

Mason County League of Women Voters *Consensus Report*

National Study on Privatization
Fall 2011-May 2012

Committee members: Jeanette Boegl, Lynn Busacca, Pat Carpenter, Amy Davis, Eileen Oberg, Lynda Links, Pat Kevin

OVERVIEW: QUESTIONS TO CONSIDER

- ✘ **What is meant by privatization** : a public policy movement to deregulate private industry and to transfer many government services and functions to the private sector, to either for-profit or non-profit private entities, but still paid with tax dollars. Or to outright sell public assets. Can be at the federal, state or local level.
- ✘ **What is the extent of this trend**: it began in the 1970's, advocated by Milton Friedman of the Chicago School of Economics, has accelerated since 2008, is global in reach
- ✘ **What are the claimed benefits**: that the private sector can provide increased efficiency, better quality and more innovation than the government and at reduced cost to the taxpayers. Less regulation will provide a better business environment and thus more jobs
- ✘ **What are the downsides and dangers**: profit motive will reduce services and endanger public safety, will increase costs to consumers, will result in chronic high unemployment, low wages and abusive labor practices and could put important sectors under control of foreign private companies. Lack of transparency and accountability of private companies could increase corruption and increase growing inequalities between the wealthy and the poor.

METHODOLOGY OF OUR STUDY

- ✘ We downloaded materials provided by the National League for the study
- ✘ Read the King County League privatization study of 2008 and Seattle 2010 position statement
- ✘ Decided the topic was too big to attack generally; chose to focus our research on specific areas that might have local implications
- ✘ Decided to focus on privatization of services and assets more than deregulation

FOCUS OF OUR STUDY

- ✘ Prisons
- ✘ Education
- ✘ Solid waste and water
- ✘ Libraries
- ✘ Social services
- ✘ Parks
- ✘ Ports
- ✘ Beyond our study:
Post Office, National defense, Social Security/Medicare, public health, sale of public assets, roads and bridges, transportation, food safety and more

PRISON PRIVATIZATION BACKGROUND/OVERVIEW

- ✘ The modern private prison movement began in 1980's in response to the "War on Drugs", prison overcrowding and rising costs.
- ✘ For-profit prison companies take over existing facilities and/or construction and operation of new prisons. Prison per diem charged to the state.
- ✘ U.S. has 5% of the world's population and 25% of its prisoners. 97% of federal and two-thirds of state prisoners have been convicted of non-violent crimes. 16% suffer from mental illness.
- ✘ For-profit prisons contract with private companies and the military for minimum wage prisoner work.

ARGUMENTS FOR AND AGAINST

COST EFFICIENCY AND QUALITY

- ✘ Proponents say the purpose of privatization is to improve quality without increasing costs.
- ✘ Private sector can cut costs by as much as 20% by using non-union staff, controlling wages and fringe benefits (healthcare and sick leave).
- ✘ Opponents say cost effectiveness inconclusive due to 'cherry-picking' inmates and misleading comparisons.

SAFETY

- ✘ Proponents say innovative prison design makes prisons safer.
- ✘ Opponents say increased incidences of violence and escapes indicate safety claims are dubious.

ARGUMENTS FOR AND AGAINST CONTINUED

× JUSTICE

- × Proponents cite 'Tough on crime' laws as solutions to violence and high crime rates.
- × Opponents such as AFSC and the ACLU see prison reform as the solution and reject the notion of expanded privatization as an instrument to cure societal problems.
- × The infamous 'Cash for Kids' scheme illustrates how officials received kickbacks by sending thousands of juveniles to private detention centers. As a result, there is a public outcry for stringent state oversight, transparency of ownership, operation, and patterns of incarceration.

× REHABILITATION

- × Opponents say the profit motive distorts the function of rehabilitation.
- × Proponents say contracts can be structured to provide incentives for services such as drug treatment.

× LEGITIMACY

- × Opponents argue it is an illegitimate delegation of govt. authority to allow private sector control of part of the justice system.
- × Proponents disagree – public sector determines sentences, prisons merely carry out sentences.

TRENDS IN PUBLIC POLICY

- ✘ Investigation by AFSC into practices of MTC – charges of healthcare denial and dismal safety records.
- ✘ February, 2012 – Tallahassee, Florida – massive expansion of private prisons defeated. Pennsylvania – move to totally privatize state correctional institutions. United Methodist Church Board of Pension and Health Benefits withdrew support of CCA and GEO Group. AFSE report concluded that Arizona paid \$10 million more for private prison beds than equivalent state facilities.
- ✘ LOCAL CORRECTIONAL INSTITUTIONS
- ✘ Immigration detention center, Tacoma, WA is operated by CCA.
- ✘ WA Corrections Center, Shelton is state owned and operated.

CONCLUSION

- ✘ Government policies regarding regulations, public oversight, transparency and accountability should be in place when transferring govt. functions to the private sector.
- ✘ Proponents of the private prison industry point to public demand for increased incarceration and claims of cost effectiveness.
- ✘ Opponents ask the question: Is it right that profits be reaped from human incarceration? How is the ‘common good’ being met by for-profit companies who state “The demand for our facilities and services could be adversely affected by the relaxation of enforcement efforts, leniency in conviction and sentencing practices, or through the decriminalization of certain activities that are currently proscribed by our criminal laws.”

