**OFFICE OF POLICY AND MANAGEMENT**

**MEMORANDUM**

TO: State Agency Heads

 State Agency Chief Fiscal Officers

FROM: Robert S. Dakers, Executive Financial Officer

SUBJECT: Connecticut General Statutes [(C.G.S.) Section 4e-16](https://www.cga.ct.gov/current/pub/chap_062.htm#sec_4e-16) Requirement Related to a Cost Effectiveness Evaluation or Cost-Benefit Analysis of Privatization Contracts

DATE: January 18, 2018

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This memorandum serves as a reminder that Subsection (p) of [C.G.S. § 4e-16](https://www.cga.ct.gov/current/pub/chap_062.htm#sec_4e-16) requires that State agencies, as indicated in the attached September 29, 2014 memo from Secretary Barnes, conduct a cost-effectiveness evaluation (CEE) prior to entering into or renewing a privatization contract. As noted in Secretary Barnes’ memorandum, a privatization contract is defined as an agreement with a person or entity to provide services substantially similar to and in lieu of services provided in whole or part, by State employees, with exemptions provided for certain contracts with nonprofit agencies. This requirement became effective October 1, 2014.

CEE’s should be conducted in accordance with the policies, procedures and template on OPM’s website located at <http://www.ct.gov/opm/cwp/view.asp?a=2978&q=553890>.

If a State agency is seeking to procure a service through a statewide master privatization contract, such agency shall undertake an evaluation required by Subsection (p) prior to issuing a purchase order against such privatization contract. This includes the Vendor Management Services, [contract 14PSX0338](http://www.biznet.ct.gov/SCP_Search/ContractDetail.aspx?ID=18760) used by State agencies to procure individual information technology resources.

State contracting agencies may have a number of contracts that are substantially similar to one another. In such cases, the cost evaluation required by Subsection (p) may, as appropriate, be done on such contracts as a group or with respect to one or more representative contracts. Such an approach, however, may only be taken to the extent that it provides a reasonable method of comparing if privatization contracts are the most cost effective method of delivering the service. In addition, such cost evaluations must have been completed no more than 12 months prior to the proposed start date of the new or renewed contract.

Finally, as stated in Secretary Barnes’ memorandum, prior to contracting for a service not currently privatized by State government, a State agency may be required to perform a Cost-Benefit Analysis (CBA) in accordance with Sub-section (b) of C.G.S. § 4e-16. Information in this regard can also be found on OPM’s website at <http://www.ct.gov/opm/cwp/view.asp?a=2978&q=566490>.

If you or your staff have any questions or need any clarification regarding the requirements related to the need for and processes related to either a CEE or CBA for a new or renewed privatization contract, please contact:

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 Thank you for you cooperation with the continuing efforts to ensure that State services are provided in the most effective and efficient manner possible.

Cc: Benjamin Barnes, Secretary of OPM

Susan Weisselberg, Deputy Secretary, OPM

 Gareth Bye, Legal Affairs, OPM

 Paul Potamianos, Executive Budget Officer, OPM

 Valerie Clark, Office of Finance, OPM

 Alison Fisher, Office of Finance, OPM