure is and importantly, difficult to know how much contracting takes places in individual jurisdictions since many governmental entities do not systematically collect and make public this information. At a time where many governments are struggling with raising sufficient revenues to make the necessary investment in critical public goods, understanding how much of a budget goes toward contracts and scrutinizing each of those contracts, can turn up opportunities to bring services back in-house at a cost savings.

ACCOUNTABILITY

Ensure that every contract allows for regular audit and oversight, and agencies have sufficient staffing levels to adequately oversee contracts to make sure taxpayers are getting what they pay for.

Substantial time and personnel are necessary to adequately monitor contracts, especially those involving critical government functions. If government agencies are unable to dedicate sufficient personnel and time to overseeing contracts, they run a high risk of poor contractor performance and wasting large amounts of money.

Ensure that every contract includes language that allows government to cancel the contract if the company doesn't live up to its promises of quality and cost savings.

Governments frequently outsource public services based on contractor promises of high quality services and low prices. Too often those promises fail to materialize, yet it is very difficult and often very costly for governments to terminate those contracts.

Prohibit companies that evaded taxes or broken the law from taking over public services.

It is important that cities and states know the track records of all companies they interact with, and ensure that only law-abiding companies receive taxpayer dollars, and bar those that fail to abide by federal, local and state laws from participating in the contracting process.

Require a thorough cost analysis of all bids and guarantee taxpayers a minimum 10 percent savings before any service is privatized.

Governments must account for all expenses associated with contracting, such as contract monitoring and administration and the contractor's use of public equipment and facilities. But too often these expenses are not included in a cost-benefit analysis of a proposed contract. The Government Finance Officers Association estimates that indirect and hidden costs can add up to 25 percent to the price of the contract. These costs add up, making the true costs of contracting much higher than a company's bid may indicate.

SHARED PROSPERITY

Governments should conduct a social and economic impact analysis before outsourcing.

The impacts of privatization are far more reaching than just costs. However, governments rarely look at questions beyond whether there is projected cost savings associated with a proposed privatization effort. While a rigorous cost-benefit analysis should be a part of every government's "make or buy" analysis, other analyses should also be completed that examines potential impacts on those who use the service or asset, workers, community residents, and businesses. A study of the potential social and economic impacts of outsourcing should also be made public before any decision regarding outsourcing is made. The analysis should include the potential impacts listed below, as appropriate.

The expected impacts on people utilizing the service or asset

- Any potential change in the racial, gender, or socioeconomic mix of people utilizing the service or asset
- Any potential impact on vulnerable populations
- Any potential impacts on other governmental budgets
- The expected change in staffing and personnel for the affected positions
- The expected change in wages and benefits for affected workers
- The expected impacts on social services and public assistance programs
- The racial and gender mix of affected workers, and any expected changes after outsourcing
- Requirements for staffing to live within the jurisdiction, and expected impact of contracting on where workers live
- The expected economic impact on local businesses
- Expected impact on tax revenue for jurisdiction

Governments should require contractors to show that cost savings derive from increased efficiencies and innovation, not a decrease in compensation.

Governments should ensure that cost savings promised by contractors are derived from increased efficiencies, not from a decrease in employee wages and benefits. By ensuring that contractors' promises of cost savings do not come from wage and benefit reductions, states and localities can preserve decent family-supporting jobs, which is good for workers, communities, and the local economy.

Require contractors to pay a living wage and provide health and other important benefits.

Public sector jobs have long played a role in growing the middle class. Workers in a variety of roles are able to earn a decent living when their jobs are with the public sector. However, many contractors increase their profit margins by cutting labor costs. This means that workers' wages and benefits are slashed when private companies assume control of public functions, degrading middle and working class jobs. If a contractor is going to employ workers to perform public work using public dollars, those jobs should fulfill the goal of using public money to strengthen our economy and build the middle class. Workers should be paid a living wage and provided reasonable benefits, such as health insurance and sick leave by their contractor employer.

COMPETITION

Require competitive bidding when a contract is up, rather than automatically renewing it.

Service contracts are too often renewed almost automatically when they expire, with no serious review of whether the contract actually saved money, enhanced the quality of services, or whether conditions or the markets have changed since the contract was let. Automatic renewal of government contracts circumvents the competitive bidding process and gives one company an unfair advantage.

Ban contract language that guarantees company profits.

Many government contracts contain language that shields companies from risk and puts taxpayers on the hook for ensuring that corporations make a profit. Non-compete clauses and compensation clauses in public infrastructure contracts, and occupancy guarantee clauses in private prison contracts, are examples of how corporations protect their profits at the expense of taxpayers.

Ensure that public service workers have the opportunity to submit their own plan to save money and provide quality services.

Public service workers know their jobs; they know best to cut costs and increase productivity and the quality of services. Allowing public employees the opportunity to present alternatives to outsourcing taps the creativity, experience and resourcefulness of the current workforce and avoids the negative impact of privatization.