

SECOND REGULAR SESSION

HOUSE BILL NO. 1427

91ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES HOSMER, MARSH, MURPHY, LOWE (Co-sponsors),
BOWMAN AND JOLLY.

Read 1st time January 10, 2002, and 1000 copies ordered printed.

TED WEDEL, Chief Clerk

3318L.01I

AN ACT

To amend chapter 37, RSMo, by adding thereto eleven new sections relating to oversight of public privatization contracts.

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

Section A. Chapter 37, RSMo, is amended by adding thereto eleven new sections, to be
2 known as sections 37.550, 37.552, 37.554, 37.556, 37.558, 37.560, 37.562, 37.564, 37.566,
3 37.568 and 37.570, to read as follows:

**37.550. Sections 37.550 to 37.570 may be cited as the "Public Service Accountability
2 Act".**

37.552. For purposes of sections 37.550 to 37.570, the following terms mean:

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

7 (2) "Participating political subdivision", any municipality, county or other local
8 political entity, not including any municipal fire department when such department is
9 contracting with private companies pursuant to section 85.012, RSMo, that is authorized
10 to levy taxes and which, by a recorded roll-call vote of its governing body, has opted to
11 follow the provisions of sections 37.550 to 37.570 for any particular privatization contract.
12 Each such governing body shall have such a recorded roll-call vote for every privatization
13 contract engaged in by that political subdivision;

14 (3) "Person", an individual, institution, federal, state or local governmental entity,
15 or any other public or private entity;

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

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

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

26 (a) The department of transportation; or

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

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

31 (8) "Retaliation", any adverse action taken against an employee, including any
32 threat to take adverse action, in response to or in anticipation of the employee's utilization
33 of the rights or protections set forth in this chapter. In the case of a person who is not an
34 employee of the private contractor, such term includes any adverse action taken against
35 the person or the person's employer, including the cancellation of or refusal to renew a
36 contract with the person or the person's employer;

37 (9) "Services", with respect to a private contractor, all aspects of the provision of
38 services provided by a private contractor pursuant to a privatization contract or any
39 services provided by a subcontractor of a private contractor;

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

37.554. 1. No public body shall make any privatization contract and no such
2 contract shall be valid unless the public body and the contractor comply with each of the
3 requirements in sections 37.550 to 37.570 and unless such contract includes the specified
4 provisions in the privatization contract.

5 2. The public body shall prepare a specific written statement of the services
6 proposed to be the subject of the privatization contract, including the specific quantity and
7 standard of quality of the subject services. The public body shall solicit competitive sealed
8 bids for the privatization contracts based upon this statement. The date designated by the
9 public body upon which it will accept these sealed bids shall be the same for any and all
10 parties. This statement shall be a public record, shall be filed with the public body, and

11 shall be published in the state register not later than thirty business days prior to the date
12 on which bids are due.

13 3. Every bid shall detail:

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

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

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

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

29 4. For each position in which a contractor will employ any person pursuant to the
30 privatization contract, the minimum compensation to be paid for such position shall be the
31 greater of the wage rate paid at step one of the grade or classification under which a public
32 employee whose duties are most similar is paid, plus the cash value of health and other
33 benefits provided to such public employees, or the average private sector compensation
34 rate, including the value of health and other benefits, for such position as determined by
35 the state department of labor and industrial relations.

36 5. The term of any privatization contract shall not exceed two years. No
37 amendment to a privatization contract shall be valid if it has the purpose or effect of
38 avoiding any requirement of any section of sections 37.550 to 37.570.

39 6. Every privatization contract shall contain provisions requiring the contractor
40 to offer available employee positions pursuant to the contract to qualified regular public
41 employees of the public body whose state employment is terminated because of the
42 privatization contract. Every such contract shall also contain provisions requiring the
43 contractor to comply with a policy of nondiscrimination and equal opportunity for all
44 persons, and to take affirmative steps to provide such equal opportunity for all such
45 persons.

46 7. Funds of the public body shall not be used to support or oppose unionization,

47 including but not limited to, preparation and distribution of materials which advocate for
48 or against unionization; hiring or consulting legal counsel or other consultants to advise
49 the contractor about how to assist, promote, or deter union organizing or how to impede
50 a union which represents the contractor's employees from fulfilling its representational
51 responsibilities; holding meetings to influence employees about unionization; planning or
52 conducting activities by supervisors to assist, promote, or deter union activities; or
53 defending against unfair labor practice charges brought by federal or state enforcement
54 agencies.

37.556. 1. Any public body considering whether to enter into a privatization
2 contract shall prepare a comprehensive written estimate of the costs of regular public
3 employees providing the subject services in the most cost-efficient manner. The estimate
4 shall include all direct and indirect costs of regular public employees providing the subject
5 services, including but not limited to, pension, insurance, and other employee benefit costs.
6 For the purpose of this estimate, any public employee organization may, at any time before
7 the final day for the public body to receive sealed bids pursuant to subsection 2 of section
8 37.554, propose amendments to any relevant collective bargaining agreement to which it
9 is a party. Any such amendments shall take effect only if necessary to reduce the cost
10 estimate pursuant to this subsection below the contract cost. Such estimate shall remain
11 confidential until after the final day for the public body to receive sealed bids for the
12 privatization contract, at which time the estimate shall become a public record, shall be
13 filed with the public body and shall be published in the state register.

