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Before the House Committee on Federal and State Affairs  
Testimony IN SUPPORT of HB 2201  
Submitted By: Brian Wood  
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March 8, 2017

Chairman Barker and Members of the Committee:

My name is Brian Wood, and I am legal counsel for the Kansas Organization of State Employees (KOSE). KOSE represents over 8,000 Executive Branch state employees, with covered employees in every Kansas County and legislative district. On behalf of those employees, I ask you to support HB 2201.

Over the past few legislative sessions, there have been multiple bills involving transparency and privatization. This bill brings those two things together, and contains provisions to insure that anytime a state service is privatized, the impact on both employees and communities are publicized, examined, and understood. The bill requires contractors to open their books as public records and for meetings between contractors and agencies to be considered open meetings. These requirements make the contracting process and contracted work transparent for any interested, involved taxpayer.

Unfortunately, the privatization process in Kansas is not currently transparent. Decisions to privatize are often made with no clear or compelling data that such privatization can actually result in the promised decreased costs with increased efficiency. This bill seeks to remedy that problem. In Section 4, the bill provides that for a service to be privatized, there must be at least a 10% savings to the State over having those services provided by state employees.

But, there are limits on how that savings can be obtained. This section goes on to provide that such savings may not come from failing to pay employee wages or benefits equal to or higher than those paid/offered to state employees. Actual wage and benefit information must be included in a contractor's bid and then reported to the agency quarterly after the contractor receives the contract. The wage and benefit data is public

record, just like state employee salaries and benefits. This should not be a problematic section. State employees have not received an across-the-board pay increase since 2009, and many are paid below market rates. A great number of state employees work second, or even third, jobs to make ends meet. A private contractor paying even lower rates or offering lesser retirement or health benefits would mean state subsidization of those employees in the form of public assistance.

Employees are not the only ones impacted by privatization. Private contracts can mean fewer jobs in a particular community, or less availability of services in a particular community. Currently, the contracting process does not include required analysis of how a decision to privatize might impact a community. This bill remedies that problem in Section 5. Section 5 requires state agencies to prepare and publicly issue an impact analysis of private contracts. The impact statement must include, but is not limited to, loss of employment or income in the local area, impacts on social services, impacts on public assistance programs, economic impact on local businesses, loss or increase of tax revenue for the local area, and any environmental impacts.

Why is this important? Because the decision to privatize should not be made in a bubble. Kansas has had a “rural opportunity zones” program for several years to try to encourage more people to locate in smaller Kansas communities. If a decision to privatize will remove jobs or decrease wages or services in particular areas, those community impacts should be analyzed and considered before the decision to privatize is made. This analysis will help decision makers truly weigh the costs and benefits of privatization.

Finally, Section 6 requires agencies to pursue alternatives to privatization by seeking ideas and input from those closest to the work: employee representatives. Section 6 requires agencies to provide cost and scope of work estimates both for work conducted in house and by contractors to all bargaining representatives, and give the bargaining representatives opportunity to provide their own information and cost estimates. Bargaining representatives, like KOSE, represent employees. Our members do the work that would be privatized, and our members can offer important feedback about process efficiency and improvement. This was recognized during the A&M efficiency study, when A&M suggested an annual “idea festival” to obtain efficiency recommendations directly from state employees. This is a similar process. Employee organizations would be able to offer feedback and alternate efficiency ideas for consideration before a final decision to privatize is made.

This bill is good for both state employees and for all of the Kansas citizens served by those employees. It makes sure decisions to privatize are based on sound data, are thoroughly analyzed and considered, and are made in an open, transparent, environment. Please support transparency in state contracts, and pass HB 2201 favorably out of committee.