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Friday, Oct. 9, 2009

Private concerns

Some question whether outsourcing pays

by Linda Strowbridge | Special to The Gazette

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Roger Bagley, a 30-year state employee, has seen a lot while working security at several legal facilities in Baltimore city.

And, he doesn't always like what he sees.

In his current job with the Maryland Office of the Public Defender in downtown Baltimore, Bagley comes across a lot of agitated people, many of whom have dealings in one form or another with the legal system.

"Sometimes when people come in, they are real tense and afraid of what's going to happen with their situation," said Bagley, who holds the title of security officer II. "So I try to be professional and show kindness to calm them down."

But, at times like that, Bagley also has concerns about some of his fellow security officers, particularly the ones hired through private contracts with the state.

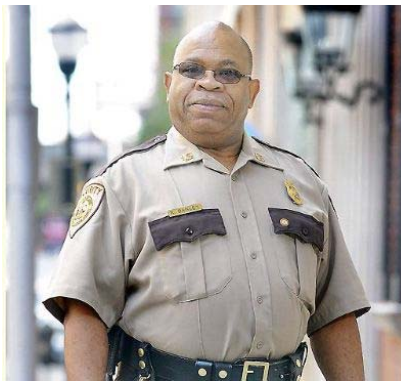
Contract security officers sometimes lack the skill or training to diffuse tension among individuals who are seeking legal aid, reporting to parole officers or contesting child support orders, he said.

"The professionalism isn't there," Bagley said. "They will confront a tense person by raising their voice. If you fight fire with fire, somebody is going to be burned."

One botched confrontation between a contract security guard and a young man visiting the Maryland Child Support office on North Calvert Street, he recalled, escalated into a scuffle and ended with the young man taking the guard's handgun.

Amid the state's mounting budget woes and employment cuts, union officials, business leaders and others have revived questions about the state's outsourcing practices.

"The biggest problem is there is no oversight, there is no transparency. That's a recipe for disaster. It's a recipe for waste and graft and all sorts of under-the-table deals," said Patrick Moran, Maryland director of the



Laurie DeWitt/The Gazette

Roger Bagley, who has worked security jobs for the state for three decades, says contract security officers sometimes lack the skill or training to diffuse tension among individuals who are seeking legal aid, reporting to parole officers or contesting child support orders.



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Questions about monitoring

A recent audit of contracts awarded by the State Highway Administration highlighted gaps in the agency's monitoring of payments to contractors, according to a study released in August.

Auditors from the Department of Legislative Services reviewed 29 invoices processed by SHA from November 2005 to July 2008. In total, SHA paid out \$4.2 million in labor charges. However, auditors concluded that the invoices lacked sufficient detail to verify the reasonableness of \$3 million of those charges.

The SHA, which concurred with the auditors' findings, initiated a review of its inventory-management system and tightened its practices for handling cash receipts. It also issued directives this summer to contractors and to its own internal auditors to fully document and verify 100 percent of contractors' labor charges.

"We don't think there has been a significant problem with consultants overcharging us and not being corrected," said Doug Simmons, deputy administrator of SHA. "I think it's a lack of documentation."

Moran argues that the state frequently fails to properly scrutinize its contracts and the performance of contractors. Consequently, state officials — and taxpayers — don't always know if they are getting good value for their contracting dollars, he said.

"Do you know how many people the state has enforcing the living wage law and ensuring that employers are doing the right thing? Less than three," he said. "It's absurd. We want to see more oversight of contracting, but this issue largely goes unaddressed."

Maryland, like many other states, gradually has increased its outsourcing over the past three decades, Moran said. It now spends about \$2 billion a year on contracts.

Meanwhile, the number of state employees has fallen by 10 percent in the past decade, he said.

AFSCME officials regularly hear anecdotes from members about troubled contracting situations, said Sue Esty, assistant director of AFSCME Maryland.

"Contractual employees might be cheaper in the short run in terms of pensions and benefits, but in the long run, their turnover tends to be higher, and they don't have the same level of professionalism as long-term employees," Esty said. "At the end of the day, there are a lot of issues about the cost and quality of service."

AFSCME members have questioned whether outsourcing has compromised the quality of child support services in Baltimore city, Esty said. Members also reported that dividing child support work between state employees and a succession of three contractors sometimes created service quality issues and undermined coordination among different state service agencies.

The pilot, which began in 1996 and officially expired Sept. 30, did not produce obvious service gains for the state or for residents who were trying to collect child support payments.

"Looking at performance over the years, there hasn't been any kind of clear direction that says privatization is better than a state-run operation," said Joseph Jackins, executive director of the Child Support Enforcement Administration at the Department of Human Resources.

Studies showed that child support collection rates improved in Baltimore city and Queen Anne's County under the private contractors. But collection rates improved by approximately the same levels in jurisdictions managed by state employees, Jackins said.

Analyzing the private sector

State officials had never conducted a cost-benefit analysis of the privatized operations and had not determined if a private or public operation was more economical. So in June, DHR contracted an accounting firm to analyze the private operations. DHR officials are currently reviewing the report, which was completed in August, and are scheduled to submit their recommendations to the governor later this fall.

"We are moving fairly quickly on this," Jackins said. "This is obviously a hot issue. In these budget times, it comes down to a cost-benefit relationship. That is the ultimate measure."

Sean Dobson, spokesman for Progressive Maryland, said privatization has produced some benefits for taxpayers.

"But generally, we are skeptical about outsourcing," he said. "Sector after sector, when you privatize core government

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services, generally the results are disappointing. The myth of the last 35 years is that the private sector is always, by definition, more efficient than the public sector. That's not always true."

Ronald Wineholt, vice president of government affairs for the Maryland Chamber of Commerce, argues that government regulations diminish the cost-effectiveness of contractors.

"Competitive bidding is an important way for the state to procure goods and services," Wineholt said. "The state should not put its thumb on the scale by putting policies in place that inflate its own costs. It is especially disheartening for taxpayers to have to pay the higher prices in times when the state is experiencing budget cutbacks."

In one analysis, the Department of Legislative Services concluded the state could save from \$3 million to \$15 million a year on school construction by exempting those projects from the prevailing wage law.

"In a time like this, when money is so short, I think it would be far better if we changed the prevailing wage law and spread more money around to more projects," said Sen. Andrew P. Harris (R-Dist. 7) of Cockeysville.

State legislators, Harris added, also should reassess the quotas currently applied to state procurement, including the targets for minority participation.

However, Sen. James C. Rosapepe (D-Dist. 21) of College Park argues that objections to the prevailing wage and living wage laws are nothing more than political rhetoric. Such laws help build a stronger labor base and a stronger economy, he said.

"We are in a recession, so we need the living wage law now more than ever," Rosapepe said.

Government procurement procedures have improved considerably in recent years, said Baltimore County Del. Dan K. Morhaim, who chairs the House of Delegates Subcommittee on Government Operations. Bills have created a central, free, online marketplace where companies can find and compete for contracts and enabled different state and local agencies to jointly contract for goods and services.

Contracting and oversight operations are dispersed among state agencies, and legislators are not always enthusiastic to tackle contracting.

"It is so complicated and so bureaucratic with very intricate regulations, many moving parts, and it's just not a glamorous issue," said Morhaim (D-Dist. 11) of Owings Mills.

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