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Privatization of State Services

Volume I:
Privatization: A Process Review
and Status Report

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by

Karen L. Hruby, Legislative Analyst

Research Assistance provided by
Roy W. Lenardson and Carrie C. McFadden

Office of Policy and Legal Analysis
Room 101, State House Station 13
Augusta, Maine 04333
(207) 287-1670

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PREFACE

In April of 1992, the Legislative Council of the 115th Maine Legislature authorized the Office of Policy and Legal Analysis to conduct research and issue a report on privatization. Generally, privatization entails transferring to private companies the production of services previously performed by government.

This staff study is presented in two volumes. **Volume I** reports on privatization in several service areas. **Volume II** focuses on privatization of correctional facilities. While **Volume I** discusses the general literature on privatization, the primary research tool employed for this portion of the study was a survey of privatization practices in twelve states. The survey was designed and distributed, and its results compiled and analyzed, by the Office of Policy and Legal Analysis.

The primary research tool employed for the portion of the study presented in **Volume II** was an extensive search of the literature on privatization of corrections. The results of that review are detailed in Volume II. Both **Volume I** and **Volume II** of this study describe frameworks for making privatization decisions.

PRIVATIZATION: VOLUME I

EXECUTIVE SUMMARY

In Maine the push to privatize state services reached a watershed during the second session of the 115th Legislature. The idea appeared among the recommendations of the Special Commission on Governmental Restructuring, was a major part of the initial budget presented by the Governor and generated intense debate over policy issues among legislators. In April, 1992 the Legislative Council approved a staff study on the issue of privatization. This study focused on general privatization initiatives.

The literature review revealed that there is no universally applied definition for privatization. There was general agreement that privatization was a management tool that, when utilized, requires government to make a series of decisions. Those decisions are:

- A. Policy decisions to determine which goods and services may be considered for privatization;
- B. Cost/benefit decisions to determine which sector -- public, private or not-for-profit -- would produce those goods or services most efficiently and effectively, and by what means; and
- C. Outcome evaluation decisions to determine if the privatization decisions made for specific goods and services are meeting their intended goals.

There was also agreement that often there is insufficient information available to make good decisions in each of these areas.

In the event that the Legislature decides to utilize privatization as an approach to providing goods and services, one possible approach for making privatization decisions is proposed. Successful implementation will require that the Legislative and Executive branches cooperate in its development and application. The proposed process recognizes the Legislature's policy and oversight roles as well as the Executive branch's responsibilities to implement programs and monitor performance.

The results of the survey of twelve states conducted as part of this study indicate that most identified state services are not yet subject to privatization. Of those services that were identified as privatized, contracting out ancillary (support) services was the most frequently reported method of privatization, and contracting out the management of a

government service was the least likely to be reported. The high survey response rate (81%) and number of written requests for the survey data indicate a high level of interest in the subject among the states surveyed.

The privatization of goods and services currently provided by governments will remain a hotly debated issue throughout the 1990s. For those whose interest is to ensure that citizens are provided with the best goods and services at a reasonable comprehensive cost, privatization is one option to consider. This report provides a possible framework and context for decision-making by those considering that option.

PART I

CHAPTER I

Introduction

Historically the provision of some types of goods and services has shifted between governments and private markets. The federal government's first principal depository and fiscal agency, the Bank of the United States, was privately owned.¹ During the nineteenth century private fire companies existed to subdue fires only for their subscribers, who paid a fee for that protection², and the Homestead Act promoted the settlement of the United States by giving government-owned land to people who agreed to cultivate it.³ Today the Federal Reserve Bank is a governmental entity; community fire departments, whether they consist of volunteer or paid fire fighters, respond to all fires within their jurisdictions; and the federal government plays less of a role as a land developer.

Recently, the pendulum has swung toward the use of private enterprise to provide goods and services. Since 1955 federal agencies have been encouraged by the Office of Management and Budget (OMB) to use products and services obtained from private suppliers.⁴ During the 1980s the impetus for down-sizing government grew, spawning an increase in the use of contracting; the propagation of less familiar forms of private market initiatives such as vouchers and public-private partnerships; and the establishment of several Presidential commissions.⁵ Local governments have embraced privatization techniques to a larger extent than state governments. In surveys conducted during the late 1980s, Touche Ross found that nearly 80% of responding local governments and 52% of responding state governments expected that their use of private providers in the 1990s would be prominent or very prominent.⁶

In Maine the push to privatize state services reached a watershed during the second session of the 115th Legislature. The idea to privatize appeared among the recommendations of the Special Commission on Governmental Restructuring, was a major part of the initial budget

¹Miller, John R. Tufts, C.R., "A Means to Achieve 'More with Less,'" Privatization: The Provision of Public Services by the Private Sector, ed. R. L. Kemp., p. 99.

²Savas, E.S., Privatization: The Key to Better Government, p. 42.

³Miller, John R. and Tufts, C.R., op. cit., p. 99.

⁴as outlined in Circulars A-76 and A-120.

⁵The Task Force on Private Sector Initiatives (1981), the Privatization Task Force of the Private Sector Survey on Cost Control (Grace Commission, 1984), and the President's Commission on Privatization (1987).

⁶State Government Privatization in America, Touche Ross, 1989, p. 4.

presented by the Governor and generated intense debate over policy issues among legislators. In April, 1992 the Legislative Council approved a staff study on the issue of privatization. This portion of that study focuses on privatization initiatives generally.

In Part I, chapter II reviews the findings in the current literature on privatization, while chapter III presents a proposed decision making process based on those findings. Survey results are presented and discussed in chapter IV, and a Part I summary is provided in Chapter V. Part II of this report contains appendices.

CHAPTER II

Defining Privatization

Although not a new concept, "privatization" is a relatively new term. First penned as "reprivatization" by Peter Drucker in his 1969 book The Age of Discontinuity, it was subsequently shortened to its present form.⁷ Alternate definitions of privatization include:

- "the act of reducing the role of government, or increasing the role of the private sector, in an activity or in the ownership of assets."⁸
- "the practice of delegating public duties to private organizations."⁹
- "the provision of public sector services through the private sector."¹⁰

Some authors use privatization interchangeably with "contracting-out." Others lament the breadth and imprecision of the term, noting that the result frequently is confusion about the types of change it implies and knee-jerk reactions toward its implementation.¹¹

The elastic definition of the term "privatization" stems initially from a need to cover both sides of a philosophical schism. On one side, the purpose of privatization is to **reduce the role and the size of government** by

⁷Savas, *op. cit.*, p. 12.

⁸Savas, *op. cit.*, p. 3.

⁹Donahue, John D., The Privatization Decision: Public Ends, Private Means, p.3.

¹⁰Privatization in Colorado State Government, Auditor's Report, March 1989, p. 1

¹¹Savas, pp. 3-4

Donahue, pp. 5-6

Kolderie "Two Different Concepts of Privatization," Privatization: The Provision of Public Services by the Private Sector, ed. R.L. Kemp, p. 250.

transferring assets, responsibilities and services from government to the free market. Examples of this type of privatization are more commonly found in countries that are moving away from experiments with socialist economies, such as the former republics of the Soviet Union. Around the world countries are selling off national telephone companies, airlines, manufacturing industries, and television systems. Fewer examples exist in the United States, but among them are the 1987 sale of Conrail, the federal freight railway system, and the decision of Buffalo, New York, to transfer responsibility for the city's zoo to a non-profit foundation. This process is sometimes referred to as "load shedding"¹² and in the United States it has been pursued more vigorously at the local level of government than at the state or federal level.¹³

On the other side -- the one more frequently employed in the United States -- the purpose of privatization is to **redefine the role of government** in providing and financing collective assets, responsibilities and services, **and to reduce the size of government** through the use of non-governmental production and delivery systems. Examples would include cities who contract with private companies for garbage removal, low-income housing constructed by private builders with government financing, and Medicare.

Recurring Themes

Despite its Gordian knot quality and the lack of a uniform definition, there are some areas of agreement about privatization. The following themes are woven throughout publications analyzing privatization.

1. Privatization is a tool, not a panacea.

The use of privatization by all levels of government is likely to increase; however, it should be viewed as **one management tool among many**, not as a panacea for fiscal difficulties. Although contracting-out is currently the primary means of implementing privatization, **many alternate methods exist**. **Because each situation is unique** and changes over time, the decision to privatize any service is relatively independent and should be reevaluated periodically. Donahue warns "To ask whether bureaucrats or private contractors perform better *in general* is as meaningless as asking whether, *in general*, an ax or a shovel is the better tool. It depends on the job. But it also depends, of course, on the *quality* of each alternative."¹⁴

¹²Alternately referred to as "service shedding" or "asset shedding" in the literature.

¹³Fixler, Philip E., Jr. Service Shedding - A New Option," Privatization: The Provision of Public Services by the Private Sector, ed. R.L. Kemp, p. 52.

¹⁴Donahue, The Privatization Decision, page 84.

