

Testimony of Daniel E. Livingston in Support of Raised Bill No. 41
-- February 21, 2007--

Senator Slossberg, Representative Caruso, and members of the Government Administration and Elections Committee.

On behalf of 43000 unionized state workers, I am here to testify in favor of Raised Bill No. 41, "**AN ACT CONCERNING CLEAN CONTRACTING STANDARDS.**"

Over 70 years ago in 1932, New York City faced a crisis. The public had lost faith both in an administration which was wracked by corruption, and in the political and governmental system that allowed that corruption to thrive. Public dollars were used for private gain. City leaders used government power to enrich themselves and their friends and to punish their enemies.

In response, New Yorkers rejected the powerful Taminy Hall machine and elected a brash young Republican congressman, Fiorello LaGuardia, as mayor. LaGuardia rooted out corruption, created the modern New York City civil service system to immunize government workers from political pressure, greed and corruption, strengthened public services for children, for the poor and the elderly, rebuilt New York's infrastructure, and de-privatized the New York subway system, taking control of that crucial City service from a private sector that had left it weakened and neglected. In 1936, LaGuardia, a Republican in an overwhelmingly Democratic city, was re-elected by the far largest margin in the history of New York.

The systemic change initiated by LaGuardia in 1936 was a tremendous step forward for New York, and eventually for the country. But we have since learned courtesy of the John Rowland administration, that it was far from enough. Thanks to John Rowland, I think we all understand the risk posed by the intersection of public money and private interests that occurs through government contracting -- especially in the profit-making private sector. When we privatize state services, we by definition put economic self interest at the heart of each of these public transactions. This is not to suggest that every profit making private contractor is corrupt or unethical. But every such contractor sees public services as a way to make a profit. He has to in order to stay in business. The competitive temptation to cut corners, to skimp on labor or materials or the services provided, to reward political friends with gifts and campaign contributions, even outright bribes and kickbacks is tremendous.

We've been making this argument for a dozen years, and now virtually everyone agrees that there need to be careful rules and standards, insulated from the political process, by which we decide which private sector entity is awarded which public work. The disagreement is about whether there should be standards governing not just how work is privatized, but *whether* work is privatized. RB 41 reflects this Committee's years long understanding that you can't have one without the other, and that as Fiorello LaGuardia realized three quarters of a century ago, we start with the assumption that public services should be performed by public servants unless there's a good reason to do it otherwise.

The governor has at times suggested we don't need such standards, and at times suggested we need them only when state employees might be laid off as a result of a privatization. Well the governor often claims to be guided in running the government by the simple common sense principles that guide people in making decisions about their own household. Take then a typical contracting decision for a home owner. The house needs painting. The homeowner will decide on a process to pick the best house painter. But first, the homeowner will decide whether it makes more sense to paint the house him or herself. And the fact that last time the homeowner used a contractor doesn't mean the homeowner won't do it him or herself this time. Should I do it myself, and if not, who should I hire, and what should the contract say? Why would the State of Connecticut resist asking exactly the same questions? Or why would it be asking the question only if a state worker would be laid off?

The governor's limitations suggest that privatization standards are about protecting state employees rather than the public, which is frankly an insult to both state employees, and the public. As RB 41 demonstrates, privatization standards should (1) recognize LaGuardia's lesson that public work should be performed by public employees unless there is a reason to privatize which clearly benefits the public rather than private interest; (2) assure the protection of needed public services, including quality standards and the opportunity to bring the work back in house if the privatization fails; (3) assure transparency and accountability in any privatization agreement; (4) require a careful cost-benefit analysis to assure that privatization makes sense in terms of cost and quality; and (5) assure that the potential contractor complies with state and federal laws, and that it does not claim monetary savings simply by paying substandard wages or benefits to effected employees. Note that all of these provisions make sense regardless of whether the privatization is new or old, and regardless of whether it would directly impact current state employees. All

privatization should serve the public interest. All privatization should comport with the fundamental values and principles of our state.

Which brings us to one disagreement with RB 41. As written, RB 41 exempts non-profits from all standards. We agree that the risks to public service inherent in the profit motive are obviously less prevalent in the non-profit context. But we don't agree that this justifies exempting non-profits from all standards and requirements insuring that their contracts are open, fair, and in the public interest. We have previously submitted language treating non-profits differently than profit-making contractors, and suggest that all of these details can be worked out, as long as the solutions remain true to the fundamental principles that no privatization should occur unless it serve the public interest and comports with the fundamental values and principles of our state.

We thank this Committee for once again demonstrating courageous leadership in this crucial area. We urge that RB 41 be favorably acted upon by the Committee. We recognize that there is much more work to be done, and that powerful interests and players that will oppose us. But we urge this Committee to continue to fight for the fundamental principles upon which the public interest ultimately depends.

