

THE PRIVATIZATION MYTH

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Privatization

The dictionary definition of privatization is “practice of transferring to private ownership an economic enterprise or public utility that has been under state ownership” (Encarta Dictionary). Recently, the term privatization has been used to refer to the outsourcing of government jobs to private for-profit or not-for profit companies. It is sometimes called “contracting out” and has recently been dubbed “non-profitization” by some proponents.

Under the new definition no governmental responsibility or cost is transferred – only jobs – and frequently at a cost to the taxpayer. All labor is achieved through contract – either with an individual, a group of individuals through a union, or with a private company. Only the latter is considered in privatized arrangements.

Proponents argue that the State saves money. Experience teaches us otherwise.

Corrections

Michigan experimented with a privatized prison in Baldwin. The result was the most expensive per prisoner cost in the State and so many problems that the State had to close it down.

Several years ago Huron Valley facility outsourced food service to the Marriott Corporation with a cost of \$12 to \$16 per inmate per day. The current costs are around \$4.30 per inmate today. This figure covers all food service including food, prisoner wages, operating expenditures, staff wages and benefits. The private system was abandoned not only because of its costs but the resulting increase in state security costs.

Allegan County Detention contracted with Canteen at \$6.75 per day several years ago.

Low priced proposals are loss leaders which do not include security costs and subsequently costs rise due to the added costs needed to return to the more economic public service system.

Services and benefits of public employees often not included in contracted services are:

- training of prisoners for outside employment
- energy reduction
- accreditation
- security
- double duty by employees
- specialized skills in dealing with dangerous inmates
- low turnover rates
- nutritional concerns (including federal food requirements)
- decreased likelihood of litigation due to specialized nature of the services noted

Human Services

The Senate Appropriations Subcommittee on Human Services is currently advancing a recommendation to outsource all foster care and most juvenile justice services. With no authentication, proponents argue that the proposal would save the state \$40 million in the first year. A recent analysis by the Department of Human Services estimates that the proposal would actually cost the state over \$24 million dollars. Further they have documented additional costs to counties and loss of federal funds in the event the proposal is adopted.

Part of the reason for the disparity is the Senate's refusal to recognize the need for additional public supervision of private placement agencies. A private non-profit foster care agency's license was recently suspended when two children died after being placed in a facility under their control.

Current law requires private placement agencies be given preference in placing both abused and neglected children and children placed by the juvenile justice system. Nearly all juvenile justice placements involve children who have already failed in private placement. The rest are those that private agencies acknowledge they are incapable of handling.

Michigan AFSCME Council 25 urges that placements be made based on the needs of the children. Our public – private partnership should not choose placements based on the worker's employer..

Veteran's Homes

A proposal to privatized services at Grand Rapids Home for Veterans and the Dominic Jacobetti Home for Veterans was met with fierce opposition two years ago by staff, patients and veteran organizations fearing the loss of current high quality services. The proposal was rejected.

Schools

Recent outsourcing of custodial and bus services have met with great dissatisfaction from parents across the State. A majority of one school district's board narrowly escaped recall while one board member did not seek re-election and was replaced by a candidate opposing the privatization. The newly privatized "cleaning service" has a high turnover rate, is not available during the school day and provides fewer services to the district. Costs for ancillary services are on the rise.

About 10 years ago, Bloomfield Hills Schools outsourced the Administration offices and the International Academy – eliminating four AFSCME positions. After numerous problems with several private companies the School District asked AFSCME to reinstate those positions in the bargaining unit not as custodians but cleaners with less pay and

benefits. The Union President at the time agreed to the proposal. Since that time they have remained AFSCME jobs and are now full custodians again with the same wages and benefits as all the other custodians in the units.

Michigan AFSCME Council 25 is compiling costs of privatization to school districts that have outsourced our jobs and will make those figures available to the caucus in the near future.

Transportation

A boilerplate provision in the Transportation budget that was included by earlier Republican legislatures *requires* outsourcing of certain contracts without regard to cost/benefit analyses. When a suggestion was made that the decision should be made on the basis of the most economical approach, Republican insisted that “everybody knows” the private sector is cheaper. If you repeat something often enough, people start to believe it whether it is true or not.

Don't renew inept prison care

April 10, 2007

Michigan's four-year contract with Correctional Medical Services Inc. to provide prison health care ends May 1.