2. Privatization requires three types of decisions.

The initial decision to privatize requires a two-step evaluation. The first step is a **policy decision**: Does the provision of this good or service belong more legitimately to government, private markets, not-for-profit organizations, or some mix of the three?

The second step is a **cost/benefit decision**: Who can provide most efficiently and effectively those goods or services identified as not essential government functions, and by what means. Cost/benefit evaluations must consider all costs:

- traditional costs, including fringe benefits, monitoring costs, administrative overhead and capital investment; and
- societal costs: ensuring economic and geographic access, equal employment opportunity, and social cohesion.

The desired benefits of goods and services traditionally provided by governments are often difficult to quantify, but program outcomes must be measured by some means to validate the decision's effectiveness and to ensure competition.¹⁵ Analysts agree that competition among service providers is the critical element necessary to secure the rewards of privatization. A monopoly, whether it consists of public, private or non-profit service providers, will stifle innovation, reduce responsiveness and diminish cost effectiveness. The need for **outcome decisions**¹⁶, therefore, emerges as a third necessary step in the privatization process.

3. Deficits in privatization analysis

For most goods and services traditionally provided by government, there is a **lack of adequate, appropriate information** about real costs, benefits and outcomes. These data deficiencies lead, at best, to inadequate analyses of privatization alternatives. Most of the privatization studies that were reviewed focused on the privatization methods available or some aspect of cost/benefit analysis. **Little progress is recorded in the development of criteria for making policy determinations about which goods and services to privatize and how to evaluate outcomes.**

¹⁵For an instructive discussion of the need to measure policy outcomes as well as program outcomes, refer to Reinventing Government, Appendix B, pages 352-355 by David Osborne and Ted Gaebler.

¹⁶For the purposes of this paper outcome evaluation is broadly defined to include both specific results (what was accomplished) and process (how was it accomplished).

Arguments For and Against Privatization

As might be expected the concept of privatization has its opponents and proponents. Some see privatization as the nub of the philosophical battle between big government and minimal government; others describe it as a competition between private firms (usually non-unionized) and public employees (usually unionized) for market share in a shrinking job market.

To review arguments for and against privatization¹⁷ is to examine both sides of the same coin. The arguments tend to solidify around eight issues: costs, quality, staffing flexibility, government control, adaptability, operational environment, productivity, and economic effects. Reasonable arguments exist on each side of these issues. They are summarized in Table 1.

There is compelling evidence that privatization decisions are situation specific and would benefit from a decision framework designed to identify the specific advantages and disadvantages relevant to the issue at hand. In most cases privatization decisions are not black and white issues, despite attempts to make them so.

¹⁷Brown, Susan "A Cautionary Note", Privatization: The Provision of Public Services by the Private Sector, ed. R.L. Kemp, pp. 267-271.

Kuttner, Robert, "Private Market Can't Always Solve Public Problems" Privatization: The Provision of Public Services by the Private Sector, ed. R.L. Kemp, pp 311-313.

"An Evaluation of Privatization of Government Services, Wisconsin Legislative Audit Bureau," 1990.

"Privatization: An Alternative Approach to Public Policy Implementation," South Carolina State Reorganization Commission, 1991, pp. 7-11.

Savas, *op. cit.*, pp. 277-287.

Chi, Keon S. "Privatization and Contracting for State Services: A Guide," pp. 245-246.

Doyle, Paul. "Privatization of Government Services: Questions and Answers for State Legislatures," pp. 4-8.

**TABLE 1: SUMMARY OF ARGUMENTS FOR AND AGAINST PRIVATIZATION AS
FOUND IN CURRENT LITERATURE**

	PROS	CONS
COSTS	<p>1. Cost savings through increased efficiency and cost containment</p> <p>Shifts start-up and capital costs to private firms</p> <p>Increases opportunities for achieving economies of scale and risk sharing</p>	<p>1. Initial cost savings result from "low-balling."</p> <p>Administrative costs often not considered</p> <p>Will result in cost increases because private market is more successful at getting government to fund programs than the public sector</p>
QUALITY	<p>2. Improves the quality of goods and services by providing alternatives</p>	<p>2. Results in lower quality due to cost-cutting by private firms and reduced commitment to public service</p>
STAFFING FLEXIBILITY	<p>3. Provides staffing flexibility for short-term or variable workload projects and when specific skills are needed</p>	<p>3. Reduces hiring to promote equal opportunity</p> <p>Promotes loss of historical context among staff</p>
GOVERNMENT CONTROL	<p>4. Avoids bureaucratic red tape</p> <p>Appeases public mood toward down-sizing government</p>	<p>4. Decreases governments' ability to monitor and evaluate services.</p> <p>Possibility for corruption is increased</p>
ADAPTABILITY	<p>5. Private companies can innovate and respond more quickly to change</p>	<p>5. Less continuity of service when vendors change or go out of business</p>
OPERATIONAL ENVIRONMENT	<p>6. Increases competition</p>	<p>6. Lessens commitment to equitable service for all; creaming leaves some groups underserved</p>
PRODUCTIVITY	<p>7. Increases productivity</p>	<p>7. Greater chance for service interruption</p>
ECONOMIC EFFECTS	<p>8. Promotes private sector growth, increasing tax base</p>	<p>8. Provides lower paying private sector jobs at the expense of unionized government jobs, decreasing tax base</p>

CHAPTER III

Proposed Decision Making Process

This chapter presents one possible approach to making privatization decisions, in the event that the Legislature, after weighing the arguments for and against privatization, decides to proceed with that approach to providing goods and services. The process proposed here is based primarily on the the theoretical work of Savas, Donahue, Osbourne and Gaebler, and Kolderie, and the evaluations of state privatization efforts conducted by Colorado, Minnesota and Wisconsin. It addresses the shortcomings of privatization cited in the literature, and incorporates the three critical decision points. The process is designed to serve as a blueprint for privatization decisions, but certainly is not the only way to implement the concept.

The successful implementation of this process will require that the Legislative and Executive branches cooperate in its development and application. The proposed process provides a method for the Legislature to maintain its role in the development of state policy by giving legislators the responsibility for establishing criteria for each of the three decision points. It provides the Executive branch with a clear and rational process to follow when implementing the Legislature's initiatives. Finally, the process ensures Legislative oversight through the formal review of outcome evaluations and a provision for modifying criteria when necessary.

