Making Florida’s Government Competitive

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Executive Summary

Governments at every level are turning to competitive sourcing to improve the efficiency and effectiveness of functions traditionally performed by government. Typically, savings of 30 percent can be achieved.

Yet saving money isn't the only reason why governments are using this time-tested principle of economics. Competition also can improve service quality. A recent survey by the Council of State Governments confirms this. Half the respondents said their use of public-private competition was likely to increase, and the rest said that it would at least stay the same. This wouldn't have been the trend if they were dissatisfied with the results.

Florida has been a leader in competitive sourcing, and the state’s experience over the past three governorships transcends party lines. However, the pace has recently picked up. In fact, since Gov. Jeb Bush took office in 1999, Florida has engaged in 138 competitive sourcing projects ranging from prison food service to maintenance in state parks.

This has coincided with a period when the state government's fiscal condition has generally prospered — despite a national recession and the shock that the events of 9/11 delivered to travel and tourism. Since 1999, while many other states were raising taxes, Floridians received more than $8.5 billion in tax relief.

Not every initiative has gone perfectly. Recently, some high profile projects have been justly criticized for disappointing results. Clearly, there is much to be learned and room for improvement with Florida’s competitive sourcing initiatives. To ensure success, any future initiative will have to apply those lessons learned.

Recognizing that need, Governor Bush set out to improve the competitive sourcing process. That led to the creation of the Center for Efficient Government, the nation’s most transparent, results-oriented, and accountable public-private competition process. The Center, in turn, devised the GATE Management process to review initiatives at critical stages. The reviews are conducted independently of the project team, and a project will move ahead only if it can demonstrate benefits and/or savings.

There will always be opportunities to make the state’s contracting process better. While Florida’s improved competitive sourcing process is still new and may still have some kinks that will need to be worked out, it is the best process process now in use anywhere, and other states are already looking to emulate Florida’s successes.

Most Floridians, like people everywhere, 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 to promote efficiency and restrain costs. Governments at every level have embraced it and will continue to do so. The inescapable conclusion for Florida: Stay the course.
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Making Florida’s Government Competitive

Over the past decade, more and more governments have been inviting private firms to compete for contracts to provide services once provided exclusively by the governments and public employees. This practice, known variously as “privatization,” “contracting-out,” and most recently as “competitive sourcing,” has been widely embraced as an effective policy tool for driving change in organizations, improving performance, and restraining the costs of providing services. Long thought of as strictly a conservative idea, the notion of making government compete has gone bipartisan as key state and local Democratic leaders have embraced it as a means of cutting costs and improving services.

Indeed, Blueprint, the magazine of the Democratic Leadership Council, recently featured an article by government reform experts and authors David Osborne and Peter Hutchinson. The article was excerpted from their recent book The Price of Government, where they argue that “the fastest way to save money and increase value is to force public institutions to compete.”

According to the Government Contracting Institute, the value of all federal, state, and local government contracts with private firms — including service outsourcing agreements — is up 65 percent since 1996, reaching a total of over $400 billion in 2001.¹

In addition, the Government Performance Project at Syracuse University reported that at the end of 2000, contracting consumed on average about 19 percent of state operating budgets.² Keep in mind that these totals include the purchase of goods, not just services.

Despite this growth and the widespread use of the private sector in the delivery of government services, quite a bit of confusion remains. Newspapers, policy experts, and government officials use various terms to describe similar but different initiatives. Word choice is often done to paint some initiatives with a negative connotation. Because of this, accurate portrayals of some initiatives may never appear, and the opportunity to have fruitful policy debates dissipates.

For purposes of standardization throughout this paper, brief definitions and explanations of various popular terms are provided below. These definitions are widely accepted and will guide the rest of the discussion throughout.

Privatization — The term privatization has generally been defined as any process aimed at shifting functions and responsibilities, in whole or in part, from the government to the private sector. It best describes the sale or divestiture of government services to the private sector, where operation, ownership, and responsibility change hands. A great example is British Airways (BA). It is hard to believe but BA was once owned and operated by the British government. It was privatized during the Margaret Thatcher years and is now owned and operated as a private company. There are dozens if not hundreds of similar examples throughout Europe and Asia.

