

State won't privatize hospital, vets' home

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By Steve Peoples

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Governor Carcieri is backing off a controversial move to replace 180 state employees with private workers at the state-run Eleanor Slater Hospital and veteran's home. And his plans to expand privatization across a host of state services appear to be dead — at least for now, his office confirmed yesterday.

The dramatic reversal was prompted not by repeated pleas from handicapped hospital residents at State House rallies, nor by several rounds of anti-privatization television and radio ads produced by the largest state employees union, Rhode Island Council 94, American Federation of State, County and Municipal Employees.

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Instead, the governor's decision to abandon the cost-cutting measure comes six days after the General Assembly finalized a law requiring strict oversight and reporting requirements before any privatization effort can go forward. The provision — put forth by Rep. Charlene Lima, D-Cranston, every year for the past 13 years without success — was introduced near midnight during a marathon House session in which the state's 393-page budget was initially approved. It became law last week when the General Assembly overrode the governor's budget veto.

“This budget provision clearly makes significant progress on privatizing state services nearly impossible over the next couple of years,” Carcieri spokesman Jeff Neal said yesterday. “Bringing competition to the delivery of state services is one of the key ways Rhode Island will be able to fix its budget problems. Unfortunately, it appears that solution is off the table now.”

While lawmakers wrapped up a difficult legislative session Saturday morning after closing an estimated \$300-million budget deficit, next year's fiscal outlook is just as bad. The Rhode Island Public Expenditure Council has estimated a fiscal 2009 budget deficit of \$306.5 million.

The governor had hoped to rely on privatization in part to close that gap.

The budget approved by the General Assembly on Saturday requires the governor to make \$9.3 million in personnel reductions, but does not specify how to do so. Carcieri

will depend largely on his recently announced plan to lay off 1,000 state workers, Neal said.

“The plan is unrelated to what was placed in the budget, but regardless, it appears it will accomplish the savings and more,” Neal said.

The layoff plan is expected to save \$26 million for the fiscal year that begins Sunday and \$40 million the next year. Carcieri has yet to determine where the layoffs would be targeted, though he said all state departments would be examined.

The governor’s office had received bids and was “on the cusp” of finalizing plans to privatize services at the state hospitals and veterans’ home that would have saved an estimated \$15 million over the next four years, according to Neal.

“The article in the budget clearly states that it covers pending proposals as well as future proposals,” he said. “This was clearly a deliberate effort by the General Assembly to quash these two very limited privatization efforts.”

The law, however, is not expected to affect the temporary hiring firm Smart Staffing’s contract, which expires at the end of the month. Contract renewals, according to legislative staff and the governor’s office, are exempt.

Meanwhile, legislators and union leaders hailed yesterday’s news as a victory for state hospital residents and the dietary and housekeeping employees facing layoffs in the coming months. “This is a big deal to a lot of people who were going to work every day with a cloud over their head,” said Rep. Edwin R. Pacheco, D-Burrillville, whose district includes the Zambarano Hospital, which is among the state facilities the governor had targeted for privatization. “That article was a win-win for Rhode Island as a whole. It put in place a system that ensured there was an actual cost savings and we wouldn’t have issues like we’re seeing at DOT.”

The Department of Transportation’s chief engineer, Edmund T. Parker, was placed on paid leave earlier in the month amid a widening state and federal probe of the agency’s private contracting practices.

The law also prohibits the director of administration from awarding a contract to a private firm unless “the savings to the state is substantial,” although it does not define “substantial” savings. More controversial is a section of the law that gives “affected parties” — program recipients, state employees or unions — 60 days to appeal any privatization decision to a Superior Court judge.

“The unions would undoubtedly challenge any effort to privatize and they would probably succeed in dragging it through the court system for years,” Neal said. “That’s obviously bad news for taxpayers because we stood to save millions of dollars over the next several years. But it is clearly good news for state employee unions who so vociferously opposed the proposal.”

Council 94 lobbyist James Cenerini said his organization remains willing to sit down with the administration to “identify costs savings that were proposed for privatization. In fact, we are in the process still of conducting and identifying cost savings within those specific departments.”

Specifically, Cenerini said that Council 94 finalized a plan yesterday with the Department of Mental Health, Retardation and Hospitals to reduce overtime costs by shifting workers’ schedules. “We are hopeful that the administration would like to continue dialogue,” he said.

The governor has not abandoned altogether plans to explore privatization in the future. When asked if Carcieri would test the law in court, Neal responded: “We haven’t made that decision yet.”

He also suggested that the law may have unintended consequences. The state has been using private firms to conduct the government’s business for years, Neal said, such as using group homes to care for the developmentally disabled and using private law firms for legal work. Those contracts face renewal on a regular basis and it’s not clear if they would be subject to the privatization law.

“We have a number of lawyers on staff and they are working to analyze the new law as we speak,” Neal said.

The legislative fiscal staff, however, believes the law does not apply to contracts up for renewal, according to Senate spokesman Greg Pare. He cited the section of the law that requires oversight only “prior to the closure, consolidation or privatization of any state facility, function or program.”

Still, a former spokesman for Smart Staffing said that firm owner Craig Provost was concerned that firms bidding on state services may be drawn into a court battle until the law is better understood.

“It’s a major risk,” said Richard McAuliffe, the former spokesman for Smart Staffing.

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