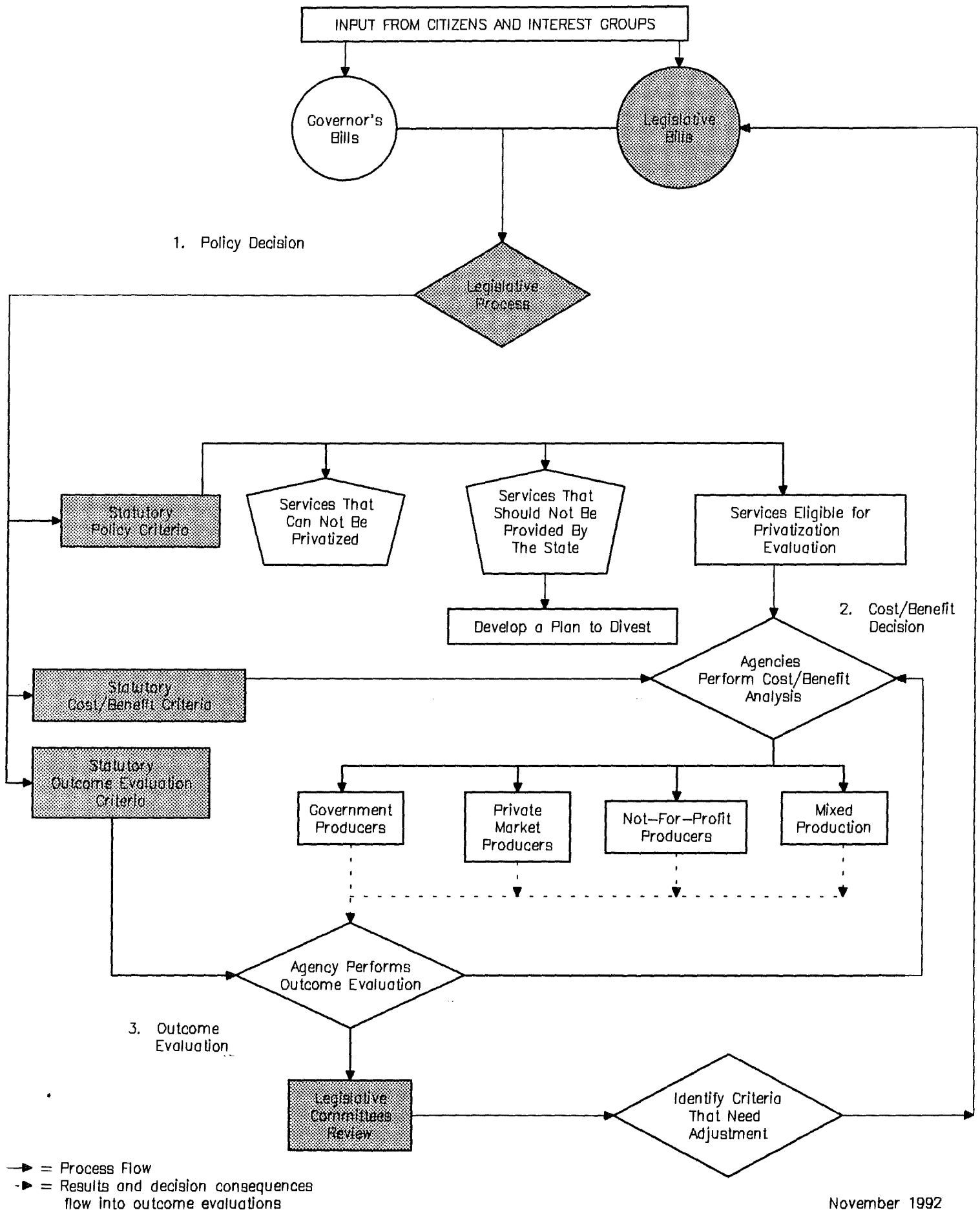
Proposed Process

A flowchart depicting the proposed privatization decision making process is located on the following page. The parts of the process that are Legislative functions are shaded; those functions that are the primary responsibility of the Executive branch are white. Decision points are located where the text is found inside a diamond shape (<>).

The process begins with Legislative initiatives in the form of bill requests. These requests are influenced by citizens and interest groups. Bills proposing to establish criteria in the three decisions areas -- policy, cost/benefit and outcome evaluation -- must navigate the usual legislative process. They will be assigned to the appropriate joint standing committee, be discussed and debated, and sent forward to the full Legislature. After achieving Legislative enactment and the Governor's signature, the criteria will become a part of Maine's statutes.

Designated departments and agencies within the Executive branch will use the legislation to categorize the goods and services they currently provide into one of three categories:

1. Goods and services that should not be privatized,



2. Goods and services that should not be provided by government, and
3. Goods and services that would, in whole or in part, be eligible for evaluation for privatization.

The goods and services in the third category would then be evaluated, using the statutorily established cost/benefit criteria, to determine the most efficient and effective method of production: government, private markets, not-for-profit organization or some combination of the three.

The decisions about the best methods for producing goods and services would be evaluated on a routine basis, using the statutorily established outcome evaluation criteria. The results of the evaluations would help state agencies fine tune their decision making. They would also be the subject of reports to the Legislature, which would use the results to amend, repeal or make additions to the statutory criteria.

The flowchart gives no indication of time, but it is reasonable to expect that the use of the criteria would be initially piloted in several agencies, modified as necessary, and then phased in universally over a number of years. Outcome evaluations would be scheduled at intervals of several years. The process is never "done" because it acknowledges that changing conditions require flexibility, and that without accountability, many of the benefits attributed to privatization would be lost.

Criteria for decision making

As previously discussed, the current literature indicates that three major decision points exist in the privatization process. Initially there is the **policy decision** of who should legitimately provide the service: the government, the private market, non-profits or some combination of the three. This is followed by a second decision point, a **comprehensive cost/benefit analysis**, to determine the most effective producer of services determined to be eligible for privatization. The third decision point, **outcome evaluation**, occurs during implementation to decide if specified privatization goals have been met.

Each decision point is briefly described below. It is accompanied by a non-inclusive list of relevant issues that require consideration when developing the criteria to be applied at that decision point.

Policy decisions. Policy decisions determine if the provision of a good or service (or any part thereof) belongs more legitimately to the private sector, the public sector or not-for-profit sector. Most policy decisions will not be clear cut. They should be based in part on supply and demand, in part on the values and philosophy of the citizenry and in part on the common need to regulate scarce resources. Few, if any privatization

decisions are permanent; however, of the three types of decisions, policy decisions are likely to change most slowly.

Both the Legislative and the Executive branches can initiate bills proposing broad statutory parameters for these policy determinations. Through the committee process legislators, executive agencies and interested parties would work to develop statutory language whose purpose would be to establish:

1. Those goods and services that are essential functions of government and must not be considered for privatization;¹⁸
2. Those goods and services that should not be provided by the state;
3. The criteria that must be applied when making cost/benefit and outcome evaluation decisions for those goods and services that do not clearly fall into #1 or #2 above; and
4. A specific process that, when applied, authorizes Executive branch agencies to evaluate specific functions for privatization in accordance with the 3 steps above.

Among the criteria that lawmakers could consider when making their policy decisions are:

Accountability for Results - Who will be held ultimately accountable for the results? Are there liability considerations that will remain with the state no matter who produces the service?

Economic Access - Is it important that the good or service be available to people of all income levels? If so, can access be ensured?

Equity in Employment - In the production of the good or service, is it important to ensure equity in employment, regardless of race, ethnicity or gender? Is affirmative action through employment a goal?

Essentialness - Is the good or service essential to the role of government? Is it essential to the mission of the agency? Will giving control of the good or service to non-government personnel impede government's legitimate functions? Would the authority to make policy determinations about or the regulation of goods and services be transferred from the government to the private sector?

Geographic Access - Is it important that the good or service be equally available to people in all parts of the state? If so, can access be ensured?

Permanence of the Service - Is this a good or service for which there is a temporary, cyclical or sporadic need? A permanent need?

Separability - Can the provision or production of the good or service be separated easily from other functions of the state or the agency?

¹⁸The GAO recommends "that the use of contractors is inappropriate if government officials will lose effective control of government programs to contractors."

Cost/Benefit decisions. Once the Legislature has made the determination of which goods and services may not be produced outside of government, and which goods and services should not be provided by government, the remainder become eligible for privatization evaluation.

Cost/Benefit decisions estimate which sector (private, public or not-for-profit) would produce the good or service most efficiently and effectively, and by what means. Commentators suggest that conducting cost/benefit analyses is more appropriately conducted by the Executive branch, based on the statutory criteria established by the Legislature. It requires a comprehensive analysis of all projected costs and benefits but is, at best, an educated guess. To retain a competitive environment, actual costs and results must be reviewed at specific intervals as part of an outcome evaluation. Competition is the key to maintaining the incentive to reduce costs and innovate.

Criteria for cost/benefit decisions are more developed than criteria for the other key decision types. Among the criteria that lawmakers could include in their statutory requirements are:

Availability of Alternatives - Are there a sufficient number of bidders to ensure a competitive environment?

Cost Effectiveness - Who can provide the best service at the lowest price, without unacceptable sacrifices? What capital costs are involved? What administrative/monitoring costs are involved? What evaluation costs are involved? Are there other costs involved?

Current Labor Agreements - Are any goods or services exempt from privatization under present labor agreements?

Economies of Scale - Can economies of scale be attained through private production? Through government production?

Means or Ends - Is either the result or the process clearly more important?

Outcome Evaluation - How easily can expected or desired outcomes be specified? Measured? Can successful outcomes be rewarded? Can unsuccessful outcomes be penalized?

Permanence of the Service - Is this a good or service for which there is a temporary, cyclical or sporadic need? A permanent need?

Risk - Would privatizing the service increase, decrease or have no effect on the state's exposure to risk?

Outcome evaluations. Outcome evaluation decisions determine if the choices made with regard to the provision and production of specific goods and services are meeting their intended goals. Goals should be specified at both the legislative and departmental level prior to the implementation. Like cost/benefit decisions, outcome evaluations should occur at regular intervals. Programmatic goals and policy goals require evaluation.

Both the Legislative and the Executive branches have oversight responsibilities. Each agency is responsible for monitoring its own shop and adapting its activities as circumstances demand. Each joint standing committee reviews the effectiveness of specific departments and agencies, and in a broader sense the Legislature is responsible to see that global policy goals are attained.

The Legislature needs to establish criteria for the outcome evaluation of privatization initiatives. These criteria would be an integral part of any new program and applied prospectively to existing programs. Evaluation criteria can be elicited by asking the question "What is it that we want this agency (program) to accomplish?" They could include the following:

Citizen Satisfaction - How did citizens respond to the good or service? How many complaints and compliments were received? What kinds of complaints and compliments were made? How were complaints resolved?

Cost/Benefit analysis - The cost/benefit analysis that is part of an outcome evaluation compares actual costs with actual results. What was spent? What was accomplished?

Minimum performance standards - What minimum performance measures were set? Where they met or exceeded? Where they sufficient to accomplish the desired outcome? Do they need modification?

Specified results - Were specified targets met? Were they exceeded? What was the quality of the good or service produced?

Revisions. Statutory revisions to established criteria and requirements would be based on problems identified through the outcome evaluation process and, more gradually, by shifts in societal values and legislative intent.

CHAPTER IV

Survey Results

A survey was conducted as part of this study to determine:

- if in practice individual states were addressing the three key decisions;
- what criteria the states employed in making privatization decisions; and
- the extent to which privatization was used by individual states.

