

SECOND REGULAR SESSION

# SENATE BILL NO. 854

93RD GENERAL ASSEMBLY

INTRODUCED BY SENATOR GREEN.

Read 1st time January 11, 2006, and ordered printed.

TERRY L. SPIELER, Secretary.

3907S.011

## AN ACT

To amend chapter 37, RSMo, by adding thereto ten new sections relating to oversight of public privatization contracts, with an emergency clause.

*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Chapter 37, RSMo, is amended by adding thereto ten new sections, to be known as sections 37.550, 37.551, 37.552, 37.553, 37.554, 37.555, 37.556, 37.557, 37.558, and 37.559, to read as follows:

**37.550. Sections 37.550 to 37.559 shall be known and may be cited as the "Public Service Accountability Act".**

**37.551. For purposes of sections 37.550 to 37.559, the following terms mean:**

(1) "Employee of a private contractor", a worker directly employed by a private contractor, as defined in this section, as well as an employee of a subcontractor or an independent contractor that provides supplies or services to a private contractor. Such term includes former employees of a private contractor or subcontractor and former independent contractors;

(2) "Participating political subdivision", any municipality, county or other local political entity, not including any municipal fire department when such department is contracting with private companies pursuant to section 85.012, RSMo, that is authorized to levy taxes and which, by a recorded roll-call vote of its governing body, has opted to follow the provisions of sections 37.550 to 37.559 for any particular privatization contract. Each such governing body shall have such a recorded roll-call vote for every privatization contract engaged in by that political subdivision;

(3) "Person", an individual, institution, federal, state or local

19 governmental entity, or any other public or private entity;

20 (4) "Private contractor", any entity which enters into a  
21 privatization contract, as that term is defined in this section;

22 (5) "Privatization contract", an agreement, or combination or  
23 series of agreements, by which a nongovernmental person or entity  
24 agrees with a public body to provide services, valued at twenty-five  
25 thousand dollars or more, which are substantially similar to and in lieu  
26 of services which have been provided, in whole or in part, by regular  
27 employees of a public body;

28 (6) "Public body", any participating political subdivision or the  
29 state of Missouri, or any officer, official, authority, agency, board, or  
30 commission of the state; except that the following state entities shall  
31 not be included in this definition:

32 (a) The department of transportation; or

33 (b) Any public body, when contracting for architectural services,  
34 engineering services or land surveying services, as those terms are  
35 defined in section 8.287, RSMo;

36 (7) "Public employee", any employee of a public body, as that  
37 term is defined in subdivision (6) of this section;

38 (8) "Retaliation", any adverse action taken against an employee,  
39 including any threat to take adverse action, in response to or in  
40 anticipation of the employee's utilization of the rights or protections  
41 set forth in this chapter. In the case of a person who is not an  
42 employee of the private contractor, such term includes any adverse  
43 action taken against the person or the person's employer, including the  
44 cancellation of or refusal to renew a contract with the person or the  
45 person's employer;

46 (9) "Services", with respect to a private contractor, all aspects of  
47 the provision of services provided by a private contractor pursuant to  
48 a privatization contract or any services provided by a subcontractor of  
49 a private contractor;

50 (10) "Subcontractor", a subcontractor of a private contractor for  
51 work under a privatization contract or an amendment to a  
52 privatization contract.

37.552. 1. No public body shall make any privatization contract  
2 and no such contract shall be valid unless the public body and the  
3 contractor comply with each of the requirements in sections 37.550 to

4 37.559 and unless such contract includes the specified provisions in the  
5 privatization contract.

6 2. The public body shall prepare a specific written statement of  
7 the services proposed to be the subject of the privatization contract,  
8 including the specific quantity and standard of quality of the subject  
9 services. The public body shall solicit competitive sealed bids for the  
10 privatization contracts based upon this statement. The date designated  
11 by the public body upon which it will accept these sealed bids shall be  
12 the same for any and all parties. This statement shall be a public  
13 record, shall be filed with the public body, and shall be published in the  
14 state register not later than thirty business days prior to the date on  
15 which bids are due.

16 3. Every bid shall detail:

17 (1) The length of continuous employment of current employees  
18 with the contractor by job classification, without identifying employees  
19 by name. In addition, the contractor may submit information detailing  
20 the relevant prior experience of employees within each job  
21 classification. If the positions identified by the bidder shall be newly  
22 created, the bid shall identify the minimum requirements for  
23 prospective applicants for each such position;

24 (2) The annual rate of current staff turnover;

25 (3) The number of hours of training planned for each employee  
26 in subject matters directly related to providing services to state  
27 residents and clients;

28 (4) Any legal complaints issued by an enforcement agency for  
29 alleged violations of applicable federal, state, or local rules,  
30 regulations, or laws, including laws governing employee safety and  
31 health, labor relations, and other employment requirements, and any  
32 citations, court findings, or administrative findings for violations of  
33 such federal, state, or local rules, regulations, or laws. The information  
34 shall include the date, enforcement agency, the rule, law or regulation  
35 involved and any additional information the contractor may wish to  
36 submit.

