

## Council 4 AFSCME Testimony – Clean Contracting – GAE – 2/21/07

My name is Brian Anderson. I am a legislative representative for Council 4 AFSCME, a union of 35,000 nonprofit and private employee members.

I am here to testify in favor of Senate Bill 41, AAC Clean Contracting Standards. Though, Council 4 only supports this bill if it is amended to include nonprofit contractors as well as private, for profit.

The nonprofit sector is not a small or insignificant sector. In fact, the nonprofit sector controls about 20% of the whole U.S. economy. According to Governor Rell's proposed budget, almost 38% of the state budget is spent on "payments to other than local governments." No doubt much of this goes to nonprofit state contractors.

That we advocate that nonprofit contractors should be covered in a clean contracting law is no slight to nonprofit contractors, anymore than it is a slight to for profit contractors. It is simply a recognition that Connecticut has had a serious ethical and managerial problem with overall state contracting. This recognition is made by no less than the state's attorney general, the bipartisan state auditors and the majority of the General Assembly.

The vast majority of the state's nonprofit contractors employ honest, hardworking people. The work that they do is of vital importance. They provide assistance to people who suffer with mental and behavioral problems. They shelter the homeless and ease the suffering of the poor. But unfortunately, as in every human endeavor, nonprofits are not immune from corruption.

Let me relate one such story of corruption. An out-of-state for profit corporation set up a nonprofit in Connecticut to try and operate what amounted to a private prison. This project was referred to as a CJC or community justice center. The executive director of this corporation wound up on the U.S. Attorney's list of cooperating witnesses in the prosecution of Governor Rowland's chief of staff, Peter Ellef for accepting bribes. The nonprofit corporation had all the appearance of a false front. Yet, if the FBI and U.S. Attorney had not uncovered this corruption, there is little doubt that this nonprofit would now be competing against legitimate, Connecticut nonprofits for scarce dollars. What tactics might such a nonprofit use in competition? What service would such an outfit give to people as vulnerable as those just getting out of prison? A substantive, comprehensive clean contracting bill will protect the legitimate nonprofits and weed out those that should not be providing services.

We also reject the assertion that some how the clean contracting bills that were passed in the last biennium, but vetoed, would have led to a vast loss of services to people in need. That was a claim that was never backed up or proved. It is interesting that when the nonprofit language of the original clean contracting bills was removed, the bill minus the nonprofit language was still vetoed.

I would be happy to answer any questions.

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*TESTIMONY OF  
ATTORNEY GENERAL RICHARD BLUMENTHAL  
BEFORE THE GOVERNMENT ADMINISTRATION AND ELECTIONS COMMITTEE  
FEBRUARY 20, 2004*

I appreciate the opportunity to speak on the issue of regulating state contracts, especially privatization contracts.

Even as my investigation continues, we already have irrefutable evidence that the current contracting system is fundamentally flawed, that some contractors have gamed and exploited it and that abuses have involved massive misspending and criminal wrongdoing. Clearly, the defects must be remedied. The contracting process must be more consistent and resistant to abuse. Particularly as to large construction and procurement contracts, there must be independent oversight and searching, strict scrutiny.

I have submitted legislation, incorporated into Senate Bill 392, that would establish a State Contract Review Board to evaluate all construction and procurement contracts in excess of \$100,000. This independent board would operate much as the State Properties Review Board does already for certain agreements like leases. It would help ensure that the selection process is proper and open -- accountable and transparent -- and that contracts are cost-effective and fiscally prudent. In short, another pair of eyes reviewing such contracts -- eyes with expertise and independence -- would deter unethical or unwise decisions.

Greater scrutiny and oversight are particularly necessary for contracts involving privatization -- where services currently performed by state employees are transferred to a private corporation, potentially leading to job losses and layoffs. Privatization contracts are fraught with danger. Some government officials have adopted a private sector, free market mantra -- taking as an article of faith that the private sector is invariably more efficient in performing public functions. In too many cases, these contracts have diminished accountability and raised private sector profits, without any benefits in cost-efficiency or quality of service. In short, the private sector is no panacea or magic bullet for state government shortcomings.

The legislature should require critical, close scrutiny of any privatization contract and exercise its oversight responsibilities over large privatization contracts.

Certain steps for reviewing privatization contracts would help produce contracts that save the state money and protect the public interest.

9. **The General Assembly should establish formal standards and procedures for the evaluation and approval of contracts to privatize services provided by State departments.**

Comment:

We have noted that the only State guidelines and requirements in place over the execution of privatization contracts are the standard State purchasing laws and regulations that govern the procurement of all goods and services by State agencies. It is possible that operational areas of the State government, such as parts of the information technology services, may be selected as possible candidates for privatization in the future.

Given the inherent risk that attaches to privatization initiatives originating in the government sector, and the potential they have for dramatically impacting the way government services are delivered to the public, there exists a need for the General Assembly to establish formal standards and procedures in order to help ensure that sufficient planning and analysis have been conducted to support a decision by State management to enter into a contract for the privatization of government services.

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# Says nonprofit chiefs still misrepresent bill

*Jan 26*  
The *Connecticut Post's* recent article "Wage gap for state, nonprofits debated," [Jan. 21 editions] raises interesting issues regarding social and human service providers in Connecticut.

Certainly it's encouraging to read that these providers support so-called indexing legislation that would reduce the disparity in pay between employees of private non-profit agencies and state employees.

Our union has consistently supported legislation that would improve the wages and benefits paid to employees of private social service agencies. We've testified in favor of such a law and have spoken with non-profit workers who would support its enactment.

What is less encouraging is the knee-jerk opposition non-profit employers demonstrate toward sorely needed clean contracting legislation.

Ironically, the non-profit lobbyists working the halls of the General Assembly essentially have argued for a lower industry standard, going so far as to allow their client agencies to be used as a pawn by Gov. M. Jodi Rell when she vetoed clean contracting legislation last year.

Contrary to Rell's statements, the bill would not have impaired non-profit providers of services to the needy. In fact, the language of the proposal gave special status to non-profit providers to ensure continued service delivery, courtesy of the

bill's legislative supporters.

It's unfortunate to see non-profit agency chiefs still misrepresenting a proposal that would establish clear-cut standards before state agencies could privatize services. Without such standards, taxpayers are defenseless against corrupt privatizations such as those practiced by former Gov. John G. Rowland.

**Keith Gatling  
Trumbull**

*Gatling is a lead investigator for the state Department of Social Services and serves as the president of Local 714 of Council 4 AFSCME.*

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