Time and resource constraints limited the number of states surveyed to twelve. All of the New England states were selected as well as six other states who were named most frequently in a literature search on privatization.¹⁹ A total of 270 questionnaires were mailed in early September, one to each major agency in the twelve states selected, with a follow-up to non-responders in mid October.

Two hundred twenty-nine responses were received, including two from agencies who declined to participate and nine that were received too late to include in the data analysis. The results highlighted in this chapter are based on 218 surveys, for a response rate of 81%. A complete accounting of responses for each question is shown in Appendix I.

An inventory of suggested criteria was developed from the privatization literature. That inventory formed the basis of two questions. The first question addressed those criteria needed for the two initial privatization decisions (policy and cost/benefit). The second addressed outcome evaluation criteria.²⁰ The results are shown in Tables 2 and 3 below.

Among the policy and cost/benefit criteria listed, agencies reported that the most frequently used were cost effectiveness (57, 78%), the availability of private alternatives (53, 73%) and accountability for results (50, 68%). The least likely criteria to be used were economic access (5, 7%), promotion of social cohesion (5, 7%) and enforcement of equity in employment (6, 8%). Sixteen agencies reported using criteria that were not included in the survey list. Legislative mandates (5, 7%) topped the "other" category. Complete lists of other volunteered criteria are reported in Appendix I.

¹⁹California, Florida, Minnesota, Oregon, Pennsylvania and South Carolina.

²⁰In the survey, the criteria for policy and cost/benefit decisions were combined in one question and listed in alphabetical order without differentiation. The outcome evaluation criteria were listed in a separate question and are shown as they appear in the survey.

**TABLE 2: CRITERIA USED BY STATE AGENCIES TO
DETERMINE WHICH SERVICES TO PRIVATIZE**

Criteria	Number Utilizing Criteria	Percent
Accountability for results	50	68%
Availability of private alternatives	53	73%
Cost effectiveness	57	78%
Current labor agreements	32	44%
Economic Access (availability to all incomes)	5	7%
Enforcement of equity in employment	6	8%
Essentialness of the service to the role of government	32	44%
Geographic access	26	36%
Legal liability	22	30%
Permanence of service	19	26%
Politics	13	18%
Promotion of social cohesion	5	7%
Purchasing regulations	32	44%
Separability of the specific service from the overall mission of the	16	22%
None	2	3%
Other, please specify (see list in text)	16	22%
N=73		

The reported use of evaluation criteria is shown in Table 3. More agencies (110, 50%) reported using evaluation criteria than reported using policy or cost/benefit decision criteria (73, 33%).²¹ Quality of the product or service (101, 92%) was by far the most frequently reported evaluation criteria used. It was followed by cost/benefit analysis (90, 82%) and outcomes (86, 78%). The evaluation criteria reportedly used the least were cost alone (8, 7%) and citizen satisfaction (39, 35%). Seven agencies reported using evaluation criteria not on the survey list. They are listed in Appendix I.

²¹Please refer to notes for questions 2 and 4 in Appendix I for an explanation of how N was calculated.

**TABLE 3: CRITERIA USED BY STATE
AGENCIES TO EVALUATE PRIVATIZATION**

Criteria	Number Utilizing Criteria	Percent
Cost Alone	8	7%
Cost/benefit analysis	90	82%
Quality of product or service	101	92%
Contracted goals and/or contracted minimum performance standards	77	70%
Citizen satisfaction	39	35%
State administrator's satisfaction	49	45%
Number of problems or complaints	45	41%
Outcomes (the results that the product or service produces)	86	78%
None	1	1%
Other, please specify (see list in text)	7	6%
N=110		

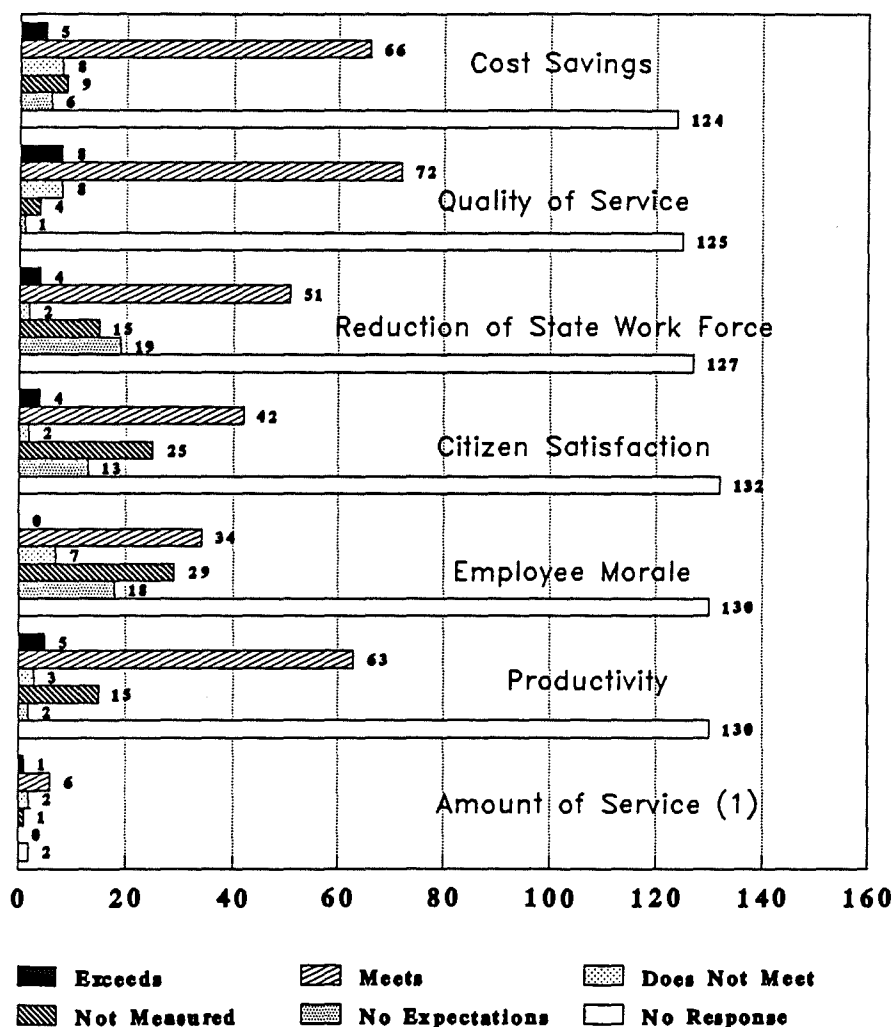
Other survey data

Respondents were also asked to rate *in general*, based on privatization evaluations conducted by their departments, how well privatization met expectations. The identified expectations included cost savings, quality, reduction of state work force, citizen satisfaction, employee morale, productivity and the amount of service available (this final category was shown only on the survey of agencies providing services to people with

mental health and mental retardation needs). Those ratings are reported below, with the caveat that they are based on evaluations of unknown type and quality. **Without further verification they should be viewed as anecdotal evidence.**

Of those agencies who responded to this series of questions (an average of 54, 25% of the total sample of 218), a substantial majority reported that privatization met or exceeded agency expectations in all areas. Quality of service, cost savings and productivity were the areas with the strongest positive response rate.

**CHART 1: AGENCIES EXPERIENCE
WITH PRIVATIZATION**



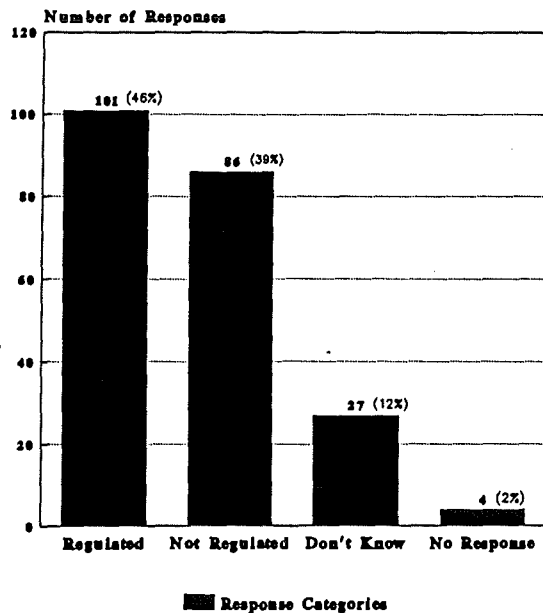
(1) Mental Health Questionnaire Only

Two other questions of general interest were also included in the survey:

- Were agencies subject to statutory regulations about privatization; and
- Had agencies had sold any assets during the past five years?