37 4. For each position in which a contractor will employ any  
38 person pursuant to the privatization contract, the minimum  
39 compensation to be paid for such position shall be the greater of the  
40 wage rate paid at step one of the grade or classification under which

41 a public employee whose duties are most similar is paid, plus the cash  
42 value of health and other benefits provided to such public employees,  
43 or the average private sector compensation rate, including the value of  
44 health and other benefits, for such position as determined by the state  
45 department of labor and industrial relations.

46 5. The term of any privatization contract shall not exceed two  
47 years. No amendment to a privatization contract shall be valid if it has  
48 the purpose or effect of avoiding any requirement of any section of  
49 sections 37.550 to 37.559.

50 6. Every privatization contract shall contain provisions requiring  
51 the contractor to offer available employee positions pursuant to the  
52 contract to qualified regular public employees of the public body whose  
53 state employment is terminated because of the privatization  
54 contract. Every such contract shall also contain provisions requiring  
55 the contractor to comply with a policy of nondiscrimination and equal  
56 opportunity for all persons, and to take affirmative steps to provide  
57 such equal opportunity for all such persons.

58 7. Funds of the public body shall not be used to support or  
59 oppose unionization, including but not limited to, preparation and  
60 distribution of materials which advocate for or against unionization;  
61 hiring or consulting legal counsel or other consultants to advise the  
62 contractor about how to assist, promote, or deter union organizing or  
63 how to impede a union which represents the contractor's employees  
64 from fulfilling its representational responsibilities; holding meetings  
65 to influence employees about unionization; planning or conducting  
66 activities by supervisors to assist, promote, or deter union activities;  
67 or defending against unfair labor practice charges brought by federal  
68 or state enforcement agencies.

37.553. 1. Any public body considering whether to enter into a  
2 privatization contract shall prepare a comprehensive written estimate  
3 of the costs of regular public employees providing the subject services  
4 in the most cost-efficient manner. The estimate shall include all direct  
5 and indirect costs of regular public employees providing the subject  
6 services, including but not limited to, pension, insurance, and other  
7 employee benefit costs. For the purpose of this estimate, any public  
8 employee organization may, at any time before the final day for the  
9 public body to receive sealed bids pursuant to subsection 2 of section

10 37.552, propose amendments to any relevant collective bargaining  
11 agreement to which it is a party. Any such amendments shall take  
12 effect only if necessary to reduce the cost estimate pursuant to this  
13 subsection below the contract cost. Such estimate shall remain  
14 confidential until after the final day for the public body to receive  
15 sealed bids for the privatization contract, at which time the estimate  
16 shall become a public record, shall be filed with the public body and  
17 shall be published in the state register.

18 2. After soliciting and receiving bids, the public body shall  
19 publicly designate the bidder to which it proposes to award the  
20 privatization contract. In selecting a contractor, the public body shall  
21 consider the contractor's past performance and its record of  
22 compliance with federal, state, and local laws, including the disclosures  
23 as required pursuant to subsection 3 of section 37.552. The public body  
24 shall prepare a comprehensive written analysis of the contract cost  
25 based upon the designated bid, specifically including the costs of  
26 transition from public to private operation, of additional  
27 unemployment and retirement benefits, if any, and of monitoring and  
28 otherwise administering contract performance. If the designated  
29 bidder proposes to perform any or all of the contract outside the  
30 boundaries of the state, the contract cost shall be increased by the  
31 amount of income tax revenue, if any, which will be lost to the state by  
32 the corresponding elimination of public employees, as determined by  
33 the department of revenue to the extent that it is able to do so.

