



February 17, 2015

Senator Michael Dembrow, Chair
Senate Committee on Workforce
900 Court Street NE
Salem, OR 97301

Chair Dembrow and Members of the Committee:

On behalf of the Professional and Technical Employees Local 17 (PTE Local 17), I write to support SB 414. My union represents nearly 9,000 employees across the Northwest, including 750 professional employees at the City of Portland. Our members perform professional and technical services for a variety of State and local public agencies as engineers, planners, public health providers, technicians, and administrative support staff.

We have seen first hand the dangers of contracting out public sector services with many of our employers. In the Washington State Department of Transportation, years of outsourced design engineering has left the state with a workforce short on valuable capacities and has resulted in an inability to compete for new hires with the private sector. Health Districts across Washington have privatized first-line services to non-profits, resulting in public clinic closures. At the City of Portland, contractors sit in desks next to public employees for years, blurring lines of publicly accountable supervision and project management.

Too often we find that contracted services are significantly more expensive than performing the same work in-house. A study conducted in 2007 by PTE Local 17 of Washington State DOT engineering found that privately designed engineering projects cost approximately 30% more than those designed in-house. Similarly, a 2006 report on privatization of ODOT engineering by the Oregon Secretary of State's Auditor's Office showed that private services were on average 20% more expensive than in-house services. A key finding of these studies was that when profit margins are included, higher overhead and benefit costs in the public sector are more than eclipsed. In a 2011 study, the Project On Government Oversight found that in 33 of 35 occupations, private contractors cost the Federal government more than using public employees.

SB 414 seeks to improve the requirement for analysis of the cost of privatization. By including the profit margin of consultants in all cases,

SB 414 provides a more accurate comparison of costs between private and public provision of services. By providing appropriate tools for judicial review of cost comparisons, SB 414 provides important credibility and process that will result in more transparent decisions in privatization cases. Importantly, this review will allow contracting agencies to make corrections to decisions, thus leading to more efficient provision of services.

Contracting is sometimes necessary to provide specialized services or meet extraordinary workloads. However, decisions to outsource public services are frequently made without accurate data. This results in wasted tax dollars and hurts public confidence in the services governments provide. SB 414 improves accountability and transparency, and ultimately will result in more cost effective provision of services.

Sincerely,

A handwritten signature in black ink, appearing to read 'Elliot Levin', with a long horizontal line extending to the right.

Elliot Levin
Research Director and Legislative Advocate
Professional and Technical Employees Local 17

EL:dc
opeiu8