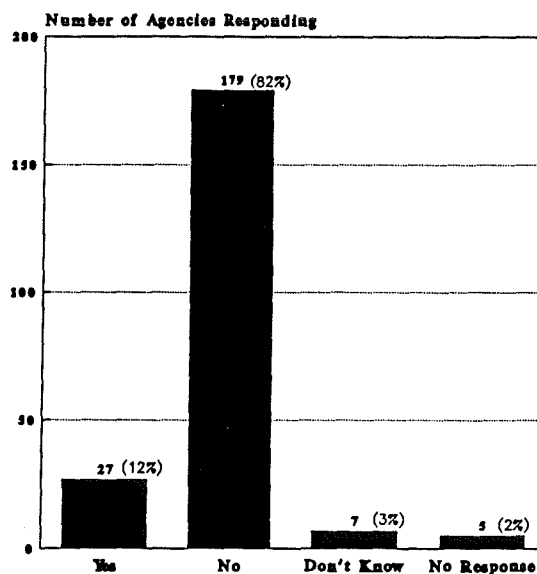
As Chart 2 shows, one hundred and one agencies (46%) responded that they were subject to state laws regulating the process of privatization. Twenty seven agencies (12%) reported that they had shed assets in excess of \$100,000 since 1988, as shown in Chart 3. The most frequently cited asset sold was surplus land, followed closely by buildings and equipment. The type of assets sold are reported in Chart 4.

CHART 2: NUMBER OF STATE AGENCIES REGULATED BY STATE LAWS GOVERNING PRIVATIZATION

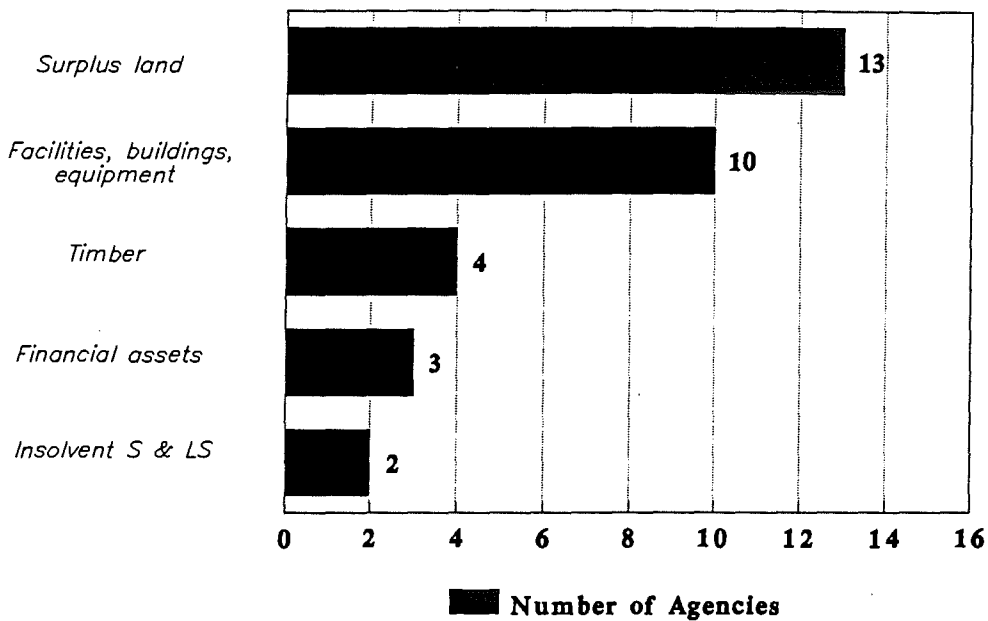


N=218

CHART 3: NUMBER OF STATE AGENCIES SELLING STATE ASSETS



N=218

CHART 4: DESCRIPTION OF ASSETS SOLD**Type of Asset Sold****Mental health and mental retardation**

State departments that provide services for people with mental illness and people with mental retardation had three additional questions in their surveys. The results for this small subset of departments (12 responding out of 17 surveyed, 71%) are reported below. The questions dealt with:

- the types of problems experienced during the privatization process;
- contracting requirements; and
- the relationship between the Request For Proposal (RFP) process and state employees.

Table 4 shows the reported incidence of significant problems during the privatization of mental health and mental retardation services. Resistance from labor was the agencies' most frequently cited problem (8, 67%). The next greatest source of resistance was found among Legislators (6, 50%), closely followed by patients families (5, 42%) and affected neighborhoods (5, 42%). Resistance from patients (1, 8%) and the general public (1, 8%) were the least likely to be reported.

TABLE 4:
SIGNIFICANT PROBLEMS ENCOUNTERED BY MENTAL HEALTH
AND MENTAL RETARDATION AGENCIES DURING
PRIVATIZATION EFFORTS

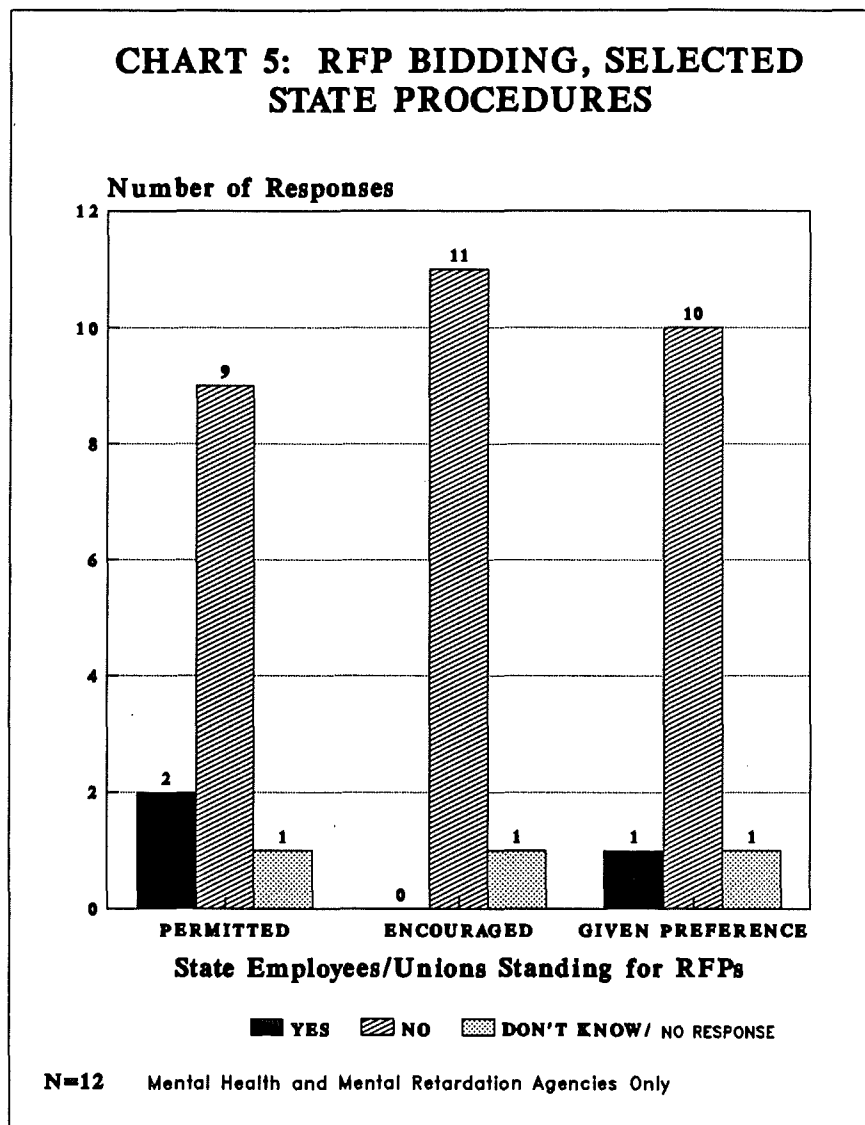
Problem Categories	Number	Percent
Licensing problems	2	17%
Loss of federal revenue	0	0%
Consent decree problems	0	0%
Resistance from:		
Patients	1	8%
Patients' families	5	42%
Press	2	17%
Public	1	8%
Labor	8	67%
Legislators	6	50%
Affected neighborhoods	5	42%
None of the Above	2	17%
N=12		

Table 5 shows the reported used of specific requirements when contracting for mental health and mental retardation services. State monitoring was required by all responding agencies; a substantial majority required minimum standards (10, 83%), performance outcomes (10, 83%) and established penalties for non-performance (9, 75%). The use of specific cost requirements was reported less frequently.

TABLE 5:
MENTAL HEALTH AND MENTAL RETARDATION AGENCIES REPORT
OF CURRENT CONTRACTING PROCESS

Contract Elements	Number	Percent
Contracts set minimum standards	10	83%
Contracts set performance requirements that include outcomes	10	83%
Contracts provide for state monitoring	12	100%
Contracts establish penalties for non-performance	9	75%
Contract bids are evaluated against state costs for providing the same service	6	50%
Contract bids must be lower than state costs by a minimum amount	2	17%
None of the above	0	0%
N=12		

Finally, agencies that provide mental health and mental retardation services were asked if any special considerations were given to state employees during the RFP process. Eleven of the twelve responding mental health and mental retardation agencies (11, 92%) answered this question. Of those eleven, only two agencies (2, 17%) permitted state employees or their unions to bid on privatization RFPs. No agency encouraged the practice and only one gave preference to state employees or their unions when they did bid. The complete results to these questions are shown in Chart 5.



