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## New York City Council Passes Outsourcing Accountability Act

October 20, 2011 by Steve Semerdjian

With overwhelming support, the New York City Council recently passed a bill to increase scrutiny of the City's outsourcing practices. The Outsourcing Accountability Act amends existing law, Local Law 35 of 1994, and requires the City to perform a detailed cost-benefit analysis to document that any prospective outsourcing contract actually saves the city money. The proposed legislation would also require city agencies to look ahead one year and publicly disclose plans for soliciting outside contractors and vendors. The bill now goes to the Mayor's desk for his signature or veto.

The bill was reportedly prompted, at least in part, by the recent "CityTime scandal." CityTime, an outsourced re-design of the city's payroll system, was estimated to cost \$70 million, but reportedly cost ten times more and became what federal prosecutors alleged was a large-scale fraud that resulted in the indictments of several contractors.

Local Law 35 currently requires New York City's agencies to determine whether an outsourcing contract would displace city employees and, if it would, to conduct a cost-benefit analysis to determine if outsourcing the services at issue would make the most sense. According to a [statement](#) released by the City Council, agencies have interpreted the law narrowly over the past ten years and have never made a determination of displacement or conducted any cost-benefit analyses.

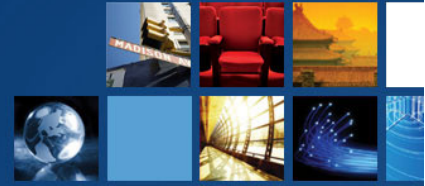
Under the Outsourcing Accountability Act, Local Law 35 would be amended to better define the types of contracts covered, and would apply to all new, renewed and extended successor contracts for standard and professional services. The City must provide public notice of the intent of agencies to issue requests for proposals, invitations for bids or other solicitations, as well as the intent to renew or extend existing contracts through annual contracting plans. Agencies also will be required to publish a services contracting plan at the beginning of each fiscal year, detailing planned service contracts.

Agencies must also conduct a retrospective review of their employment actions for the three years prior to the proposed contract to identify key indicators, including attrition, layoffs and announcements of anticipated employment actions related to employees who perform the services covered by the proposed contract. If the agency identifies any of these factors, it must presume displacement and conduct a cost-benefit analysis, weighing the efficiencies of outsourcing the services against performing the work in-house. Agencies must also provide the details underlying their displacement analyses, including capacity within the agency to perform the services covered in the proposed contract, and must certify that none of the indicators of displacement occurred in the three-year period preceding the proposed contract.



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New York City Mayor Michael Bloomberg must now sign or veto the bill. He may also choose not to act on the bill, in which case the bill is considered approved after 30 days. If he vetoes the bill, the Mayor must return it to the council at the next scheduled council meeting, and City Council has 30 days to override the mayoral veto by a two-thirds majority.

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