

Approved: February 27, 1996
date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 23, 1996 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Burke, Downey, Feleciano, Harris, Hensley, Jordan, Petty, Ranson, Reynolds, Steffes and Vidricksen.

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:
Scott Stone, Executive Director, Kansas Association of Public Employees (KAPE)
Bob Corkins, Director of Taxation, Kansas Chamber of Commerce and Industry (KCCI)

Others attending: See attached list

SB 586: Enacting accountability spending act

Senator Hensley, co-sponsor of SB 586, stated the bill establishes minimal standards to be met prior to the state awarding contracts to private sector entities for performing public services. Senator Hensley stated that inasmuch as the state seems to be privatizing a number of public services, there should be standards established to see whether privatization is effective and providing taxpayers adequate protection. SB 586 sets certain competitive bidding procedures; endorses the Kansas performance review board established by SB 102, and directs the State Purchasing Director follow certain policies.

Senator Ranson, a member of the Kansas Council on Privatization, stated SB 102, establishing the Kansas performance review board, is in a House Committee subcommittee. A House subcommittee has incorporated the majority of SB 586 into SB 102. The subcommittee is interested in establishing guidelines and standards to be followed in privatizing certain governmental services.

Senator Petty, co-sponsor of SB 586, stated that Kansas is looked to as one of the most active states in the privatization of services. The process should proceed with thought and deliberation, and SB 586 sets guidelines and standards to be met when making decisions regarding privatization.

Scott Stone, Executive Director, KAPE, appeared in support of SB 586. Mr. Stone stated SB 586 provides for government accountability to taxpayers through minimum standards in privatization. SB 586 goes further than SB 102 in that it requires that all proposals for privatization must follow certain criteria. SB 586 contains certain taxpayer protections which are supported by KAPE. These protection are: competitive bidding procedures which must be used for all bids for services currently offered by the public sector; any privatization plan must prove, by using accepted cost accounting methods, that there is a savings to the taxpayers; any plan must include a plan for displaced state employees so there is minimal disruption and maximum fairness to state workers; and conflicts of interest will be readily identified through bidder reporting requirements. Attachment 1

Bob Corkins, Director of Taxation, KCCI, appeared in support of SB 586. Mr. Corkins stated the criteria outlined in SB 586 are relevant to the evaluation of any privatization idea. Local community impact, sensitivity to the interests of potentially displaced state workers, emphasis on savings to taxpayers are all contained in SB 586. KCCI supports SB 102 as it has been amended by House subcommittee and would hope that some type of legislation is enacted. Attachment 2

The Chair stated she would request that SB 586 be blessed and considered at a later date if the House does not act on SB 102.

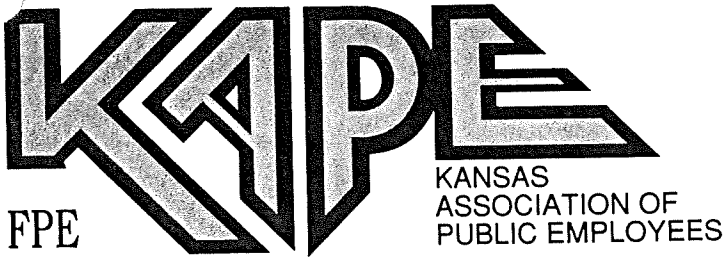
CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m.
on February 23, 1996.

Upon motion by Senator Feleciano, seconded by Senator Ranson, the Minutes of the February 22, 1996 meeting were approved.

The meeting adjourned at 8:45 a.m.

The next meeting is scheduled for February 27, 1996.



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TESTIMONY OF SCOTT A. STONE
Executive Director and Chief Counsel,
Kansas Association of Public Employees (KAPE)

Before the Senate Commerce Committee.

February 14, 1996, 8:00 a.m.
State Capitol, Room 123-S

Testimony in support of Senate Bill 586.

My name is Scott A. Stone and I am the Executive Director and Chief Counsel for the Kansas Association of Public Employees (KAPE). Members of the committee, I appreciate the opportunity to appear before you today in support of Senate Bill 586. The Bill provides for government accountability to taxpayers through minimum standards in privatization. The Bill guarantees savings and protections for taxpayers by covering all privatization proposals.