Over the years, “privatization” has been used as an umbrella term to describe many types of competitive contracting. These include contracting out, public-private partnerships, competitive sourcing, and managed competition. Each of these “types” of privatization is different from true privatization, as defined here. Seldom does a “privatization” in the United States change the ownership and/or ultimate responsibility for service delivery away from the government. Rather, governments here generally only contract for operations while maintaining ownership and oversight.

Contracting Out — This is the most common form of “privatization” in the United States. It simply is the hiring of private-sector firms or nonprofit organizations to provide goods or services for the government. Under this approach, the government remains the financier.
and has management and policy control over the type and quality of goods or services to be provided. Thus, the government can replace contractors that do not perform well.

**Outsourcing** – Essentially the same as “contracting out,” “outsourcing” describes the actual movement of activity from “in-house” to an external entity i.e., a source outside of the organization. By definition, “outsourcing” is something that families do quite often without realizing it. For example, when families eat out at a restaurant, they have effectively outsourced their cooking/food preparation. Another good example is maintenance on cars. Millions of Americans outsource their oil changes to Jiffy Lube and other providers every year!

**Competitive Sourcing** – This is the actual process for determining the most efficient and effective source, whether private or government, for performing specific functions i.e., using competition (“competitive”) to determine the best method of delivery (“sourcing”).

**Managed Competition** – This is a process under which a government agency competes with private-sector firms to provide public-sector functions or services under a controlled or managed process. This process clearly defines the steps to be taken by government employees in preparing their own approach to performing an activity. The agency’s proposal for providing the service includes a bid proposal for estimating costs. This is useful in competing directly with private-sector bids.

**Offshoring** – This is best defined as the relocation of business processes to an overseas location. Note: Outsourcing does not necessarily imply offshoring. In fact in the broad experience of government contracting, seldom does work get sent overseas.

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**Why Compete?**

Economics 101 tells us that competition drives innovation, better performance, and lower costs for consumers. What works in the private sector works in government, too. For too long, government agencies have been shielded from competition, but the tides have turned. Governments at every level can no longer afford to avoid creating a competitive environment for providing traditional government services.

Making governments compete is not confined to any particular region, or to governments dominated by a particular political party. The reason for the widespread appeal of competitive sourcing is simple: It works; Economics 101 was right.

There are many motivations for seeking competition; however, cost savings often drive the debate because they are tangible and easy to grasp and understand. As a rule of thumb, competition can typically lower costs 10 to 20 percent while maintaining or improving service levels. According to a vast array of studies by the federal government, academic researchers, and others, outsourcing on a competitive basis historically has resulted in cost savings in the range of 5 to 50 percent, depending on the scope and type of service.³ Recently the federal government reported that competitive sourcing resulted in a 12-to-1 return on investment. So, for every dollar spent on preparing and holding public-private competitions the federal government saved twelve!

While cost savings may be important, they are not the only benefit or motivation for competitive contracting. A review of state practices around the country found that a need for greater flexibility, access to skills and expertise not available in-house, and private sector innovation are all important factors in a state government’s decision to outsource or institute competitive sourcing of services.⁴ Indeed, initiatives that are considered best practices for government procurement and service con-
tracting utilize ‘best value” techniques. When using those techniques, governments choose the best mix of quality, cost, and other factors rather than purchase on low cost alone. In addition, many competitive contracting failures are linked to a low-cost selection where the allure of increased cost savings negatively impacted service quality.

When the Council of State Governments surveyed budget directors about their primary reasons for competitive sourcing, a majority pointed to cost savings followed up by a lack of personnel/expertise and the need for enhanced flexibility (see Table 1). However, when agency heads were asked the same question, lack of personnel/expertise was the number one answer (see Table 2). Other factors mentioned included speedy implementation, high quality service, and innovation.