Who privatizes and by what method

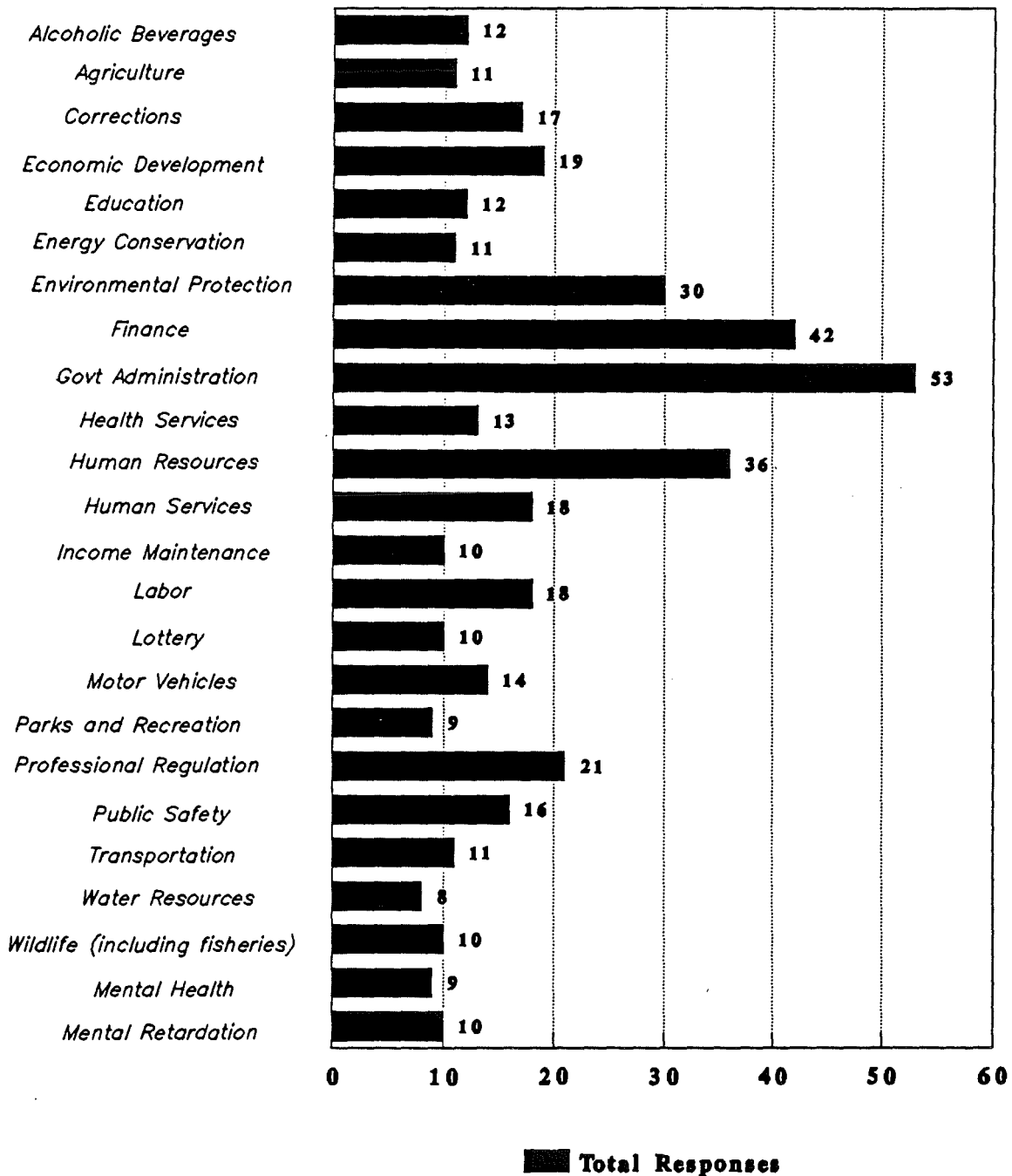
The survey presented each agency with a list of services that could be provided by the states and asked to indicate, *only for those services within*

their jurisdiction, whether or not the service was privatized and if privatized, by what method. Of the 218 surveys tabulated, 26 (12%) of the agencies either did not complete this section of the survey or completed it for all services. Those 26 surveys were eliminated from this part of the analysis. The remaining 192 surveys represent 71% of the total number of surveys sent out (270) and 88% of the completed surveys received in time for analysis (218).

Chart 6 shows the number of agencies responding to each major service category. Government administration (53, 28%), finance (42, 22%) and human resources (36, 19%) were the categories containing services that were most commonly reported. These results might be expected since each of these categories contains functions that are common to most government agencies. When categories became more specific, response rates declined, again. Eight agencies (4%) gave responses to services under the category of water resources.

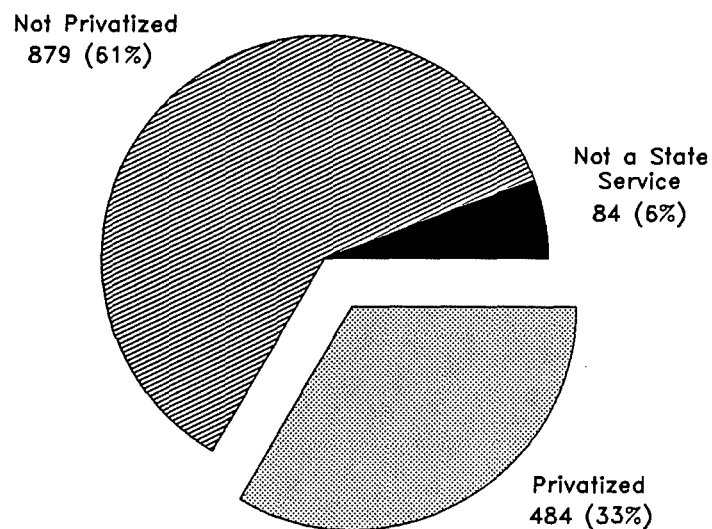
CHART 6:
NUMBER OF STATE AGENCIES RESPONDING BY SERVICE
CATEGORY PRIVATIZED

Major Categories



The 192 tabulated surveys reported on a total of 1,447 services. Of those services, as shown in Chart 7, 84 (6%) were classified as not state services (for their specific state), 879 (61%) were classified as state services that were not privatized, and 484 (33%) were classified as state services that were privatized either in whole or in part.

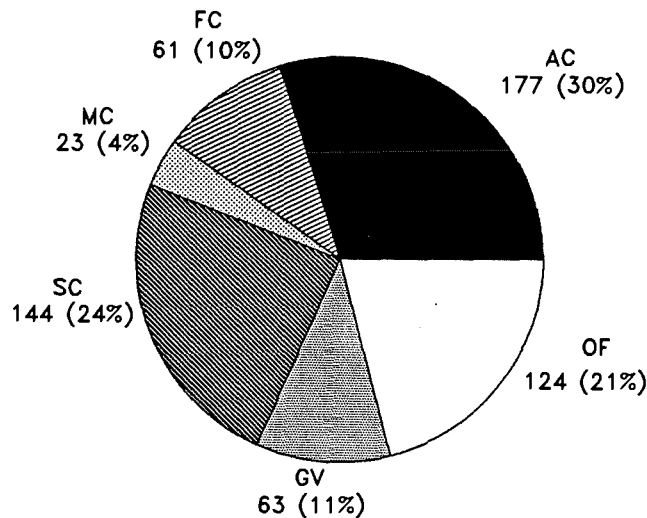
**CHART 7: DISTRIBUTION OF SERVICES
REPORTED BY CATEGORY OF PRIVATIZATION**



Total Number of Services Reported = 1,447

Any service could have more than one method of privatization, so the total reported number of privatization methods used (592) exceeds the total number of times services were reported as privatized (484).²² Of those services that were privatized, the method of privatization most frequently reported (177, 30%) was contracting out ancillary (support) services. The least likely method of privatization to be used was contracting out the management of a government service (23, 4%). Chart 8 illustrates the reported use of all methods of privatization.

**CHART 8: REPORTED USE OF
PRIVATIZATION BY METHOD**



AC = Ancillary (support) services are contracted out
 FC = facilities for the service are contracted out
 MC = service management is contracted out state
 SC = service provision is contracted out
 OF = some other form of privatization is used.
 GV = grants and vouchers

Total Number of Methods Reported = 592

²²A complete description showing percentage privatized and the frequencies for methods of privatization is presented in Appendix 1.

CHAPTER VI

Summary

There is no universally applied definition for privatization but some elements are agreed upon. A review of the current literature indicates that government's use of privatization as a management tool actually requires that three types of decisions be made:

1. Policy decisions to determine which goods and services may be considered for privatization;
2. Cost/benefit decisions to determine which sector -- public, private or not-for-profit -- would produce those goods or services most efficiently and effectively, and by what means; and
3. Outcome evaluation decisions to determine if the privatization decisions made for specific goods and services are meeting their intended goals.

