



NEWS AFFECTING STATE EMPLOYEES

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OpenLine: State Privatization

Ben Hall, News Channel 5+

Ben is joined by Government Affairs Director for TSEA (Tennessee State Employees Association), Randy Stamps, to talk about concerns involving state privatization of government services such as state building maintenance, jail services, and state parks.

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August Revenues

News Release, Tennessee Department of Finance & Administration

Tennessee revenue collections exceeded budgeted estimates for the first month of the state's fiscal year. Finance and Administration Commissioner Larry Martin today reported that overall August revenues were \$898.4 million, which is \$28.5 million above August 2014 collections. The growth rate for August was 3.27%.

"Sales tax collections reflecting July's consumer activity grew 8.26% over the same time period one year ago, while corporate tax collections fell short of budgeted estimates by \$26.6 million," Martin said. "The shortfall in corporate taxes can be attributed mostly to refunds of pre-paid taxes. All other taxes, taken as a group, had a negative growth of 0.38% but were \$6.0 million above the budgeted estimate for August.

...August collections were \$19.1 million more than the budgeted estimate. The general fund was over collected by \$10.6 million and the four other funds that share in state tax collections were over collected by \$8.5 million.

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Haslam Shows Passion in Defense of Real Estate Outsourcing Project

Blake Farmer, WPLN/NPR

"Everybody thinks, 'well Haslam has some bias toward privatizing.' I really don't. My only bias is how are we going to run this the very best we can for the very lowest amount of money? That's my only bias. Period," Haslam told reporters.

Documents brought to light by News Channel 5 give detailed pros and cons to letting a third party take care of Tennessee's real estate - from college dormitories to state parks. Haslam says his office is just "doing its homework."

"You ought to want us to be doing what we're doing," he said.

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Privatization: A bad deal for the state

Sawyer Smith et al, UT Daily Beacon

Haslam has explored the privatization of government services throughout his tenure, purely in the name of keeping state expenditures in check. However, a line should be drawn when all state facilities management jobs are handed to a profit-hungry corporation. Private firms are, by necessity, self-interested, and they tend to make decisions that benefit themselves before the people they are serving. This disparity in interest is what makes privatization so dangerous.

Since entering office in 2011, Haslam has pursued an aggressive privatization agenda, initially targeting the state's motor pool. The Department of General Services outsourced much of the state's motor pool to Enterprise without any bid process. For any contract this large, a bid process would generally be necessary. However, the state granted the massive contract to Enterprise with few questions asked or alternatives considered. It's also worth noting that Haslam's administration hired former Enterprise executive Kathleen Hansen to head the department's motor vehicle management division prior to the outsourcing contract.

The contract turned out to be a very bad deal for the state. Despite renting hundreds of cars a day, Tennessee is still getting noncompetitive rates. For example, to rent a mid-size car for a day, an average citizen pays \$26. Through its contract with Enterprise, the state would pay \$31 for the same car. Additionally, the state paid Enterprise for cars even when they weren't being used. While state employees only used around \$450,000 worth of Enterprise services in 2013, the state paid the company \$739,000.

Instead of considering the multitude of companies within Tennessee able to compete for this contract, the Haslam administration chose a corporation that was not only bad for state workers, but bad for state finances.

Unfortunately, the contract with Enterprise isn't the only instance of privatization failing to help Tennesseans.

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Internal Data Fails to Justify State's Outsourcing Plan

Phil Williams, News Channel 5

NewsChannel 5 Investigates discovered that when administration officials crunched the numbers in an attempt to justify the move, they did not get the answer they wanted.

"The initial undertaking was, if we can show using best-in-class information that there is cost savings, then it's a done deal -- now, in fact, it doesn't," said Mike Ledyard, an outsourcing consultant hired to oversee the Haslam administration's effort.

Across the state, college and university employees are now facing the possibility that their jobs could be outsourced. It comes two years after the Haslam administration turned control of state office buildings over to the Chicago-based corporation, Jones Lang Lasalle.

... "I hoped," Ledyard said, "that the numbers would reflect a business case."

"For outsourcing?" we asked.

"For outsourcing," the consultant acknowledged.

"And it didn't?"

"No, it didn't. Because I'm comparing limes and bananas. This isn't even apples and oranges."