34 3. The head of the appropriate public body shall certify in  
35 writing that:

36 (1) He or she has complied with all provisions of this section and  
37 of all other applicable laws;

38 (2) The quality of the services to be provided by the designated  
39 bidder is likely to satisfy the quality requirements of the statement  
40 prepared pursuant to subsection 2 of section 37.552, and to equal or  
41 exceed the quality of services which could be provided by regular  
42 public employees;

43 (3) The contract cost will be at least ten percent less than the  
44 estimated cost pursuant to subsection 1 of this section, taking into  
45 account all comparable types of costs and all the additional costs of the  
46 contract as specified in subsection 2 of this section; and

47           **(4) The proposed privatization contract is in the public interest,**  
48 **in that it meets the applicable quality and fiscal standards set forth in**  
49 **sections 37.550 to 37.556.**

50           **4. Any privatization contract entered into by a public body, and**  
51 **the public body certification required pursuant to this section, shall be**  
52 **public records subject to disclosure pursuant to chapter 610, RSMo.**

**37.554. 1. No contractor shall award a subcontract for work**  
2 **under a contract or for work under an amendment to a contract**  
3 **without the approval of the head of the appropriate public body, or his**  
4 **or her designee, of:**

5           **(1) The selection of the subcontractor; and**

6           **(2) The provisions of the subcontract.**

7           **2. Each contractor described in subsection 1 of this section shall**  
8 **file a copy of each executed subcontractor amendment to the**  
9 **subcontract with the agency, who shall maintain the subcontract or**  
10 **amendment as a public record pursuant to chapter 610, RSMo.**

**37.555. 1. Any private contractor awarded a privatization**  
2 **contract, and any subcontractor to a private contractor subject to**  
3 **sections 37.550 to 37.559 shall file with the head of the public body**  
4 **copies of financial audits of the private contractor prepared at least**  
5 **annually during the course of the contract term.**

6           **2. All privatization contracts shall include a contract provision**  
7 **specifying that in order to determine compliance with these principles**  
8 **as well as the contract, the private contractor shall be required to**  
9 **provide the public body or its agents, except where prohibited by**  
10 **federal or state laws, regulations, or rules, reasonable access, through**  
11 **representatives of the private contractor, to facilities, records, and**  
12 **employees that are used in conjunction with the provision of contract**  
13 **services.**

14           **3. The private contractor shall submit a report, not less than**  
15 **annually during the term of the privatization contract, detailing the**  
16 **extent to which the contractor has achieved the specific quantity and**  
17 **standard of quality of the subject services as specified by the public**  
18 **body pursuant to subsection 2 of section 37.552 and its compliance with**  
19 **all federal, state, and local laws including any complaints, citations, or**  
20 **findings issued by administrative agencies or courts.**

21           **4. The public body may seek contractual remedies for any**

22 violation of a privatization contract. In addition, if a contractor fails  
23 to comply with subsection 4, 6 or 7 of section 37.552, any person or  
24 entity aggrieved by the violation may bring a claim for equitable and  
25 other relief, including back pay. In such a suit, an aggrieved person or  
26 entity shall be entitled to costs and attorney's fees.

37.556. 1. No contractor or subcontractor, or employee or agent  
2 of a contractor or subcontractor, shall:

3 (1) Have any ownership rights or interest in any public records  
4 which the contractor, subcontractor, employee, or agent possesses,  
5 modifies, or creates pursuant to a contract, subcontract, or amendment  
6 to a contract or subcontract; or

7 (2) Impair the integrity of any public records which the  
8 contractor, subcontractor, employee or agent possesses or creates.

9 2. Any public record which a public body provides to a  
10 contractor or subcontractor or which a contractor or subcontractor  
11 creates shall be and remain a public record for the purposes of chapter  
12 610, RSMo, and the enforcement provisions of chapter 610, RSMo, shall  
13 apply to any failure to disclose records pursuant to this section.

14 3. With regard to any public record, the public body and the  
15 contractor or subcontractor shall have a joint and several obligation to  
16 comply with the obligations of the public body pursuant to chapter 610,  
17 RSMo, provided the determination of whether or not to disclose a  
18 particular record or type of record shall be made solely by such public  
19 body.

20 4. No contractor or subcontractor, or employee or agent of a  
21 contractor or subcontractor, shall disclose to the public any record  
22 deemed closed or confidential, pursuant to state or federal law. No  
23 provision of this subsection shall be construed to prohibit any such  
24 contractor from disclosing such public records to any of its  
25 subcontractors to carry out the purposes of its subcontract.

26 5. No contractor or subcontractor, or employee or agent of a  
27 contractor or subcontractor, shall sell, market, or otherwise profit from  
28 the disclosure or use of any public records which are in its possession  
29 pursuant to a contract, subcontract, or amendment to a contract or  
30 subcontract, except as authorized in the contract, subcontract, or  
31 amendment.

32 6. Any contractor or subcontractor, or employee or agent of a

33 contractor or subcontractor, which learns of any violation of the  
34 provisions of this section shall, no later than seven calendar days after  
35 learning of such violation, notify the head of the public body and the  
36 attorney general of such violation.

