

# STATE CONTRACTING TRANSPARENCY

## U.S. PIRG | REPORT CARD

CALIFORNIA

GRADE:



**D-**

**CRITERIA:**

Failure to provide access to Government spending data.

STATE	GRADE	SCORE
Texas	A	94
Kentucky	A	94
Indiana	A-	93
Louisiana	A-	92
Massachusetts	A-	92
West Virginia	A-	91
Arizona	A-	90
New York	B+	89
North Carolina	B+	89
Oregon	B+	87
Utah	B+	87
Connecticut	B	85
Washington	B	85
Michigan	B	83
Nebraska	B	83
South Dakota	B	83
Pennsylvania	B-	82
Delaware	B-	81
Illinois	B-	81
Virginia	B-	81
Mississippi	B-	80
Georgia	C+	79
Alabama	C+	78
Minnesota	C+	78
New Jersey	C+	78
Vermont	D-	51
Wisconsin	D-	51
Alaska	D-	50
California	D-	49
Rhode Island	D-	49
New Hampshire	D-	49
Wyoming	F	48
Iowa	F	44
Kansas	F	44

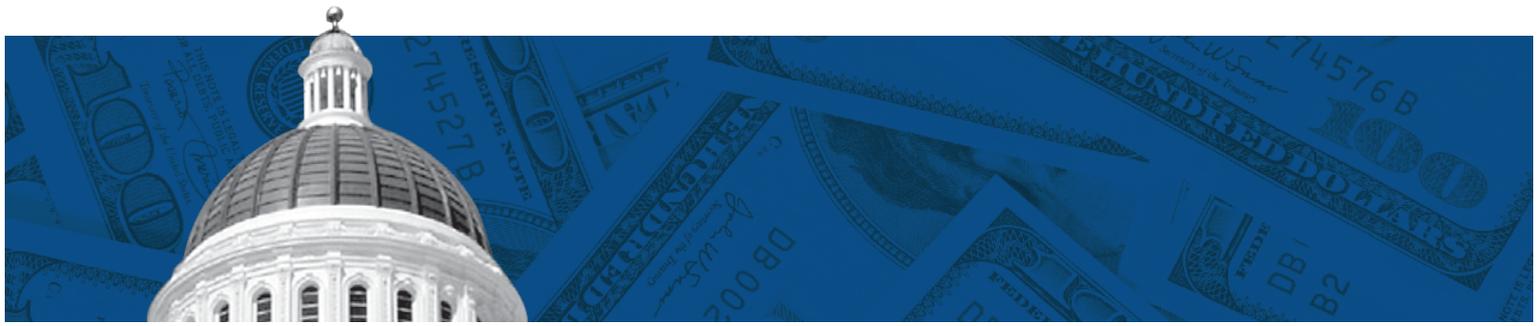
# Why is California SO FAR BEHIND?

“When 46 other states can provide budgetary information to the public on contracting, why can’t California? There’s no good answer.”

—Margarita Maldonado  
Vice-President for Bargaining  
SEIU Local 1000

## A California Bottom Line Report

Research from  
SEIU Local 1000



**If you want to know what the California Department of Corrections and Rehabilitation budgeted for overtime, the department's budget overview online specifically details the amount: \$105 million for fiscal year 2011-12.**

**For health care services? Two billion.**

**Inmate education and activities? Sixty-six million.<sup>1</sup>**

But what if you want to know how much of the \$10 billion<sup>2</sup> of the Department of Corrections' budget was spent on outsourcing, contracting for personal services, such as private prisons? The answer is missing from the department's public budget documents.

Since March 2009, California has had a database called the electronic State Contract & Procurement Registration System (eSCPRS), but the database is cumbersome and unwieldy, and for most of the general public, unusable.

Only through intrepid searches through the state database by researchers and trained state employees have we been able to determine that the Corrections department was encumbered for nearly \$3.1 billion in multi-year contracts for services in 2011-12.<sup>3</sup>

In the State of Georgia's Department of Corrections online budget, it clearly shows that the department spent \$121,556,959 on contracts for fiscal year 2011-12, which is 11 percent of the total department budget.<sup>4</sup>

Easy to find; easy to track.

