



THE PUBLIC SECTOR

Union-sponsored legislation may imperil essential services

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Assembly Bill (AB) 1250, still under debate when we wrote this article and currently held in the Senate Rules Committee pending a possible hearing in January 2018, will—if enacted—have a devastating impact on the ability of California counties to deliver critical public services. Whether or not this destructive special interest bill succeeds, it will be the strongest evidence in many years of the pervasive influence union campaign contributions have on members of the California Legislature.

AB 1250 is sponsored by the Service Employees International Union (SEIU) and the American Federation of State, County, and Municipal Employees (AFSCME). Supposedly designed to enhance “transparency” in public-sector contracts for services, this expansive, poorly written bill will instead promote litigation, uncertainty, and disruption of essential services.

Severe restrictions on outside contracting

Authored by Assemblymember Byron Jones-Sawyer (D-59th District), a former vice president of an SEIU local, AB 1250 restricts the ability of counties to use outside contractors for personal service contracts. The bill provides that before contracting for personal services with a firm, counties would be required to “clearly demonstrate that the proposed contract will result in actual overall cost savings . . . for the duration of the entire contract as compared with the county’s actual costs of providing the same services.” Even if a county demonstrates actual overall cost savings, the savings must clearly justify the size and duration of the contract and may not be approved solely based on the savings.

That’s not all. The contract must not cause the displacement of county workers or cause vacant positions in which the employees perform the same services to remain unfilled. Further, the contract must not adversely affect any of the county’s nondiscrimination or affirmative action efforts.

AB 1250 also implicates privacy concerns. It requires nonprofits and local businesses to disclose personal information about their employees and officers, including salary and other private information. Those requirements could cause potential contractors

to refrain from bidding to provide services, and if the bill is enacted, the disclosure requirements will likely engender litigation. These are just a few of many restrictions AB 1250 would impose on local governments seeking to contract with nonprofits for the delivery of essential county services.

Opponents of AB 1250 include 54 of the state’s 58 counties and the private entities and nonprofits that contract with them. They argue the bill will increase costs for county services and force counties to either reduce public services or add to their personnel costs by employing additional workers. Either option will hurt the communities that rely on those services the most.

Proponents argue the bill provides for cost savings and transparency while protecting the jobs of public-sector employees. Supporters of the bill also point to current restrictions on the state government of California that require personal services contracts to achieve cost savings. It’s true that the statute applicable to state agencies has strong similarities to AB 1250. However, the state statute doesn’t include AB 1250’s intrusive disclosure requirements.

Further, as the California Department of Finance pointed out in its review of AB 1250, the state, with a workforce of more than 229,000 employees, has less of a need to contract for personal services. The state is also better able than counties to bear the salary, overhead, and pension costs of hiring new employees.

Challenges to counties and nonprofits

Counties decide to contract out services for a multitude of reasons, only one of which is cost savings. Counties contract out personal services in situations where expertise is required, where the pool of qualified personnel is limited, or for short-term or isolated projects. AB 1250 ignores those important factors. The likely result if this bill succeeds will be reductions in services, both because counties may decide, because of the increased financial load, not to hire their own personnel to perform services previously performed by contractors and because contractors may choose not to even bid on the work given the onerous disclosure requirements of the bill.

The impact of AB 1250 on nonprofits is also predicted to be profound. Nonprofits provide counties with a wide range of services that can be performed expertly, efficiently, and more economically than if

the counties themselves were to provide the services. Under AB 1250, the contract between nonprofits and counties couldn't "significantly undercut" county pay rates. While employees of nonprofits (many of whom are represented by the SEIU) might theoretically benefit from this aspect of AB 1250, the reality is that counties often would not be able to afford the expense. In that respect, nonprofits and their employees—already affected by the tenuousness of federal funding—would suffer significant reductions in work and revenue. And most important, the vulnerable members of our society will be deprived of essential services.

Bottom line

AB 1250 is one of the biggest threats to local government finances since state lawmakers opened the door nearly two decades ago to unaffordable pension increases that engendered multibillion-dollar unfunded liabilities. The bill is an example of the state placing a huge financial burden on counties and, of course, not providing any funding to offset the tremendous cost of implementation.

AB 1250 passed the California Assembly and had a September 15 deadline for passage in the senate.

Because the senate didn't take action, the bill remains on hold in the Senate Rules Committee. It is still eligible to be held as a two-year bill and could be heard as early as January. The original version of AB 1250 covered cities as well as counties. Lobbying efforts by nonprofits and cities took cities out of the bill, but we can expect labor unions to take another run at including cities in the next legislative session.



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Because of the amendments, AB 1250 would have to go back to the assembly for concurrence following a senate vote. If the bill passes, it faces the prospect of gubernatorial veto—never a certain bet. Counties, nonprofits, and the most disadvantaged members of our society may dodge a bullet on this one, either through lack of a senate majority or gubernatorial veto. But in any event, the bill is exceptionally strong evidence of the impact union campaign contributions have on California public policy.

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