37.557. 1. The remedies provided pursuant to this section shall  
2 be in addition to any remedies provided for violations of section 37.556  
3 pursuant to chapter 610, RSMo.

4 2. If any person violates any provision of section 37.556, the  
5 attorney general may bring an action against such person seeking:

6 (1) Damages on behalf of the state for such violation;

7 (2) Restitution for damages suffered by any person as a result of  
8 the violation; or

9 (3) Imposition and recovery of a civil penalty of not more than  
10 fifty thousand dollars for the violation.

11 3. In addition to the remedies pursuant to subsection 2 of this  
12 section, any person aggrieved by a violation of any provision of section  
13 37.556 may bring an action in any state court to recover any damages  
14 suffered as a result of such violation.

15 4. In any action brought pursuant to subsection 2 or 3, the court  
16 may:

17 (1) Order disgorgement of any profits or other benefits derived  
18 as a result of a violation of any provision of section 37.556;

19 (2) Award punitive damages, costs, and reasonable attorneys  
20 fees; and

21 (3) Order injunctive or other equitable relief. No action may be  
22 brought pursuant to subsection 2 or 3 of this section more than three  
23 years after the occurrence of such violation; and

24 (4) Any person who knowingly and willfully violates any  
25 provision of section 37.556 shall, for each such violation, be fined not  
26 more than five thousand dollars.

37.558. 1. No person shall retaliate in any manner against any  
2 public employee or employee of a private contractor because that  
3 employee, or any person acting on behalf of the employee, in good faith:

4 (1) Engaged in any disclosure of information relating to the  
5 services provided by a private contractor pursuant to a privatization  
6 contract;

7 (2) Advocated on behalf of service recipients with respect to the



8 care or services provided by the private contractor;

9 (3) Initiated, cooperated, or otherwise participated in any  
10 investigation or proceeding of any governmental entity relating to the  
11 services provided pursuant to a privatization contract.

12 2. No person shall retaliate in any manner against any public  
13 employee or employee of a private contractor because the employee has  
14 attempted or has an intention to engage in an action described in  
15 subsection 1 of this section.

16 3. No person shall by contract, policy, or procedure prohibit or  
17 restrict any employee of a private contractor from engaging in any  
18 action for which a protection against retaliation is provided pursuant  
19 to subsection 1 of this section.

20 4. This section shall not protect disclosures that would violate  
21 federal or state law or diminish or impair the rights of any person to  
22 the continued protection of confidentiality of communications provided  
23 by state or federal law.

24 5. With respect to the conduct described in subdivision (1) of  
25 subsection 1 of this section, an employee of a private contractor shall  
26 be considered to be acting in good faith if the employee reasonably  
27 believes that:

28 (1) The information is true; and

29 (2) The information disclosed by the employee:

30 (a) Evidences a violation of any law, rule, or regulation, or of a  
31 generally recognized professional or clinical standard; or

32 (b) Relates to the care, services, or conditions which potentially  
33 endanger one or more recipients of service or employees employed  
34 pursuant to a privatization contract.

35 6. The identity of an employee of a private contractor who  
36 complains in good faith to a public body, any elected official of a public  
37 body, or any member or employee of the state legislature about the  
38 quality of services provided by a private contractor shall remain  
39 confidential and shall not be disclosed by any person except upon the  
40 knowing written consent of the employee of the private contractor and  
41 except in the case in which there is imminent danger to health or  
42 public safety or an imminent violation of criminal law.

37.559. 1. Each private contractor shall post and keep posted, in  
2 conspicuous places on its premises where notices to employees and

3 applicants for employment are customarily posted, a notice, to be  
4 prepared or approved by the office of administration, setting forth  
5 excerpts from, or summaries of, the pertinent provisions of sections  
6 37.550 to 37.559 and information pertaining to the filing of a charge  
7 pursuant to section 37.553.

8 2. Any employer that willfully violates this section may be  
9 assessed by the office of administration a civil penalty not to exceed  
10 one hundred dollars for each separate offense.

11 3. Only the public body or the attorney general shall have  
12 standing to seek enforcement of this section.

Section B. Because immediate action is necessary to encourage economic  
2 growth in the state through the privatization of public service, section A of this  
3 act is deemed necessary for the immediate preservation of the public health,  
4 welfare, peace, and safety, and is hereby declared to be an emergency act within  
5 the meaning of the constitution, and section A of this act shall be in full force and  
6 effect on July 1, 2006, or upon its passage and approval, whichever later occurs.

✓  
Bill

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