# The scale of the problem

Contracting out for personal services is a significant portion of California state spending: on the day the 2011-12 state budget with general fund expenditures of \$85 billion went into force on July 1, 2011<sup>5</sup>, the state was encumbered with nearly \$26 billion in active contracts for personal services to private vendors.<sup>6</sup>

Departments that are among the largest contractors for personal services can carry active contracts in amounts that dwarf other department budgets. The annual budget for the state Environmental Protection Agency in fiscal year 2011-12 at \$1.2 billion<sup>7</sup> is a mere two-fifths of the \$3.1 billion in active personal services contracts for Corrections in fiscal year 2011-12. The cost of running the California Highway Patrol for that same year, \$1.7 billion,<sup>8</sup> can be swallowed up by the Corrections contract amount. Clearly, it's a lot of spending that is virtually hidden from public scrutiny.

Hidden spending fosters waste, even fraud, said Ryan Pierannunzi of the U.S. Public Interest Research Group (PIRG), a non-profit that works to protect consumers against large special interests.<sup>9</sup> This group of researchers has monitored and graded states based on their spending transparency through annual reports. California got a D- in 2012, the third annual report.<sup>10</sup>

Pierannunzi, who co-authored the 2012 report, said that greater transparency can obviously lead to savings by increasing

competition for bids and guarding against fraud, but "open-checkbook" transparency can also save on administrative costs by reducing information requests. One of the smallest states, Massachusetts, estimates it has saved \$3 million in paper, printing and postage costs by posting contracts through their transparency website.<sup>11</sup>

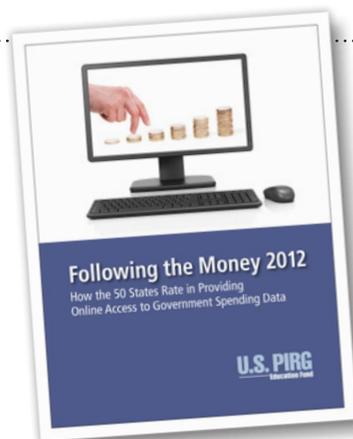
"For the public, the end goal is making sure that taxpayer money is being spent so they're getting their bang for a buck and they aren't being taken advantage of," said Pierannunzi. "When that information is out there, it's easier to encourage government to be more efficient and work better," he said.

Without better transparency, the public will have no way of knowing if imposed savings on contracting are ever truly realized. In 2009, then Gov. Arnold Schwarzenegger signed an executive order that generally ordered state departments to reduce contract spending by 15 percent in fiscal year 2009-10.<sup>12</sup> Unfortunately, there is no public accounting for departments' compliance—or lack of it.

## What other states do

The trend is for states and other government entities to move toward greater financial transparency, especially with technology easing the transition, said Pierannunzi of PIRG. Just in the past two years, the number of states that provide checkbook transparency to the public has increased from 32 to 46, according to PIRG's 2012 report.<sup>13</sup>

The size of the state, whether it's red or blue, is not a factor in transparency, Pierannunzi said. Texas and Arizona scored A or A- in the latest PIRG report. So did Louisiana.<sup>14</sup>



▲ The 2012 PIRG report rates all 50 states on how they provide online access to government spending data.

## Here's a look at what citizens in other states find:

➤ Anyone with the most rudimentary computer skills can figure out within minutes that Connecticut's Department of Corrections spent \$40.3 million during fiscal year 2011-12 on contracting, including details such as \$104,565 for "management consulting services." That state's transparency website allows searches by vendor name, agency and it provides a brief description of each expense.<sup>15</sup>

➤ In Illinois, the state's Accountability and Transparency website can be easily searched to get similar information. The Illinois Department of Corrections spent \$233,332,889 on "contractual services" for fiscal year 2011-12. Another click tells you that \$116,227,710 went to hospital and medical services and that the lion's share of that, \$111,390,303, was paid to Wexford Health Sources Inc.<sup>16</sup>

➤ Texas Transparency, the Texas state website that tracks spending and revenue by fiscal year, easily reveals that the state Department of Criminal Justice spent \$463,009,769 on "professional services and fees" in the fiscal year 2011-12. After salaries and wages, professional services are the largest expenditure of the total \$2.9 billion spent by the department that year.<sup>17</sup>

# California's state spending

California's state spending—like all government spending—is always under microscopic scrutiny. Now, as the state's fiscal health recovers, we need to continue to watch spending to make sure nothing throws us off course. A crucial way to maintain responsible spending is through optimal transparency for greater accountability.