PRIVATIZATION IN EDUCATION

- ✘ Background notes – Education not mentioned in the constitution, by way of 10th Amendment, reverts to the states
- ✘ Trends – Recent history -backlash to progressive era – anti tax, anti big government movement of the last 30 years
- ✘ What’s happening on the federal, state and local school district level
- ✘ Pro’s and Con’s on 5 fronts

PRIVATIZATION IN EDUCATION – 5 FRONTS

- ✘ **Vouchers:** transfer of public funds to parents for private school tuition
- ✘ **Charter Schools** (twice voted down in Washington state)
- ✘ **Mandated Supplemental Services** from “No Child Left Behind” education act (can be for- profit or non-profit providers)
- ✘ **Takeovers Education Management Organizations (EMO’s)**, example of the failure of the for profit Edison Schools and ones in Baltimore. Newest trend: On-line schools that are for profit corporations
- ✘ **Subcontracting of support services** : examples are busing, food service, technology, janitorial services and counseling

PRIVATIZED EDUCATION.....WHAT LIES AHEAD

- ✘ What's new, what has already been in place especially at the local level: Sylvan Learning Co. provides Supplemental Education Services (after school tutoring); Aventa which is a subsidiary of K12, Inc. currently contracts for the on-line high school in the Shelton S.D.
- ✘ The anti-union push behind privatization in education
- ✘ **Conclusions:** The public schools are simultaneously derided as failures and elevated as the panacea for our national economic and civic woes. Privatization of the academic sphere has not shown to offer significant, replicable achievement improvements that would make it the solution its advocates proclaim. A few charter schools have shown gains but many others have been disappointments and even beset by fraud. The result of the push for privatization undermines public education by siphoning funds from public schools and undercutting unions. Privatization of some support services has made sense in some cases.

PROS OF PRIVATIZATION: WATER, SEWER AND SOLID WASTE

- ✘ Water and sewer utilities are not truly self supporting. Because the population served by these systems is small, rates are likely to be high and the Commissioners are reluctant to raise taxes to fund these utilities.
- ✘ Water and sewer utilities even if privately owned and operated are still subject to State environmental regulations.
- ✘ There are several private companies offering solid waste management .

ARGUMENTS AGAINST PRIVATIZING: WATER, SEWER AND SOLID WASTE

- ✘ If water supplies and sewer systems are considered core services, governments have the responsibility to provide the public with reasonable rate and environmental protection.
- ✘ These utilities could also be called Natural Monopolies in which competition does not exist offering consumer choice.
- ✘ Large international companies that become involved in ownership of utilities could by virtue of their size and wealth make addressing local concerns difficult or impossible.
- ✘ **Conclusions:** The League recommends that if the County decides to privatize these departments, the process should involve citizen input and complete transparency.

LOCAL SITUATION, MASON COUNTY

WATER, SEWER AND SOLID WASTE PRIVATIZATION

- ✘ The Department of Utilities and Waste Management operate various sewer, water and solid waste facilities owned by Mason County.
- ✘ The issue of the divesting or privatizing these departments is currently undergoing review by the Commissioners. The County has asked the FCS consulting Group to study and advise them on the best solution for the management of solid waste and the water and sewage utilities.
- ✘ Several options and their impacts are being looked at, and a time frame of October 2012 has been set for making a decision.
- ✘ **Conclusions:** In keeping with our consensus opinion, if the County decides to privatize these departments, the process should involve citizen input and complete transparency.

PRIVATIZATION OF LIBRARIES

- ✘ Washington State has not privatized any libraries at this time.
- ✘ Our library systems have cut back on days/hours open to stay within their budgets.
- ✘ Oregon, California, Florida, Kansas, Tennessee , and Texas have privatized Community libraries.

WHAT CAN HAPPEN

- ✘ Library Systems and Service (LSSI) is the largest private system provider with over 70 branches.
- ✘ To cut costs the current staff is fired and offered rehire at non union wages with no health care or retirement pensions.
- ✘ Often, communities protest the process. California has passed legislation to keep the process more open to the public.
- ✘ A different option of paying for library service is “pay for use” libraries: either to enter premises or per checkout or download.

PROS AND CONS

Pros :

- ✘ Under LSSI the library stays open to the public.

Cons:

- ✘ Jobs are lost and wages are cut for current workers. Fewer, if any, college degree service staff are rehired.
- ✘ Tax money does not stay in the community but is profit for LSSI.
- ✘ Pay for use would deny service to a broad range of people.

PRIVATIZATION OF STATE SOCIAL SERVICES

- ✘ Definition of Social Services
- ✘ Brief history
- ✘ Focus for us is Children and Family Services

NATIONAL TRENDS

Examples of privatization

- ✘ Indiana
 - ✘ New York
 - ✘ Nebraska
-
- ✘ So what's happening in Washington State?