Given the Missouri-based company's miserable performance, the Department of Corrections should not renew it.

If necessary, the state should extend the CMS contract on a month-to-month basis, while finding other providers and ways to deliver better care.

As a private company, CMS has operated in near-secrecy while taking \$70 million a year from Michigan taxpayers to provide primary medical care in state prisons. The contract, assumed by CMS in 1998, has not been put out for bid since 1997.

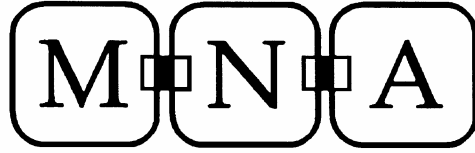
A Free Press editorial page investigation last year found systemic problems with Michigan's prison health care system, including hundreds of cases of misdiagnosis, delayed or denied treatment, withheld pain medication, and inadequate accommodations for people with disabilities. The system is dysfunctional and sometimes deadly; CMS has had legal problems due to negligent and inadequate care in other states, too.

To replace CMS, the department ought to consider contracting with university medical schools or local hospitals. The department, and Gov. Jennifer Granholm herself, must shoulder much of the blame for not holding CMS accountable. A review of prison health care, ordered by Granholm, is underway and should show how the department can improve.

MDOC finally appears to be taking health care problems in its nearly 50 prisons seriously. It did not renew, as of April 1, the contract of health care administrator Richard Russell, who seemed more interested in protecting CMS than in correcting problems.

Retaining and rewarding a company that has acted with indifference and incompetence will only hinder needed changes to Michigan's prison health care system.

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Michigan Nonprofit Association

Government and nonprofits have traditionally been partners in meeting the needs of Michigan families. But with a combined shortfall of \$3 billion in this fiscal year and the next, the state of Michigan is at a crossroads where one wrong turn could result in serious cuts to critical programs and services. Now is the time for bold decision-making to ensure that the quality of life here in Michigan is one in which communities, businesses, nonprofits and families thrive. Cuts in programs and services are no longer an option unless all Michigan residents are willing to accept decreases in the level of education, health care, culture, environment, natural resources, social service programs and more that are now available to them.

Further, it can no longer be assumed that nonprofits will be able to meet the needs of Michigan families alone. Organizations do not have the resources necessary to replace funding from the state or to support the services that government may choose to no longer provide. A recent survey of nonprofits found that nearly three-quarters (72.2%) of organizations are facing the challenge of shrinking public money needed to support their programs. Also, 76.7% of those surveyed are facing a growing demand for services without the resources they need to support program growth.

To address the budget crisis, and to ensure that government and nonprofits remain partners in providing critical services, the state must take swift action to ensure sufficient revenue to avoid further budget reductions and to reinvest in the state.

We, the undersigned, urge you to consider generating more revenue through a close examination of the state's fee and tax structure. We believe that this type of bold, long-term, solution is needed to protect Michigan's quality of life now and in the future.

LAKEVIEW SCHOOLS

- On a four to three vote, the Lakeview School Board voted to outsource the jobs of its entire custodial staff effective July 1, 2005.
- The result of this action was that 17 members of AFSCME, an entire chapter of the Lakeview AFSCME Local, were fired without cause.
- These custodians had three year employment contracts that expired on June 30th.
- The action was taken one week before contract renewal negotiations were to begin.
- The action was taken without notice to the workers and at a school board meeting after members of the administration told the workers no action would be taken.
- One year before this action was taken, the custodians had agreed to major contract concessions including \$3 per hour reductions in salary, health care concessions and a reduction in force. The Lakeview Board promised the custodians that they would never forget the sacrifice they had made on behalf of the school district.
- Requests for bids were distributed without notice to the custodians and with a cell phone number for response
- “Savings” from the action have never been documented and the impact of maintenance of the buildings in the school district has not been fully explored.
- Within months of the outsourcing, nearly 25% of the new custodians quit. Two walked off the job at homecoming.
- Within months of the outsourcing, the school district issued a new request for bids for “maintenance” work which eliminated any alleged savings to the school district. This work had previously been performed by the custodial staff without additional compensation.
- Shortly after the custodians were fired to “save the district money” these same school board members approved raises for the administration staff.