There is another similar bill, Senate Bill 102, currently in the House. SB 102 applies only to those areas of operation actually studied by the Privatization Council. SB 586 goes much further to require that all proposals for privatization must follow certain criteria. The legislature will not be usurping any executive authority, rather it will be stating minimum taxpayer protection criteria to be followed during the privatization process. SB 102 does nothing to prevent the Governor from privatizing anything anyway he wants, which is currently how it is. SB 586 also does not prevent the Governor from privatizing, it only states that certain minimal standards must be met first. The Bill also

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Attachment 1 thru 1-4

does not prevent the Governor from reorganizing his branch of government, it only applies when public money is sent to the private sector. Taxpayers are demanding accountability from all three branches of government and SB 586 ensures that the executive branch will be accountable when deciding to shift money to the private sector.

Kansas public employees desire government to be efficient and effective. They take pride in their jobs whether we are talking about those who remove snow, work with mentally ill citizens, protect us from crime or teach our children. Public employees are also taxpayers. As taxpayers, they, just like the rest of us demand that their money be spent both wisely and efficiently.

As state governments all over the country experiment with plans to privatize, downsize and become more like successful private sector businesses, taxpayers must be assured that their hard-earned tax dollars are being spent efficiently and effectively by government. Privatization is not always successful and the private sector has discovered that downsizing brings its own set of problems to efficiency. I am not here today to propose union legislation. I am not here today to propose state employee legislation. I am here to support legislation that will help guarantee governmental accountability to the taxpayers.

To date, in Kansas, a large share of the budget is already privatized. That is, roughly one billion in tax dollars are paid to private sector businesses. There are currently absolutely no laws governing such expenditures. There are no assurances that cost savings will even be a consideration, that competitive bidding will occur, or that conflicts of interest will be identified or reported.

With huge segments of state government under consideration for privatization in this and future years, assurances of accountability and efficiency are just good public policy.

Senate Bill 586 contains the following taxpayer protections:

1. Competitive bidding procedures must be used for all bids for services currently offered by the public sector. Competitive bidding requires that the request for proposal be published and the Privatization Council created by Senate Bill 102 must be notified of how and when such RFP's were published.
2. Any privatization plan must prove, by using accepted cost accounting methods, that there would be at least some savings to the taxpayers. The use of cost accounting is the only way to ensure that we are comparing apples and apples.
3. Any privatization plan must include a plan for displaced state employees so that there is minimal disruption of working families and maximum fairness to current state workers. The plan must also include a statement of local economic impact that must be considered in determining whether to privatize a public service.
4. Conflicts of interest will be readily identified through bidder reporting requirements. Even the perception that there are no assurances that conflicts of interest are a consideration causes many taxpayers to be uneasy about government spending.

Senate Bill 586 extends the Privatization Council's realm of authority to all privatization proposals. Only this full extension of accountability provisions will adequately alleviate taxpayer concerns that their money is not being spent in the most efficient, effective and accountable manner. The legislature, just like the employees KAPE represents, as well as all taxpayers, desires efficient, effective and accountable state government.

I would again urge your support for Senate Bill 586 as a statement that Kansas government will run as efficiently as possible and the taxpayers will be given proof of savings. KAPE will always support legislation that strives for more governmental accountability to taxpayers.

I would like to thank the members of this committee for their time and consideration on this matter. I will gladly stand for any questions the committee-persons may have.

Thank you.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



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SB 586

February 23, 1996

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
Senate Committee on Commerce

by
Bob Corkins
Director of Taxation

Honorable Chair and Members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. KCCI is pleased to extend its support for the privatization proposals contained in SB 586 as they relate to the Kansas Performance Review Board (SB 102, which has not yet been enacted). In fact, we have very recently presented our support for the provisions of this bill to a subcommittee of the House Committee on Business, Commerce and Labor.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

The criteria outlined in SB 586 are highly relevant to the evaluation of any privatization idea.

Local community impact, sensitivity to the interests of potentially displaced state workers, emphasis

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Attachment 2 thru 2-2*

n savings to taxpayers, and other considerations contained in the bill are all good proposals. Some of these standards have always been a part of SB 102, so to that extent today's bill would be redundant. We believe they are all in keeping with the intent of SB 102 and have expressed that to the House subcommittee.

The draft of the House subcommittee's recommendation includes much of SB 586. We anticipate a bill coming out of the full committee which is supported by all parties involved in the legislation. KCCI will defer to the wisdom of this committee as to any need for action on SB 586 in light of House developments on SB 102.

Thank you for your time and consideration.