How else would you know that the cost of Corrections' current outstanding contracts for services is more than the entire California Highway Patrol annual budget?<sup>18</sup>

SEIU Local 1000 member Miguel Cordova is one of four members on the

Contracting State Task Force, which is reviewing state contracts for personal

**A crucial way to maintain responsible spending is through optimal transparency for greater accountability.**

services to cut waste and illegal contracting. "I think what you have is this sense that we are spending way too much on government, but in California, we don't know the true cost of government," said

Cordova, who is chairman of Bargaining Unit 21.<sup>19</sup>

Without upfront accounting in departmental budgets, contracting costs can never be effectively monitored for waste of taxpayer dollars, said Marie Harder, another member who is also on the task force.<sup>20</sup>

"It's out of control; departments don't have the ability to manage their contracts," said Harder, who is vice chairwoman of Bargaining Unit 1. "I truly believe that state departments cannot tell you what they are spending and what they owe at any given time when it comes to contracts."

## Active Personal Service Contracts and Annual Budgets for Top Outsourcing Departments/Agencies<sup>21</sup>

DEPARTMENT	eSCPRS (Active Contracts 7/1/2011)	General Fund and Special Fund Expenditures FY 2011-12 (Actuals)
Department of Corrections and Rehabilitation	\$3,138,022,819	\$9,258,407,000
Department of Transportation	\$2,958,888,376	\$3,843,196,000
Department of Water Resources	\$2,574,937,431	\$103,234,000
Department of Health Care Services	\$2,181,607,466	\$16,673,263,000
Department of General Services	\$1,638,394,381	\$94,893,000
Health and Human Services Agency	\$1,368,789,159	\$38,314,693,000
Department of Public Health	\$1,157,243,698	\$816,122,000
Department of Education	\$612,180,183	\$31,280,109,000
Department of Motor Vehicles	\$558,922,286	\$893,567,000
Employment Development Department	\$488,981,769	\$406,020,000
Franchise Tax Board	\$461,924,987	\$573,178,000
Department of Forestry and Fire Protection	\$437,578,038	\$713,355,000
Department of Child Support Services	\$433,520,858	\$306,590,000
Department of Parks and Recreation	\$393,137,339	\$365,551,000
Public Utilities Commission	\$252,250,637	\$1,083,123,000
State Controller's Office	\$229,069,161	\$102,894,000
Department of Finance	\$215,473,231	\$20,421,000

*The typical duration for contracts for personal services is three years, making a comparison for any one fiscal year inaccurate, but still useful for illustrative purposes.<sup>22</sup>*

# SEIU Local 1000 challenges outsourcing

For more than a decade, SEIU Local 1000 has undertaken a sweeping campaign to ferret out waste and violations among the state's thousands of personal service contracts with private vendors.

SEIU Local 1000 has sponsored successful state legislation, AB 740, in 2011, which strengthened the prohibition against departments renewing a contract after the State Personnel Board (SPB) deemed it illegal.

The Union was also successful in negotiating in 2012 the creation of the Contracting State Task Force, a joint collaboration with the state to review certain contracts for ways to save taxpayer money and reduce the state's reliance on outsourcing.

Identifying possible contract violations is crucial because when the Union has challenged the legality of personal services contracts, it's had a success rate of 80 to 85 percent. But monitoring as many as 20,000 personal services contracts is a daunting job.

Because of the massive volume of contracts, SEIU Local 1000 has developed a training program to enlist interested members so they can monitor contracts within their own workplace.

So far, nearly 300 members have participated in quarterly sessions for training developed by members and staff at SEIU Local 1000.

*“Our Union engages in an ongoing scrutiny of state contracts to identify waste and save taxpayer dollars. We’re fighting for good government—and I’m proud of our record.”*

—Yvonne R. Walker  
President  
SEIU Local 1000

Miguel Cordova, an SEIU Local 1000 member and a member of the task force, who has helped with the training, said members who volunteer to do this work develop a concern and interest beyond just their workplace. “They take a real interest in fiscal responsibility and accountability,” he said.

In conjunction with the training, SEIU Local 1000 is asking all members to report contracts that possibly violate the state rule against outsourcing jobs that could be done by the state work force. The Union's website offers a link to a form where members can submit information about suspected violations: [seiu1000.seiu.org/page/s/outsourcing-contracts-question](http://seiu1000.seiu.org/page/s/outsourcing-contracts-question)

## Contracting State Task Force

**Who:** SEIU Local 1000 members Margarita Maldonado, Marie Harder, Miguel Cordova and Kim Cowart are the members representing the Union on the task force.

**What:** A panel of SEIU Local 1000 members and state representatives created through a side letter agreement last June.

**When:** The task force meets monthly for a year ending in June.

**Why:** The panel meets regularly to review state contracts for waste and to ensure they comply with regulations that generally forbid contracting for work that can be done by civil servants. Reports from the task force will be available in the spring.