CONCLUSIVE THOUGHTS

- × *Pros and Cons:*
- × Legal parameters
- × Guiding principles
- × **Conclusions:** The administration and provision of services to children and families does not easily fit into the privatization model. It is imperative to have a "bottom line agency", and by law that agency is the state. However, recognizing the guidelines and parameters listed above, many specific services can be successfully contracted out.

PARK PRIVATIZATION

Background/Situation: Inadequate funding of national, state, regional, and local parks. Overall appropriation for National Park Service is \$400 million (or 13%) less than 10 years ago. At state level, tight budgets can lead to drastic cuts or total defunding, with diversion of resources from Parks to General Fund.

- ✘ History: Bush proposal park privatization plan eventually rejected by Congress

RESPONSE/TRENDS:

- ✘ **“Restructuring”** - Parks are closed or staffing, access and facilities limited. Staff lay offs, maintenance is deferred, parks get run down, no trash cans, bathrooms closed.
- ✘ **Corporate sponsorships.** Mutual benefits: cause related marketing opportunities and funding for special projects. Signs in parks, etc.
- ✘ **Outsourcing some services to concessionaires:** food, lodging, maintenance, campgrounds, etc.
- ✘ **Public-non-profit partnerships** (CA marine sanctuaries)
- ✘ **Public-private partnerships:** government may finance but doesn't operate, owns but doesn't manage. Government control and accountability diluted but not entirely eliminated. Funds given to a corporation to manage park. What usually follows is layoffs, with rehiring/hiring often at lower wages and without benefits. Parks become “economic growth asset under private control.” Example: Recreation Resource Management.

TRENDS, CONTINUED

- ✘ **Deregulation** (to cut costs, appeal to businesses): new activities allowed (snowmobiling, hunting, development, etc.)
- ✘ **Asset transfer** – sale or lease of lands, infrastructures, other resources (CA proposal to sell off part of one state park to raise \$ to care for remaining piece of park)
- ✘ **Conclusions:** Although each is a distinct practice, often one response leads to another. The total picture presents a slippery slope, potentially transitioning from resource stewardship to a complete business management model. Driven by profitability, are corporations the best stewards of our valuable resource?

PRO: SUPPORTERS ARGUE THAT THE PRIVATE SECTOR:

- ✘ Can provide a critical source of capital to put back into parks
- ✘ Will lower costs, provide economies of scale
- ✘ Has expertise to create management efficiencies
- ✘ Will utilize a “more flexible” labor force
- ✘ Is the solution to the problem. “Private recreation management will keep public recreation sites open”

ANTI: OPPONENT CONCERNS:

- ✘ No safeguards on commercial use (advertisements; logging, natural gas, mineral interests). Potential of becoming more like an amusement park.
- ✘ Economic and ethical impact of lowering costs through replacement of park system personnel with privately contracted staff paid hourly with little or no benefits.
- ✘ Must consider the transition costs (negotiating contracts, displacing public employees, and governmental oversight.)
- ✘ Less professionalism and cross training; less skill expertise can compromise the visitor's experience.
- ✘ No guarantee that costs won't go up or access reduced.
- ✘ Less (or no) emphasis on conservation
- ✘ Less/no public control and transparency
- ✘ A profitability mission is incompatible with that of stewardship and preservation

IN CONCLUSION

- × Other options/ideas:

- × Modest sales tax on outdoor recreation equipment or ATVs
- × Reassess leases of public lands, charging market rate rather than \$1.00/acre

- × What's happening closer to home:

- × Washington State
- × Seattle
- × Mason County

PRIVATIZATION OF PORTS

- ✘ US Ports come under the authority of the individual state and its laws and regulations
- ✘ The national infrastructure, maintenance and modernization of our ports are crucial to their long term success
- ✘ The World Bank has been a strong supporter of privatization of ports around the world.

LOCAL PORTS

- ✘ Washington state has more ports than any other state in the nation. Our ports are under the direct control of locally elected commissions.
- ✘ Mason County has a port commission of three elected commissioners.

THE ROLE OF GOVERNMENT - *THE BIG QUESTION*

- ✘ We must ask ourselves what is the proper relationship between government, business and civil society?
- ✘ What should the role of government be in protecting the environment, helping the poor, defending the nation, providing justice, protecting public health and safety, ensuring democracy, providing education, promoting a thriving economy and ensuring a safe work environment and a living wage?
- ✘ What should the balance be between social and economic returns – in short -between the public “good” and private profit.

LWVUS CONSENSUS QUESTIONS

- ✘ Ask about the extent of privatization and how this affects “core” government services.
- ✘ Very general questions ask for a ranking of priorities of what we think is most important and necessary when considering privatization of a government function or service
- ✘ The questions do not ask what should or should not be privatized, but we should think about this; see next slide for Seattle’s position

WHAT ARE CORE SERVICES?

- ✘ Seattle LWV adopted this position on privatization in 2010: “The following core services, functions and assets critical to well-being of the people should remain with the government and not be transferred to the private sector: courts, police, public health, public schools, prisons, voter services, taxation, parks, lakes, water and mineral rights, beaches, streams and forests.”