

Public Service Accountability Act (House Bill 4892) Talking Points-

- Federal, state, local government and public education institutions have a responsibility to provide services for the common good of the community and the cost of these services should be shared by the general society. Over the last twenty years we have seen an increase in these governmental agencies contracting out with private sector business to provide public services. These for profit businesses promise government officials the same or better services at a cost savings to taxpayers. However, most studies reveal that this is not the case and that often government officials do not have the means to evaluate and/or monitor the progress of a business in the delivery of public services.
- Oftentimes government officials do not know the true costs of privatization when making these decisions because there are many “hidden” costs such as contract preparation, monitoring and the use of public facilities and workers not listed in bid proposals.
- The trend of privatizing for the sake of privatizing is not sound public policy and more times than not, it ends up costing taxpayers more money and public sector employees their jobs. A 1998 Senate Fiscal Agency report on the use of private contractors in state government found that “most activities privatized... did not result in cost savings to the state of Michigan.”
- The Public Service Accountability Act holds state government accountable to the public by providing the Michigan Legislature with a framework to evaluate whether or not privatization of public services is worthwhile and sound public policy and will save taxpayer money. These measures include the following:
 1. **A pre-privatization Cost-Benefit Analysis-** Before contracting out or renewing a contract, the state department must do a detailed comparative estimate of the costs that will be incurred by the state over the life contract compared with the cost of having the service or activity provided by state employees.
 - This cost-benefit analysis shall utilize accurate, reliable, and objective data, and actuarially sound techniques.
 - The costs of privatizing the services shall include all hidden costs including necessary monitoring and oversight of the private entity, any cost overruns or additional expenses the state may incur.
 - The department or agency shall use only accurate and up-to-date bids from reputable companies with a previous history or reputation of providing quality services or activities.
 - These private entities must be adequately bonded, so as not to expose the state to any potential future liability or legal causes of action.
 - There must be a cost savings of at least 10% of the costs of continuing to use state employees in providing the services or activities.
 - This cost benefit analysis must be reviewed and approved by both the senate and house appropriations committees.
 2. A private contractor shall be subject to the **Freedom of Information Act**.

3. A private contractor that has a contract with the state shall be subject to a **comprehensive audit** upon the request of any member of the senate or house appropriations committee member.