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Connecticut **Business & Industry** Association

Testimony Of
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Government Administration & Elections Committee
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My name is Kevin Hennessy. I am a staff attorney for the Connecticut Business and Industry Association (hereinafter "CBIA"). CBIA represents approximately 10,000 member companies in virtually every industry. They range from large, global corporations to small, family owned businesses. The vast majority of our member companies have fewer than 50 employees.

CBIA opposes the following bills:

- *SB 41 – An Act Concerning Clean Contracting Standards;*
- *HB 7147 – An Act Concerning Comprehensive Reform of the State Contracting Process.*

SB 41 – An Act Concerning Clean Contracting Standards

CBIA opposes *SB 41 An Act Concerning Clean Contracting Standards*. Specifically, CBIA dislikes **Section 14** of the proposed bill. This section calls for no state privatization contracts, other than for emergency procurement, until the State Contracting Standards Board creates a procurement code unless a plethora of conditions are met. The most troubling aspect of this section is that it requires state agencies soliciting privatization contract bids to obtain the wage rate or annual salary for each employee or each position covered under the contract. Since this disclosure is not required under Section 3 of the proposed bill, when a uniform procurement code is adopted, it should not be required here. Mandating the release of private information will deter companies from bidding on state contracts. Fewer bids will ultimately drive up the cost of obtaining such goods or services. Adopting Section 14 will increase Connecticut's taxpayers' burden.

Also troubling in **Section 14** is the language in subsection (c)(1). This language mandates that a contractor offer available employee positions pursuant to the privatization contract to terminated state employees from the agency whose state employment was terminated because of the privatization contract if the employees satisfy the contractor's hiring criteria. This measure is unnecessary. Mandating private employers to higher certain employees will deter bids on state contracts. Again, this will negatively impact Connecticut taxpayers. CBIA opposes *SB 41* because of **Section 14**. Therefore, CBIA urges the members of the Government Administration & Elections Committee to reject the proposed bill.

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would be in New Jersey. As a result of the re-negotiated contract, New Jersey taxpayers paid an additional \$900,000 on the contract to retain 12 jobs in New Jersey. For New Jersey to “save” 1,400 jobs in a similar manner, it would cost the state \$100 million.¹ Interestingly, outsourcing jobs can create other jobs for a state. For example, Delta Airlines outsourced 1000 jobs to a call center in Asia. As a result, Delta saved \$25 million. In turn, Delta used that money to hire 1,200 higher paid sales reps in the United States.²

Additionally, anti-sourcing measures may be unconstitutional. Under the Constitution’s foreign commerce clause, the power over foreign affairs is a federal power. Federal power pre-empts states from making their own foreign policies. Arguably, anti-sourcing measures are a form of foreign policy. Therefore, the validity of a state’s anti-sourcing measures could be an issue that a federal court has to interpret.

Finally, adopting anti-outsourcing measures is hypocritical and could subject Connecticut to trade retaliations. Currently, Connecticut is home to approximately 1,200 foreign companies and it exports approximately \$8 billion of Connecticut made products annually. If Connecticut chooses to adopt protectionist measures, it is likely that players in the global economy will choose not to continue to do business with or in Connecticut.

Former Federal Reserve Chairman Alan Greenspan and former Clinton administration labor secretary Robert Reich have said that the keys to growing United States companies are “innovation, research and development and training,” not protectionist measures. CBIA agrees. Rather than adopting protectionist measures in the name of “retaining jobs,” Connecticut’s legislature should focus on tried and true economic growth measures such as reducing costs, developing a skilled workforce and creating a dependable infrastructure.

Section 6 states that all state contracts should have a clause requiring the contractor to warrant that it will not subcontract to a person or group outside of the United States. For the same reasons listed above in Section 5, CBIA believes this measure should be rejected.

Once again, CBIA strongly opposes SB 41 and HB 7147 and urges legislators not to pass such flawed bills.

Thank you for the opportunity to testify on behalf of CBIA.

¹ “Outsourcing Attacks Not Over” Anderson, Stuart, February 11, 2005.

² http://www.reason.org/outofcontrol/archives/2004/03/dissecting_outs.html