14 2. After soliciting and receiving bids, the public body shall publicly designate the
15 bidder to which it proposes to award the privatization contract. In selecting a contractor,
16 the public body shall consider the contractor's past performance and its record of
17 compliance with federal, state, and local laws, including the disclosures as required
18 pursuant to subsection 3 of section 37.554. The public body shall prepare a comprehensive
19 written analysis of the contract cost based upon the designated bid, specifically including
20 the costs of transition from public to private operation, of additional unemployment and
21 retirement benefits, if any, and of monitoring and otherwise administering contract
22 performance. If the designated bidder proposes to perform any or all of the contract
23 outside the boundaries of the state, the contract cost shall be increased by the amount of
24 income tax revenue, if any, which will be lost to the state by the corresponding elimination
25 of public employees, as determined by the department of revenue to the extent that it is
26 able to do so.

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

28 (1) He or she has complied with all provisions of this section and of all other

29 applicable laws;

30 (2) The quality of the services to be provided by the designated bidder is likely to
31 satisfy the quality requirements of the statement prepared pursuant to subsection 2 of
32 section 37.554, and to equal or exceed the quality of services which could be provided by
33 regular public employees;

34 (3) The contract cost will be at least ten percent less than the estimated cost
35 pursuant to subsection 1 of section 37.556, taking into account all comparable types of costs
36 and all the additional costs of the contract as specified in subsection 2 of section 37.556;
37 and

38 (4) The proposed privatization contract is in the public interest, in that it meets the
39 applicable quality and fiscal standards set forth in sections 37.550 to 37.562.

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

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

4 (1) The selection of the subcontractor; and

5 (2) The provisions of the subcontract.

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

37.560. 1. Any private contractor awarded a privatization contract, and any
2 subcontractor to a private contractor subject to sections 37.550 to 37.570 shall file with the
3 head of the public body copies of financial audits of the private contractor prepared at
4 least annually during the course of the contract term.

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

11 3. The private contractor shall submit a report, not less than annually during the
12 term of the privatization contract, detailing the extent to which the contractor has achieved
13 the specific quantity and standard of quality of the subject services as specified by the
14 public body pursuant to subsection 2 of section 37.554 and its compliance with all federal,

15 state, and local laws including any complaints, citations, or findings issued by
16 administrative agencies or courts.

17 **4. The public body may seek contractual remedies for any violation of a**
18 **privatization contract. In addition, if a contractor fails to comply with subsection 4, 6 or**
19 **7 of section 37.554, any person or entity aggrieved by the violation may bring a claim for**
20 **equitable and other relief, including back pay. In such a suit, an aggrieved person or entity**
21 **shall be entitled to costs and attorney's fees.**

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

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

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

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

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

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

22 **5. No contractor or subcontractor, or employee or agent of a contractor or**
23 **subcontractor, shall sell, market, or otherwise profit from the disclosure or use of any**
24 **public records which are in its possession pursuant to a contract, subcontract, or**
25 **amendment to a contract or subcontract, except as authorized in the contract, subcontract,**
26 **or amendment.**

27 **6. Any contractor or subcontractor, or employee or agent of a contractor or**
28 **subcontractor, which learns of any violation of the provisions of this section shall, no later**
29 **than seven calendar days after learning of such violation, notify the head of the public body**

30 and the attorney general of such violation.

37.564. 1. The remedies provided pursuant to this section shall be in addition to
2 any remedies provided for violations of section 37.562 pursuant to chapter 610, RSMo.

3 2. If any person violates any provision of section 37.562, the attorney general may
4 bring an action against such person seeking:

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

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

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

9 3. In addition to the remedies pursuant to subsection 2 of this section, any person
10 aggrieved by a violation of any provision of section 37.562 may bring an action in any state
11 court to recover any damages suffered as a result of such violation.

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

13 (1) Order disgorgement of any profits or other benefits derived as a result of a
14 violation of any provision of section 37.562;

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

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

19 (4) Any person who knowingly and wilfully violates any provision of section 37.562
20 shall, for each such violation, be fined not more than five thousand dollars.

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

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

6 (2) Advocated on behalf of service recipients with respect to the care or services
7 provided by the private contractor;

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

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

14 3. No person shall by contract, policy, or procedure prohibit or restrict any
15 employee of a private contractor from engaging in any action for which a protection

16 against retaliation is provided pursuant to subsection 1 of this section.

17 **4. This section shall not protect disclosures that would violate federal or state law**
18 **or diminish or impair the rights of any person to the continued protection of confidentiality**
19 **of communications provided by state or federal law.**

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

23 **(1) The information is true; and**

24 **(2) The information disclosed by the employee:**

25 **(a) Evidences a violation of any law, rule, or regulation, or of a generally recognized**
26 **professional or clinical standard; or**

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

29 **6. The identity of an employee of a private contractor who complains in good faith**
30 **to a public body, any elected official of a public body, or any member or employee of the**
31 **state legislature about the quality of services provided by a private contractor shall remain**
32 **confidential and shall not be disclosed by any person except upon the knowing written**
33 **consent of the employee of the private contractor and except in the case in which there is**
34 **imminent danger to health or public safety or an imminent violation of criminal law.**

37.568. 1. Each private contractor shall post and keep posted, in conspicuous
2 **places on its premises where notices to employees and applicants for employment are**
3 **customarily posted, a notice, to be prepared or approved by the office of administration,**
4 **setting forth excerpts from, or summaries of, the pertinent provisions of sections 37.550 to**
5 **37.570 and information pertaining to the filing of a charge pursuant to section 37.556.**

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

8 **3. Only the public body or the attorney general shall have standing to seek**
9 **enforcement of this section.**

37.570. Sections 37.550 to 37.570 shall be in full force and effect on July 1, 2001, or
2 **upon their passage and approval, whichever occurs later, and shall apply to all**
3 **privatization contracts entered into on or after that effective date.**