### Table 1

<table>
<thead>
<tr>
<th>Primary Reasons for Privatization (Budget/Legislative Directors)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Savings</td>
<td>68.4%</td>
</tr>
<tr>
<td>Lack of Expertise/Personnel</td>
<td>53.9%</td>
</tr>
<tr>
<td>Flexibility</td>
<td>32.8%</td>
</tr>
<tr>
<td>Speedy Implementation</td>
<td>14.4%</td>
</tr>
<tr>
<td>High Quality Service</td>
<td>9.2%</td>
</tr>
<tr>
<td>Innovation</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

### Table 2

<table>
<thead>
<tr>
<th>Primary Reasons for Privatization (Heads of Executive Agencies)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Expertise/Personnel</td>
<td>50.7%</td>
</tr>
<tr>
<td>Cost Savings</td>
<td>36.6%</td>
</tr>
<tr>
<td>Flexibility</td>
<td>27.1%</td>
</tr>
<tr>
<td>Speedy Implementation</td>
<td>20.6%</td>
</tr>
<tr>
<td>Political Leadership</td>
<td>13.5%</td>
</tr>
<tr>
<td>High Quality Service</td>
<td>12.5%</td>
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</tbody>
</table>

These disparate results are not surprising. Individuals tend to focus on their desired outcome. In this case, budget directors are more interested in savings, whereas agency heads list access to personnel and expertise as more important. In addition, it is important to note that this survey was conducted during a period of deficits and financial hardships. For this reason, it is likely that a higher emphasis was placed on achieving cost savings. Indeed, the first Council of State Governments survey, which was completed just before the Wall Street “bubble” burst, found that cost saving was becoming less dominant a motivation for contracting-out as governments became more adept at the process, and that acquiring the best value for public dollars was increasingly the goal. Without the pressure of deficits and financial hardships, government entities had more flexibility in setting their goals and motivations for competitive contracting.

Despite this, governments seldom compete solely to save money. Rather, their goal is to improve value to the taxpayer. The value proposition may be difficult for some to grasp, largely because the benefits may not be as easy to see as cost savings are. Shifting the discussion to the purchase of a new car helps illustrate this point.

If cost were the only motivating factor for purchasing a car, the Yugo – the notoriously unreliable vehicle once imported from the former Yugoslavia — would have been the number one seller. However, because other factors (e.g., quality, durability) are present in automobile purchasing decisions, the Yugo has all but disappeared. Even though it was the cheapest car available, it did not deliver value. Because there are many makes and models of cars available, each shopper determines what his own definition of “best value” is i.e., the combination of cost and other factors that suits his needs, goals, or motivations.

Governments are starting to realize what every car shopper knows: Sometimes, if you pay more, you get more. The concept of value
develops from the realization that the cheapest is not always the most desirable. Requiring the state always to buy the cheapest assumes all other things are equal, which they rarely are. Indeed, the more complex or performance-based an initiative is, the more important the factors other than cost become.

Contracting for best-value gives the contracting authority additional flexibility to customize its procurement to meet its specific needs or goals. In short, a better project may cost the same the same or cost slightly more, but it could be a better value than a lower cost, lower quality project.

More and more often, competitive contracting is driven by a desire for value linked to several non-cost factors such as:

**Quality** – Outside of cost, enhanced quality is one of the largest motivations for seeking competitive contracting. With increased private responsibility comes the incentive for companies to produce high-quality work and to ensure proper performance. In addition, the contract builds in a new accountability mechanism that allows greater oversight, monitoring, and performance guarantees that are generally not present with in-house service delivery. According to data from the Council of State Governments, more than 18 percent of state agencies indicate that high-quality service is one reason they have outsourced.6

**Timeliness** – Speedy implementation and timeliness of delivery are also an important motivation for competitive contracting.7 Contracts allow agencies to tie payment to deadlines and milestones, thereby shifting the incentive onto the contractor to complete the work faster and/or in a timely manner. A study of consultant use on transportation projects agreed: “Consultants represent a larger reservoir of manpower resources...and consultants usually have greater freedom to marshal resources at short notice.”8

**Accommodate peak demand** – Private companies, with their flexible staffing, can accommodate fluctuating demand more easily than government departments. Private companies can be “turned off and on” as needs fluctuate. Many state services exhibit natural ebb and flows, but public employees, protected by civil service, often remain at steady levels. When staffing exceeds the workload, the space between the workload curve and staffing levels represents waste, i.e. staff with little or nothing productive to do. When the workload exceeds staffing levels, the space between the workload curve and staffing levels represents projects not being completed, delays, backlogs, and costs imposed on would-be users.

