

# Point of View

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## Competing Improves Government

By Geoffrey F. Segal

Governors of both parties around the country have embraced the power of competition to find savings, improve services, and balance budgets. It's a trend that has caught fire in the last few years. The post 9-11 economic slowdown that cut into state revenues opened the doors to more competition. Result: Governors and legislators either expanded current competitive initiatives or created new ones.

As government reform experts David Osborne and Peter Hutchinson noted in their recent book, *The Price of Government*, "the fastest way to save money and increase value is to force public institutions to compete."

Two things are certain—business as usual is no longer acceptable, and competition is here to stay. A recent survey by the Council of State Governments confirms this. Half of the respondents noted that the use of public-private competition was likely to increase over next few years, and the other half said that it would remain the same.

Given the significant human capital challenges that face governments at every level, competition and contracting out is more valuable than ever. In fact, in many cases it gives managers the flexibility the need to deal with burgeoning needs. For instance, a recent study by the National Association of State Personnel Executives found that some states' governments could

lose more than 30 percent of their workforce by 2006 because of baby-boomers' retirements and other factors.

Outsourcing more positions will help agencies tackle this problem by providing them with maximum flexibility in getting the job done effectively and efficiently. In turn, agencies will become more focused on their core missions while using the best performing mix of in-house assets and contractors.

Essentially, the agency is free to focus more service planning rather than actually participating in service delivery. Furthermore, the agencies will gain valuable access to expertise and a tremendous amount of flexibility in performing their missions. Thinking strategically about how an agency sources its assets allows it to have the right people, in the right place, at the right time.

In addition, the promise of cost savings coupled with the difficulty of balancing budgets remains a strong motivation for competition or contracting-out. Given the political difficulties inherent with tax increases, competition remains a more attractive option for parties on both sides of the aisle.

Indeed, even legislatures historically dominated by Democrats are getting into the game. Two of the most union-friendly states—Hawaii and Washington—have recently passed new legislation opening up

their state's workforce to competition. In 2001, Hawaii passed Act 90, which specifically allows the state and its counties to contract with private entities who can provide better quality services at lower cost than government agencies. Washington passed a similar measure in 2002.

Florida has a lot of experience that extends beyond party lines over the last three administrations. Gov. Jeb Bush has been an ardent believer and supporter of competition. He has been an innovator and willing to take risks along the way. Not every initiative has gone perfectly. Recently, some high profile projects have been criticized justifiably for poor performance. However, partisan critics have gone further, unfairly putting a black mark on all initiatives in Florida.

Unfortunately, the excellent results of most public-private competitions go unnoticed and unreported—because they work. This is true in Florida, as well as the rest of the country.

For example, Florida's vast highway system is largely the result of public-private competitions. In an overwhelming majority of cases, contractors were selected to plan, design, construct, and maintain Florida's highways. More than \$84 million has been saved throughout the life of these kinds of contracts on highway maintenance alone.

Despite the bumps, Governor Bush has remained ahead of the curve and remains an example of effective leadership in this arena. Recognizing the pitfalls, he set out to create a stronger more robust competition process. That led to the creation of the Center for Efficient Government, the most transparent, results-oriented, and accountable public-private competition process in all the land.

The Center devised the GATE Management process to review a

competition at critical stages throughout the initiative. The review is conducted independently of the project team and will only move ahead if the project can demonstrate benefits and/or savings.

While the recent focus has been on the process of competition, we must not lose sight of its importance and value. There will always be opportunities to make the states' contracting process better. Political philosophy should not blind us to management realities and experience. Taxpayers in every state want their tax dollars spent in the most effective and efficient manner possible. If there is one thing to learn, it's that competition works. Governments at every level have embraced this and will continue to do so.

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