The respective roles of the Legislative and Executive branches of government suggest that developing policy criteria is a shared responsibility. Applying those criteria to make cost/benefit decisions and to perform outcome evaluations seems primarily an Executive branch responsibility. Legislative oversight, through formal review of the outcome evaluations and modification of the criteria established for the three types of privatization decisions, provides the necessary check on Executive authority.

The survey results indicate that most identified state services are not yet subject to privatization. Of those services identified as privatized, contracting out ancillary (support) services was the most frequently reported method of privatization, and contracting out the management of a government service was the least likely to be reported. The high survey response rate (81%) and number of written requests for the survey data indicate a high level of interest in the subject among the states surveyed.

The privatization of goods and services currently provided by governments will remain a hotly debated issue throughout the 1990s. For those whose interest is to ensure that citizens are provided with the best goods and services at a reasonable comprehensive cost, privatization is one option to consider. For those considering the privatization option this report provides a possible framework and context for decision-making.

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APPENDIX I

PRIVATIZATION SURVEY RESULTS

1. Have criteria been established for your department to determine which services should be privatized?

Circle one: Yes 69 No 141 Don't Know 1 No Response 7

If you answered "No" or "Don't Know" proceed to question #3, otherwise continue with the next question.

Darken the corresponding box for each criteria that applies.

2. Which of the following criteria does your department use to determine which services to privatize?

Accountability for results	<u>50</u> (68%)
Availability of private alternatives	<u>53</u> (73%)
Cost effectiveness	<u>57</u> (78%)
Current labor agreements	<u>32</u> (44%)
Economic Access (availability to all incomes)	<u>5</u> (7%)
Enforcement of equity in employment	<u>6</u> (8%)
Essentialness of the service to the role of government	<u>32</u> (44%)
Geographic access	<u>26</u> (36%)
Legal liability	<u>22</u> (30%)
Permanence of the service	<u>19</u> (26%)
Politics	<u>13</u> (18%)
Promotion of social cohesion	<u>5</u> (7%)
Purchasing regulations	<u>32</u> (44%)
Separability of the specific service from the overall mission of the agency.	<u>16</u> (22%)
None	<u>2</u> (3%)
Other, please specify	<u>16</u> (22%)

(see list on page A-2)

3. Are the results of privatization evaluated in your department?

Circle one: Yes 105 No 108 Don't Know 4 No Response 1

If you answered "No" or "Don't Know" proceed to question #6, otherwise continue with the next question.

Darken the corresponding box for each criteria that applies.

4. Which of the following criteria does your Department use to evaluate privatization?

Cost Alone	<u>8</u> (7%)
Cost/benefit analysis	<u>90</u> (82%)
Quality of product or service	<u>101</u> (92%)
Contracted goals and/or contracted minimum performance standards	<u>77</u> (70%)
Citizen satisfaction	<u>39</u> (35%)
State administrator's satisfaction	<u>49</u> (44%)
Number of problems or complaints	<u>45</u> (41%)
Outcomes (the results that the product or service produces)	<u>86</u> (78%)
None	<u>1</u> (1%)
Other, please specify	<u>7</u> (6%)

(see list on page A-2)

Note: N=73

4 surveys answered "No" or "Don't Know" to question 1 but completed question 2. Those responses were included in these totals.

Note: N=110

5 surveys answered "No" or "Don't Know" to question 3, but completed question 4. Those responses were included in these totals.

5. Based on the evaluations conducted by your department, please rate your department's general experience with privatization. Check one of these five ratings for each category listed below:

1. Exceeds expectations
2. Meets expectations
3. Does not meet expectations

4. Not measured
5. No expectations in this category

	No Response	Exceeds	Meets	Does not meet	Not Measured	No Expectations
Cost savings	<u>124</u>	<u>5</u>	<u>66</u>	<u>8</u>	<u>2</u>	<u>6</u>
Quality of service	<u>125</u>	<u>8</u>	<u>72</u>	<u>8</u>	<u>4</u>	<u>1</u>
Reduction of state work force	<u>127</u>	<u>4</u>	<u>51</u>	<u>2</u>	<u>15</u>	<u>19</u>
Citizen satisfaction	<u>132</u>	<u>4</u>	<u>42</u>	<u>2</u>	<u>25</u>	<u>13</u>
Employee morale	<u>130</u>	<u>0</u>	<u>34</u>	<u>7</u>	<u>29</u>	<u>18</u>
Productivity	<u>130</u>	<u>5</u>	<u>63</u>	<u>3</u>	<u>15</u>	<u>2</u>
Amount of Service Available (1) <u>2</u>		<u>1</u>	<u>6</u>	<u>2</u>	<u>1</u>	<u>0</u>

6. Is your department subject to any state laws regulating the process of privatization?

Circle one: Yes 101 No 86 Don't Know 27 No Response 4

7. Has your department sold any assets in excess of \$100,000 in the past five years?
(Buildings, land, facilities, turnpikes, etc.)

Circle one: Yes 27 No 179 Don't Know 7 No Response 5

8. The left-hand side of the grids shown on the next pages contains a list of services, grouped alphabetically by category. For each service offered by your department, decide if the

Q2: Other Criteria: (2)

- 5 - legislation/legislative mandates
3 - availability of skill/capacity within state agency/government
2 - administrative costs
2 - maintain independence
1 - public's best interest
1 - impact on employees
1 - on-line lottery systems

Q4: Other Evaluations:

- 2 - state law/licensing
1 - averaging private dollars
1 - accomplishing annual legislative workplan
1 - availability/cost effectiveness of using state employees
1 - environmental health surveys

Q7: Asset Description: (2)

- 13 - surplus land
10 - facilities, buildings, equipment
4 - timber
3 - financial assets
2 - insolvent S & LS

- (1) Mental Health Questionnaire Only
(2) Some Agencies Gave Multiples Responses

8. The left-hand side of the grids shown on the next pages contains a list of services, grouped alphabetically by category. For each service offered by your department, decide if the service is :

- not a service provided by your department;
- a service provided by your state but not privatized in any way; or
- a service provided by your state that is, in any part, privatized.

Please respond only to those service categories under the jurisdiction of your department, leave other categories blank.

If the service is a privatized state service please mark all of the types of privatization that apply to it. The shaded grid area should be marked only for services that are privatized in some fashion. The privatization categories provided are:

<u>CODE</u>	<u>TITLE</u>	<u>EXAMPLES</u>
AC =	Ancillary (support) services are contracted out	state office janitorial services; prison food service; public health laboratory testing
FC =	facilities for the service are contracted out	state rents office space; rented buildings or jails
MC =	service management is contracted out	private companies oversee the public employees who provide the service.
SC =	entire service provision is contracted out	private agencies resettle refugees; provide alcohol counseling; collect tolls.
GV =	Private services are obtained using grants or vouchers	transportation vouchers; public housing grants
OF =	some other form of privatization is used.	public/private partnership; user fees; volunteers perform service.

For example, suppose Alcoholic Beverages falls under the jurisdiction of your department. A state that provided enforcement and licensing services, contracted out warehousing, wholesale, and distribution services, and had nothing to do with the retail sales would complete the category "Alcoholic Beverages" as follows:

	Not A State Service	Not Privatized	Privatized	By What Method:					
				AC	FC	MC	SC	GV	OF
Alcoholic Beverages									
•enforcement	—	X	—						
•distribution	—	—	X				X		
•licensing	—	X	—						
•retail sales	X	—	—						
•warehousing	—	—	X		X		X		
•wholesale sales	—	—	X				X		

Remember, mark only those categories that fall under the jurisdiction of your department

Alcoholic Beverages

- enforcement
- distribution
- licensing
- retail sales
- warehousing
- wholesale sales

Agriculture

- animal control
- marketing/promotion
- regulation
- research

Corrections

- adult / community
- adult / institutional
- juvenile / community
- juvenile / institutional

Economic Development

- business development
- financing
- tourism promotion

Education

- preschool
- primary
- secondary

Energy conservation

- promotion
- financing

Environmental Protection

- enforcement
- laboratory analysis
- licensing
- monitoring
- waste water treatment
- solid waste collection/disp.