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How Much Has Tennessee's Privatization Really Saved?

Phil Williams, News Channel 5

A slide prepared by JLL showed the "expected results" would be savings of \$18.8 million a year -- \$94 million over five years.

Last year, JLL official John Padgham told NewsChannel 5 that was only a reflection of industry averages.

"That was never the intent of that study was to say here's what you can expect," Padgham insisted.

"'Expected' doesn't mean expected?" we asked, prompting the JLL official to sigh.

After the state put the facilities management contract up for bids, JLL won the job after projecting cost savings this time of \$13 million a year.

A big chunk of that came from slashing security on state buildings by more than 90 percent.

"That's not realistic, is it?" NewsChannel 5 Investigates asked Padgham.

"Uh, no, it's not," he conceded. "I don't think that will happen."

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Outsourcing plan hits a snag in Chattanooga

Tom Humphrey, Knoxville News Sentinel

About 80 state employees are still working in the Chattanooga State Office Building more than a year after it was scheduled for closure under a Jones Lang LaSalle management plan, reports the Times Free Press. Some think that's an indication that one of Gov. Bill Haslam's earlier privatization efforts isn't going well as the administration looks to a big expansion of outsourcing.

Employees started moving in April, 2014. Most of those remaining work for the Department of Correction.

It was almost exactly a year ago - Sept. 17, 2014 - that a state General Services official told the Times Free Press by email that the department "expected in about six weeks" to issue a request for proposals to find office space for the local Correction Department staff.

Ten days ago, on Sept. 4, a request for proposals finally was issued. The very same day, General Services issued a separate request soliciting local office-building owners to submit proposals to house employees with three other state agencies still in the Chattanooga State Office Building.

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Inspectors finish visits to TN prisons

Dave Boucher, The Tennessean

Three people from the American Correctional Association, a national organization that provides accreditation to state prison systems, visited five facilities at the request of the Tennessee Department of Correction. James Gondles, executive director of the ACA, participated in the review and said they spoke with "scores and scores" of staff members and inmates.

The review was officially supposed to include stops at three prisons and cost \$7,922. Gondles said Thursday he expects the ACA will have a report ready for the state within one week, but declined to provide further details from the inspections.

The visits come amid reports of understaffing, reportedly caused in part by a new scheduling system, which correctional officers say creates unduly unsafe working conditions.

...The visits also come as lawmakers and correctional officers question whether the ACA will provide an adequate inspection of the prison. House Democratic Caucus Chairman Mike Stewart, D-Nashville, pointed to previous inspection records and payments the state made to prepare for other ACA inspections before calling the ACA a "rubber stamp for business as usual."

Information obtained by The Tennessean shows 14 officers were held over to work a double shift on Monday, during the ACA's inspection of [DeBerry Special Needs Facility]. A source also told The Tennessean an additional 20 on-the-job training officers worked an irregular shift at the facility, also during the same time as the ACA inspection.

Randgaard wouldn't confirm the specifics of the DeBerry schedule.

"However ... at each prison we hold staff over on an as-needed basis. That has not changed at any facility before, during or after the inspections," Randgaard said.

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Fraud in child food programs blamed on 'understaffed and disorganized' DHS

Tom Humphrey, Knoxville News Sentinel

The state Department of Human Services' recently-resigned director of food programs says the state's lax enforcement of rules is encouraging such things.

Carmen Gentry, said the state has attracted unscrupulous actors because of its reputation for poor oversight.

"They know to come to Tennessee because we are so disorganized and understaffed," said Gentry, who resigned in July after a Tennessean report on potentially millions of dollars paid to agencies that never provided food to children.

"What they can't get away with in neighboring states or their own states they know we can get away with in Tennessee," she said. "You can't run an \$80 million federal program with hundreds of sponsors and agencies that are participating with six to eight full-time staff members. Most states

have at least 20 to 30 to 40 people working on these programs."

...Gentry and DHS are at odds over how well staffed the federal food programs are. Gentry said there were no more than eight full-time staff members while she directed the program - with DHS employees working until late at night each workday to process applications. Jamagin said there were "over 40 positions dedicated to working on the food programs in the department." USDA officials said last week based on their visit to Nashville, there were fewer than 10 employees directly working in Tennessee's food programs.

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