

Madame Chairman, members of the committee,

My name is Terry Minow. I represent MEA-MFT. We represent state employees across the state of Montana. I appear today before you in strong support of SB 299.

SB 299, the "clean contracting" bill, allows for transparency and accountability in contracting out of state services. It gives the legislature, state employees, and the public an opportunity to carefully scrutinize privatization of public services to make sure that quality services are protected, and cost savings are realized.

I will walk you through the specifics of the bill in a minute. First, I would like to talk about the need for SB 299.

On September 2, 2004, here in Helena, about a block from the capitol, at Burger King on Montana, four violent offenders escaped from under the supervision of TransCor, a private contractor hired to transport prisoners across the state of Montana. The ensuing manhunt involved door to door searches, helicopters, a failed carjacking attempt, and a sleepless night for many Helena residents.

When the smoke settled and the prisoners were re-captured, many wondered about TransCor—where it came from, how it came to have a contract with the state, what kind of training was required for its employees. Why was the state of Montana paying \$300,000 dollars to an out of state corporation, and when & how was the decision made to contract with TransCor?

Montana has a long history of failed privatization attempts. Many of you recall the fiasco that came as a result of privatizing mental health care services in the state. That experiment failed miserably and was very costly, and the state is still trying to put the pieces of the mental health care system together years later.

Another failed contracting out experiment was the development of the POINTs system, a computerized system for the Department of Revenue that was partially developed in India, & just dropped by the state this year, at a cost of at least \$30 million.

While these are a few of the most visible privatization failures, many others have occurred. It is in the interest of the public, and you as their representatives, to make sure that our tax dollars are being used in a cost-efficient manner to provide the services the public wants and needs.

This bill is not an attempt to stop privatization. It is an attempt to make sure that quality public services are protected, that cost savings are actually realized, and that the public and the legislature have input into what happens to public services.

As you can see, the bill is a reworking of current state law. Current law, which was passed in 1991, does provide a process for reviewing privatization attempts. This bill tightens the process up, and gives the legislative audit committee more notice before they are required to consider a privatization plan.

The previous definition of privatization referred to displacement of 5 or more state employees. HB 299 broadens the definition by striking reference to the laid off employees, and puts the emphasis where it belongs, on the state services.

Section 2 addresses the role of the legislative audit committee and the governor.

Subsection 2 requires that notice be given to all unions that represent state employees. State employee unions have the resources to be watchdogs over privatization. We also have access to information from other states—for example, on TransCor's record across the nation.

Subsection 2 also requires agencies to give advance notice of 180 days to the legislative audit committee.

Subsection 3 gives the legislative audit 90 days to conduct the hearing.

Subsection 4 requires that the legislative audit committee release its findings and conclusions to the public 45 days before the proposed implementation date.

Subsection 5 requires the legislative audit committee to make a recommendation to the governor in writing, 30 days prior to the proposed implementation date. That recommendation is advisory only.

Subsection 6 requires the governor to weigh in, either approving or disapproving the proposal and giving his reasons.

Section 3, the contents of the privatization plan, remains the same, until subsection 2, i. "i" adds, to the list of information required, "the ways in which the proposed privatization will deliver the same or better services at a lower cost."

Finally, Section 4, on the duties of the legislative audit committee, adds "to review privatization plans" to the list of reasons the committee may meet.

Finally, we support the sponsor's proposed amendment, to allow suit to be followed if these procedures are not followed. Without some enforcement mechanism, this law has no teeth.

I'd like to return to the reasons why this bill is necessary. I'm handing out a copy of a memorandum of understanding between the Montana Department of Corrections and the office of the governor and TransCor America LLC. This four page document lays out a number of conditions for continuation of the contract between the state and TransCor. (read through highlighted items)

If the public, state employee unions, and the legislature would have had the opportunity to scrutinize and question the TransCor contract, would these issues have come up BEFORE the prisoner escape? I believe they would have. In fact, it is entirely possible that the idea of privatizing prisoner transportation would have been scrapped altogether.

To summarize, Madame Chair, this bill will not stop privatization of state services. There may be circumstances in which a private contractor can provide better quality services at a better price. If so, private contractors should not fear a clean contracting bill. They should welcome the opportunity to explain, to legislators, the public, and state employee unions, what they plan to do, how much it will cost, and how they will be accountable to all of us, the folks who pay the bills.

I hope you will adopt the sponsor's amendment, and give SB 299 a Do Pass recommendation.