

## Examples of Privatization

Types of Privatization---Asset Transfer, Public/Private Partnership (including contracting out), Deregulation, (Attrition)

---Government Services, Assets and Functions each present Privatizing possibilities

### Water

Can be privatized in a number of ways including sale of water sources, but I will discuss water and waste water treatment plants

Stockton---Negative example of Public/Private Partnership. Problems with transparency, staffing, maintenance with OMNI/Thames previously discussed.

Franklin, Ohio---positive example of asset purchase made possible by deregulation of Publicly Owned Water Treatment Works in July, 1995

--Has been successful due to careful contract negotiation. After 16 months of planning, plant was bought by company already contracted to run plant. New contract included a 20 year service agreement. The public district has an option to re-purchase at the end of the contract.

--Basic considerations in writing the contract included

- Initial sales price of plant

- Rates and timing of rate increases

- Repurchase price of plant at end of contract or as a contingency

--Company's responsibilities included

- Financing of all upgrades and expansions

- Operation and Maintenance

- Administering of treatment process

--Water rates were reduced 23%, spurring local economic growth and development. New company built second plant in 1997.

This contract has been used as an example for other water plant privatizations

Mountain House, Ca.---Positive example of Public/Private Partnership in operation of a water and waste water treatment plant.

--I interviewed Harpal Singh, who monitors the contract as the Operations and Maintenance Director for the Mountain House Community Service District, and says the community is happy with the partnership

--After plant was built by developer Tri-Mark, Mountain House Community Service District put its operation out for bid. A 5 year contract was signed with Southwest Water Co. Original contract has been renewed twice, with a 60 day termination clause for both parties.

--All documents are public, including treatment procedures.

--Southwest Water is responsible for fines unless they result from a break in the infrastructure

## Libraries

Public/Private Partnerships proposed in SJ County contrasted with operations in cities of Riverside and Redding Ca. Both positive and negative, depending on benchmarks used. Contractor is LSSI

--a report developed during the time SJ county was considering privatization pointed out that a library must serve all members of the community, providing a breadth of resources, including reference materials and internet connections, not just those that are popular with the majority of the population, or those least expensive. It showed in a comparison of materials available between the SJ system and the Riverside library that SJ was far richer in resources. The Privatization proposal was ultimately shelved by the SJ Board of Supervisors. Substantial citizen protest was a contributing factor to this decision.

--On the other hand, LSSI operates a number of libraries in communities that have expressed satisfaction with their services, including Riverside.

--In Jackson County Oregon, for example, the libraries had been closed due to lack of funding before LSSI took over and re-opened them. (An example of attrition.)

--In Redding Ca., The city withdrew from the county system and contracted with LSSI to run the library. Although the city has not realized a savings from this move, LSSI was able to cut costs enough to expand the library hours from 40 per week to 60. According to a report done in Redding, the community feels that this is a successful arrangement. LSSI achieved the savings by reducing pay and benefits to library employees. Some communities that contracted with LSSI have rescinded their contracts, concluding that it was cheaper to run their libraries in house.

The success or failure of privatizing libraries seems to depend on which set of criteria is used.

### Prisons

All are examples of questionable asset sales.

Luzerne County, Pennsylvania, Pennsylvania Child Care Center-Juvenile Detention---Kids for Cash scheme

--classic case of secret deals, corruption and kickbacks to judges  
 --county Juvenile detention center was denied funding by presiding Judge, and juveniles were only sent to private operation  
 --sentencing became longer and more frequent; eventually twice as many juveniles were sentenced to detention as the state average  
 --Only discovered after FBI was called in to investigate, since local and state officials refused. One Judge found guilty in 2011

Ohio, Asset sale for cash of northern Ohio Prison to Corrections Corporation of America in 2011. Contract includes deal to operate prison for 20 years, with a per capita cost to the state for housing inmates.

--independent journalist's report questions state's claim of cost savings, saying they are based on dubious assumptions and incomplete and inaccurate figures. Instead the journalists project likely cost increases from the sale.

--Ohio's Chief of State Prisons was a previous employee of CCA, and the Governor's former chief of staff is now a CCA lobbyist

Recently CCA sent letters to 48 states offering to buy state prisons as a way of providing cash to states with “challenging corrections budgets”. Deals would include 20 year operation contracts and an assurance that prisons will be kept at 90% capacity.

--It is unclear if any real savings are achieved with these sales

--Raises questions about advisability of maintaining or creating large prison populations in order to realize private profits

--Rates of incarceration have dropped off nationally, and CCA has sought to increase their business through incarceration of undocumented immigrants

### Transportation

Public Transportation---a positive example of Public/Private contracting in Contra Costa County. To be presented by Kathy Casenave.

## **Other Areas of Privatization**

Education—Primary, Secondary and Higher Ed.

--Public primary and secondary schools have been privatized with varying results. Often, specialists such as P.E., Art and Music and Special Education teachers are let go, and students with special needs are mainstreamed into regular classrooms to realize savings. A report done in Britain states “the relatively low level of per capita funding in the US has made it difficult to make a profit”.

--Profit making Universities, such as Univ. of Phoenix and Kaplan University, which funnel federal tax dollars to students in the form of student loans. These institutions have high tuition, low graduation and high loan default rates (50% of all student loan defaults).

Military Contracting—material, services, and personnel

Parks---new state laws to facilitate privatization in Ca. state parks slated for closure

Health Care—Voucher proposals in Congress would privatize Medicare

Parking—sale of parking garages in Sacramento in order to fund a new Sports Arena

Food Safety---proposed changes in regulations by USDA to allow poultry processing plants to conduct their own meat inspections

Ambulance Services

Construction and Maintenance Projects