Finance

- accounting
- audits
- collection of taxes, debts
- invest of state funds
- payroll

		%	%	%	#					
	Total Responses	Not A State Service	Not Privatized	Privatized	By What Method:					
					AC	FC	MC	SC	GV	OF
	11	9	82	9	1	1	0	0	0	0
	10	40	30	30	0	1	0	2	0	0
	11	9	91	0	0	0	0	0	0	0
	10	50	20	30	1	1	0	0	0	1
	10	50	30	20	0	1	0	1	0	0
	9	56	33	11	0	0	0	0	0	0
	10	0	50	50	0	1	0	2	0	2
	10	0	50	50	2	1	0	3	0	0
	10	0	90	10	0	0	0	1	0	1
	10	0	60	40	1	0	0	1	1	1
	11	0	27	73	2	3	0	5	1	1
	11	0	45	55	6	0	0	2	1	1
	7	0	14	86	1	1	0	4	2	1
	6	0	50	50	1	0	0	2	0	0
	16	0	56	44	2	1	1	1	3	5
	10	0	60	40	0	1	1	0	2	3
	14	0	50	50	5	1	1	1	2	3
	10	30	30	40	0	0	0	2	2	0
	10	20	60	20	0	0	0	1	1	0
	10	20	60	20	0	0	0	1	1	0
	11	9	45	45	1	1	0	0	2	3
	8	0	25	75	0	0	0	0	1	6
	27	4	88	8	1	0	0	0	1	0
	21	10	52	38	5	1	1	2	1	1
	22	9	82	9	1	0	0	0	0	0
	23	13	70	17	2	0	0	1	0	1
	12	42	33	25	1	0	0	0	0	2
	13	69	0	31	2	0	0	1	0	3
	29	3	90	6	1	0	0	1	0	0
	34	3	68	29	3	0	1	1	0	6
	24	4	71	26	3	0	0	1	0	2
	16	6	56	38	2	0	0	3	0	3
	26	4	88	8	2	0	0	0	0	0

Note: Total Percent may not = 100% due to rounding

AC = Ancillary (support) services are contracted out

MC= service management is contracted out state

GV= Grants and vouchers

FC = facilities for the service are contracted out

SC = service provision is contracted out

OF = some other form of privatization is used.

		%	%	%	#					
	Total	Not A State	Not	Privatized	By What Method:					
	Responses	Service	Privatized		AC	FC	MC	SC	GV	OF
Govt administration										
•computer services	46	0	48	52	15	1	1	2	0	6
•janitorial services	39	5	23	72	20	3	1	3	1	2
•printing	38	0	34	66	12	1	0	7	0	4
•property management	30	0	70	30	4	5	0	0	0	1
•purchasing	32	0	94	6	1	0	0	0	0	0
•risk management	24	0	83	17	2	1	0	0	0	1
•telecommunications	33	0	55	45	5	2	0	4	0	4
Health Services										
•medicaid administration	8	0	63	38	0	0	1	1	0	1
•public health laboratory	9	0	78	12	1	0	0	0	1	0
•public health nursing	10	0	50	50	2	0	0	2	1	0
•prevention programs	10	0	40	60	0	0	0	2	3	0
•research	6	17	67	17	0	0	0	0	0	0
•testing	8	0	63	38	0	0	0	1	1	0
•vital statistics	8	0	88	12	0	0	0	0	1	0
Human Resources										
•employee counseling	30	0	67	33	2	0	0	2	2	4
•employee recruitment	32	0	91	9	1	0	0	1	1	0
•employee training	31	0	45	55	9	2	0	3	1	5
Human Services										
•adult protective services	11	0	55	45	0	0	0	0	2	3
•alcohol/drug services	9	0	22	78	1	0	0	3	4	1
•juvenile protective services	7	0	43	57	1	0	0	1	2	2
•vocational rehab services	9	0	44	56	1	0	0	2	2	0
Income Maintenance										
•cash assistance	10	0	90	10	1	1	0	0	0	0
•eligibility determination	10	0	90	10	1	1	0	0	0	0
•fraud investigation	10	0	90	10	1	1	0	0	0	0
•non-cash assistance	8	0	75	25	0	0	0	1	0	0
Labor										
•occupational information	15	7	87	7	0	1	0	0	0	0
•occupational placement	16	6	81	12	1	1	0	0	0	2
•occupational training	16	6	50	44	1	0	0	3	0	3
•research	14	7	21	14	1	1	0	0	0	0
•standards	11	18	82	0	0	0	0	0	0	0
•unemployment compensation	14	7	86	7	1	1	0	0	0	0
•worker's compensation	12	0	100	0	0	0	0	0	0	0

AC = Ancillary (support) services
are contracted out

FC = facilities for the service
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MC= service management
is contracted out state

SC = service provision is
contracted out

GV = grants and vouchers

OF = some other form of
privatization is used.

	Total Responses	% Not A State Service	% Not Privatized	% Privatized	By What Method: # AC FC MC SC GV OF					
Lottery										
•auditing	10	0	50	50	2	0	0	3	0	0
•distribution	9	0	78	12	1	0	0	0	0	1
•management	9	0	100	0	0	0	0	0	0	0
•production	8	0	25	75	3	0	0	2	0	1
•sales	8	0	75	25	1	0	0	0	1	0
Motor vehicles										
•enforcement										
•licensing	13	0	100	0	0	0	0	0	0	0
•registration	11	0	82	18	1	0	0	0	0	1
	10	0	90	10	0	0	0	0	0	1
Parks and Recreation										
•park management										
•park operations	8	0	75	25	0	1	0	1	0	1
•recreation programs	9	0	44	56	3	3	1	1	1	2
	7	0	71	29	0	1	0	1	1	0
Professional regulation										
•enforcement										
•licensing	20	0	95	5	0	1	0	1	0	1
	18	0	83	17	0	0	0	1	1	1
Public Safety										
•crime lab										
•criminal investigation	10	0	90	10	0	0	0	0	0	1
•drug enforcement	11	0	91	9	1	0	0	0	0	0
•fire regulations	12	8	83	8	1	1	0	0	0	0
•forest fire suppression	10	0	80	20	1	2	0	0	0	1
•traffic enforcement	6	0	66	33	2	0	0	0	0	1
	10	10	80	10	1	0	0	0	0	0
Transportation										
•infrastructure new construction										
•infrastructure planning	9	0	0	100	1	0	0	4	1	3
•infrastructure maintenance	11	0	45	55	2	0	0	1	0	4
•operation of toll roads/bridges	11	0	36	64	2	0	0	2	0	3
	9	33	44	22	1	1	0	0	0	1
Water resources										
•development										
•enforcement	7	14	57	29	1	0	0	0	0	1
•planning	7	0	100	0	0	0	0	0	0	0
	8	0	75	25	1	0	0	0	1	0
Wildlife (including fisheries)										
•enforcement										
•licensing	9	0	100	0	0	0	0	0	0	0
•registration	8	0	50	50	2	0	0	2	0	0
•resource management	8	13	50	38	2	0	0	1	0	0
	10	0	70	30	1	1	0	0	0	1

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	Total Responses	Not A State Service	Not Privatized	Privatized	By What Method:					
					AC	MC	FC	SC	GV	OF
Mental Health										
•adult institutional svcs	9	0	3	6	2	0	1	3	1	1
•adult community svcs	9	1	0	8	1	2	1	6	2	1
•adult crisis intervention	9	1	0	8	1	1	1	6	2	1
•juvenile institutional svcs	7	0	1	6	1	0	1	4	1	1
•juvenile community svcs	7	1	0	6	1	1	1	4	1	1
•juvenile crisis intervention	7	1	0	6	1	1	1	4	1	1
Mental Retardation										
•adult institutional services	9	0	5	4	1	0	0	1	1	1
•adult community services	10	1	1	8	2	2	2	5	1	2
•adult crisis intervention	10	2	1	7	2	2	2	5	1	1
•juvenile institutional services	8	1	3	4	1	0	0	1	1	1
•juvenile community svcs	9	1	1	7	2	2	2	4	1	2
•juvenile crisis intervention	9	2	1	6	2	2	2	4	1	1

8. Please indicate if you have experienced a significant problem in the following categories, during your attempt to privatize:

Licensing problems	2 (17%)
Loss of federal revenues	0 (0%)
Consent decree problems	0 (0%)
Resistance from:	
Patients	1 (8%)
Patients' families	5 (42%)
Press	2 (17%)
Public	1 (8%)
Labor	8 (67%)
Legislators	6 (50%)
Affected neighborhoods	5 (42%)
None of the above	2 (17%)

9. Please indicate which of the following, if any, are presently a part of your contracting process.

Contracts set minimum standards	10 (83%)
Contracts set performance requirements thta include outcomes	10 (83%)
Contracts provide for state monitoring	12 (100%)
Contracts provide penalties for non-performance	9 (75%)
Contract bids are evaluated against state costs for providing the same service	6 (50%)
Contract bids must be lower than state costs by a minimum amount	2 (17%)
None of the above	0 (0%)

10. In your state:

Please circle the appropriate response

Are state employees or state employee unions <u>permitted</u> to bid on your department's RFP's?	Yes	2	No	8	Don't Know	1
Are state employees or state employee unions <u>encouraged</u> to bid on your department's RFP's?	Yes	0	No	11	Don't Know	1
Are state employees or state employee <u>given preference</u> if they bid on your department's RFP's?	Yes	1	No	10	Don't Know	1
Please estimate the number of your department's RFP's which state employees or state employee unions submitted bids.	0	1-10	11-20	Over 20	No Response	
	8	0	0	1	3	