

HR-92, As Adopted by House, June 13, 2007

Reps. Miller, Accavitti, Bieda, Brown, Byrnes, Clack, Condino, Constan, Cushingberry, Dean, Farrah, Gonzales, Hammon, Hopgood, Johnson, Rick Jones, Robert Jones, David Law, LeBlanc, Leland, Lemmons, Meisner, Pearce, Polidori, Sak, Scott, Simpson, Alma Smith, Vagnozzi, Tobocman, Valentine and Wojno offered the following resolution:

House Resolution No. 92.

A resolution to urge any state department or agency seeking to privatize any state services to conduct a pre-privatization cost-benefit analysis and submit it to the House and Senate Appropriations Committees beforehand.

Whereas, At a time when economic and social dynamics have placed innumerable burdens on those providing essential governmental services, many state and local governments have looked to privatization of governmental services as a means of lowering their costs. Citing the purported efficiencies associated with competition in the free market, many of these governments have engaged in privatization without a clear vision of their strategic goals or potential cost savings. Indeed, a comprehensive 1998 Council of State Governments study of privatization found that "...most responding officials could not estimate the percentage of cost savings from privatization, and those who could reported savings of less than 5 percent nationwide." Clearly, more thought and analysis needs to be done before we put essential government services up for sale to the highest bidder; and

Whereas, Privatization is one of many tools officials and administrators have looked to in providing more efficient and effective public services. There is no evidence, however, that competitive forces of the market make privatization inherently more cost effective. Studies have found that most of the savings associated with privatization come from lower wages and benefits and erosion in service quality. Nonetheless, contracting may in fact be proper in particular areas or circumstances as long as bids come from reputable and bonded companies. A cost-benefit analysis is essential to determine whether or not this is the case. This is critically important prior to efforts to privatize our state's services; and

Whereas, One of government's inherent and most critical responsibilities is the provision of public services. Michigan should never forsake this important responsibility without first doing a detailed comparative estimate of the costs incurred by the state for direct service provision versus privatization. This cost-benefit analysis is essential to assure that the savings clearly outweigh the benefits of providing services directly. This analysis should, above all, be subjected to scrutiny by the public, and particularly by the House and Senate Appropriations Committees. Moreover, all contract and performance information should be subject to the Freedom of Information Act, and all contracts and their performance should be fully and comprehensively audited at the request of any member of the Appropriations Committees; now, therefore, be it

Resolved by the House of Representatives, That we hereby urge any state department and agency seeking to privatize any state services to conduct a pre-privatization cost-benefit analysis and submit it to the House and Senate Appropriations Committees beforehand; and be it further

Resolved, That copies of this resolution be transmitted to Office of the Governor and the Michigan Department of Management and Budget.