**SEIU Local 1000**  
STRONGER TOGETHER

A new outsourcing task force - created by the June sideletter - is beginning to focus on wasteful private vendor contracts that can be eliminated, so that the cost savings can help preserve member pay and state jobs. Working with members on the outsourcing task force Local 1000's contract, research and legal departments are reviewing and challenging those contracts that needlessly cost the state money.

If you are aware of a contract where bargaining unit work is being performed by a vendor that could be done by state workers, please take a few minutes to fill out the following form.

This information will help the task force identify priority contracts to review and analyze to possibly reduce the use of contractors and contract employees who perform the work of state workers, develop plans to transfer work back to state workers and/or reduce the cost of contracts.

Country  
United States

Email

▲ Members can submit information online about outsourcing contracts for work that could be done by state workers.

# Recommendations:

Sophisticated websites with checkbook detail about state spending might not be practical for the near future in California, but the state could still adopt immediate, simple measures that would increase the public's ability to gauge departmental spending on outsourcing.

Even with future plans for advanced online budget search tools, the state's departments should act now to join a growing trend toward greater transparency.

*“The time is now for the state to take common sense steps to improve its performance in providing full budgetary information to the public.”*

—Margarita Maldonado  
Vice President for Bargaining  
SEIU Local 1000

- **Departments—all departments—should present** annual proposed budgets broken down into two categories: direct spending and contract costs, when submitting budgets to legislative sub-committees.
- **The state should continue to use this same** accounting breakdown from initial spending plans to a final enacted budget. By showing all department spending, both direct and contract, the state will begin to build a historical record.
- **California should explore open-checkbook** transparency models from other states to find a suitable model.
- **The Contracting State Task Force should** become the foundation for a more permanent collaboration between SEIU Local 1000 and the state to monitor outsourcing and set target savings amounts.

The state of Texas watchdog site “Texas Transparency” makes it easy for anyone to find information on state budget spending. ▶



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## (Endnotes)

1. CDCR website, About CDCR, CDCR's Budget for Fiscal Year 2011-2012, [http://www.cdcr.ca.gov/Budget/Budget\\_Overview.html](http://www.cdcr.ca.gov/Budget/Budget_Overview.html)
2. The CDCR website shows a budget for fiscal year 2011-2012 with a total department allocation of \$10,017,591,000. That amount might not include the details of the department budget shown in Schedule 9 of the state budget for the actual budget for that year.
3. Fiscal year 2011-12 is used for comparison because it is the most recent complete year. California Department of General Services, Procurement Division. *SCPRS Data and eSCPRS Data*. State Contract & Procurement Registration System (SCPRS), Public Access Data. (Accessed July 2012). Since the launch of eSCPRS in March 2009, the SEIU Local 1000 Research Department periodically downloads and analyzes its data to document new contracts. The new eSCPRS system replaces an old data system, increasing our ability to accurately track new contracts for personal services. eSCPRS introduces the United Nations Standard Products and Services Codes (UNSPSC), which provides eight-digit UNSPSC identifier numbers that correspond to the itemized component services and goods that make up an agreement. Our method for tracking the state's personal services contracts relies on this high level of detail in the UNSPSC system by being able to track the subset of codes for personal services in the database. We also filter out contracts and agreements that are transfers of state and federal funds to counties and cities, inter-agency transfers among state departments, and other pass through monies that are for local governments, public university systems, and other public entities. For more information on our methodology, contact the SEIU Local 1000 Research Department.
4. Georgia Department of Corrections website, Research, Fiscal Year, GDC Annual Reports, [http://www.dcor.state.ga.us/Research/Annual/GDC\\_annual\\_report\\_FY2011.pdf](http://www.dcor.state.ga.us/Research/Annual/GDC_annual_report_FY2011.pdf)
5. California Department of Finance website, Governor's Budget 2011-12, Proposed Budget Summary, <http://2011-12.archives.ebudget.ca.gov/BudgetSummary/BSS/BSS.html#preface>
6. California Department of General Services, Procurement Division. *SCPRS Data and eSCPRS Data*. State Contract & Procurement Registration System (SCPRS), Public Access Data. (Accessed July 2012). Since the launch of eSCPRS in March 2009, the SEIU Local 1000 Research Department periodically downloads and analyzes its data to document new contracts. The new eSCPRS system replaces an old data system, increasing our ability to accurately track new contracts for personal services. eSCPRS introduces the United Nations Standard Products and Services Codes (UNSPSC), which provides eight-digit UNSPSC identifier numbers that correspond to the itemized component services and goods that make up an agreement. Our method for tracking the state's personal services contracts relies on this high level of detail in the UNSPSC system by being able to track the subset of codes for personal services in the database. We also filter out contracts and agreements that are transfers of state and federal funds to counties and cities, inter-agency transfers among state departments, and other pass through monies that are for local governments, public university systems, and other public entities. For more information on our methodology, contact the SEIU Local 1000 Research Department.
7. The Environmental Protection Agency's actual spending in 2011-12 was \$1.2, which does not include \$1.4 billion for Resources, Recycling and Recovery which was located in the Natural Resources Department at that time. California State Department of Finance, 2013-14 e-budget Schedule 9, at 8, available on-line at [http://www.ebudget.ca.gov/pdf/BudgetSummary/BS\\_SCH9.pdf](http://www.ebudget.ca.gov/pdf/BudgetSummary/BS_SCH9.pdf)
8. California State Department of Finance, 2013-14 e-budget Schedule 9, available on-line at [http://www.ebudget.ca.gov/pdf/BudgetSummary/BS\\_SCH9.pdf](http://www.ebudget.ca.gov/pdf/BudgetSummary/BS_SCH9.pdf)
9. All comments from Ryan Pierannunzi come from a telephone interview with him on Jan. 3, 2013.
10. U.S. Public Interest Research Groups, "Follow the Money 2012: How the 50 States Rate in Providing Online Access to Government Spending Data," March 2012, pg. 48, <http://www.uspirg.org/reports/usp/following-money-2012>
11. Ibid, pg. 13
12. Governor Arnold Schwarzenegger, Executive Order S-09-09. <http://gov.ca.gov/news.php?id=12460>
13. U.S. Public Interest Research Groups, "Follow the Money 2012: How the 50 States Rate in Providing Online Access to Government Spending Data," March 2012, pg. 1, <http://www.uspirg.org/reports/usp/following-money-2012>
14. Ibid, pg. 48
15. [Transparency.ct.gov](http://transparency.ct.gov), Connecticut transparency website, vendor contract spending-fiscal year 2011, <http://transparency.ct.gov/html/downloads.asp>
16. State of Illinois Transparency and Accountability website, <http://accountability.illinois.gov/Expenditures/Agency/Categories.aspx?Year=2012&Agency=426>
17. Texas transparency website, spending by agency, [http://www.texastransparency.org/budget/Agency\\_Strategy.php](http://www.texastransparency.org/budget/Agency_Strategy.php)
18. California State Department of Finance, 2013-14 e-budget Schedule 9, available on-line at [http://www.ebudget.ca.gov/pdf/BudgetSummary/BS\\_SCH9.pdf](http://www.ebudget.ca.gov/pdf/BudgetSummary/BS_SCH9.pdf)
19. Comments from Miguel Cordova come from an interview with him on Jan. 17, 2013.
20. Comments from Marie Harder come from an interview with her on Jan. 3, 2013.
21. California State Department of Finance, 2013-14 e-budget Schedule 9, available on-line at [http://www.ebudget.ca.gov/pdf/BudgetSummary/BS\\_SCH9.pdf](http://www.ebudget.ca.gov/pdf/BudgetSummary/BS_SCH9.pdf)  
California Department of General Services, Procurement Division. *SCPRS Data and eSCPRS Data*. State Contract & Procurement Registration System (SCPRS), Public Access Data. (Accessed July 2012). Since the launch of eSCPRS in March 2009, the SEIU Local 1000 Research Department periodically downloads and analyzes its data to document new contracts. The new eSCPRS system replaces an old data system, increasing our ability to accurately track new contracts for personal services. eSCPRS introduces the United Nations Standard Products and Services Codes (UNSPSC), which provides eight-digit UNSPSC identifier numbers that correspond to the itemized component services and goods that make up an agreement. Our method for tracking the state's personal services contracts relies on this high level of detail in the UNSPSC system by being able to track the subset of codes for personal services in the database. We also filter out contracts and agreements that are transfers of state and federal funds to counties and cities, inter-agency transfers among state departments, and other pass through monies that are for local governments, public university systems, and other public entities. For more information on our methodology, contact the SEIU Local 1000 Research Department.
22. California contracts are varied in length and overlap fiscal years. Furthermore, they can be extended and amended extensively. For examples of repeated amendments, see SEIU Local 1000's Research Department's February 2012 report, "The Hidden Branch of Government." <http://seiu1000.org/2012/02/the-hidden-branch-of-government-1.php>



Service Employees International Union Local 1000 is the largest union of California state employees. We represent prison teachers and the overwhelming majority of white collar professionals, clerical workers, auditors, information technology professionals, planners, inspectors, printers, librarians, custodians, nurses and other health care professionals.