With private contracts, consultants are a resource pool that can be used to adjust to changes in staffing needs. A 1990 study by the Wisconsin Legislative Audit Bureau concluded that contracting was used primarily for two reasons: to provide expertise unavailable to in-house staff, and to meet short-term, or “peak,” demand levels, for which the addition of permanent staff would be uneconomical.9

**Gain access to expertise** – the people with the most experience and highest technical skills can make a lot more money in the private sector than in government. Therefore, when governments need those kinds of skills, often the only way is by competitive contracting. More than 32 percent of state agencies reported lack of state personnel and expertise as important reasons for contracting.10 The Wisconsin Legislative Audit Bureau study attributed much contracting to the need for special skills,11 and a study for Texas’s Department of Transportation

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**According to data from the Council of State Governments, more than 18 percent of state agencies indicate that high-quality service is one reason they have outsourced.**
found that one of the key reasons given for contracting-out was lack of in-house expertise.\textsuperscript{12}

**Innovation** – Competitive contracting can produce innovative solutions to public service delivery. The freedom to invent “allows for old processes to be discarded in favor of entirely new ones—processes that integrate relevant technological advances and streamline communication channels.”\textsuperscript{13} According to CSG data, at least one in five state agencies says that increased innovation is one of the top reasons for contracting-out.\textsuperscript{14}

Why is competition necessary for innovation? One answer is that the public system does not always reward government employees for innovative ideas. Consider the plight of a government employee with an innovative idea. He can face crushing institutional barriers to change.\textsuperscript{15} Government agencies rarely face competition; government employees have no property rights in their jobs or missions and rarely have independent authority to make changes. A professional or political committee, sometimes more than one, often must approve an innovative new approach. At the end of the day, even if the employee’s idea is accepted, he is not likely to reap any professional reward—and one of the individuals or committees higher in the decision-making process may well have taken credit for the idea. Individuals in private firms have far more opportunity and incentive to develop and pursue innovative ideas at all levels than their public-sector counterparts.

**Manage risk more effectively** – Competitive contracting often allows governments to shift risks to contractors, which helps achieve the most efficient risk allocations and allows risk to be used as a management tool, rather than just some-

thing to fear. The power of the contract to mitigate risk is sometimes overlooked by public officials, who thus ignore the opportunity to build quality assurances and/or quality controls into project delivery as a means of managing risk.

**Improve overall efficiency** – Closely related to cost savings is improving the overall efficiency of an organization. Performance-based contracts have tighter time, budget, and scope-of-work constraints than in-house projects.

**Increased output** – Competitive contracting may result in a higher output \textit{i.e.}, private contractors produce more output for the same cost. This is seen not only in tangible output numbers but also higher quality output that lasts longer. In short, paying the same for more output is the same as a cost savings.

**Better manage costs** – Contracts give agencies more control over their spending and their costs of doing business. The contract establishes costs (including escalations) over the life of the contract, making annual budgeting easier and more predictable.

All of these motivations can be rolled together simply as “performance.” Competitive contracting to achieve any combination of motivations is contracting to achieve higher performance. This is most obvious in cases like the controversial contracting-out by Pennsylvania in 2003 of Philadelphia’s worst-performing schools. After years, if not decades, of trying to turn the schools around themselves, the city is contracting-out the operation of several schools to improve performance, including several of the challenges discussed above.\textsuperscript{16}

No two contracting initiatives need to have the same motivations or goals. Best value allows contracting agencies to customize their initiative to meet their specific needs and goals.
Florida’s Experience with Competitive Sourcing

Florida has been at the forefront of privatization for years. The administrations of Gows. Bob Graham, Bob Martinez, and Lawton Chiles have supported several privatization initiatives, and Gov. Jeb Bush has been an ardent supporter of privatization and results-based government.

However, competitive sourcing is by no means limited to Florida. The Council of State Governments conducted a national survey of state government officials to identify recent privatization trends. The survey was sent to 450 state budget and legislative service agency directors and heads of five executive branch agencies: those dealing with personnel, education, health and human services, corrections, and transportation.

In the five years surveyed (1998-2002), the amount of privatization had largely remained the same or increased slightly. Note, however, that a previous study found that 60 percent of state agencies had expanded their use of privatization in the previous five years, and 55 percent expected to expand their use of privatization further in the following five years.

Florida’s government has been a leader among states using competitive sourcing. Competition and contracting-out was widely used in the previous two administrations. Many services, including road design and maintenance, toll operations, prisons, welfare employment services, and building maintenance were subjected to competition.

Indeed, Florida’s history and experience with competitive government runs deep. The State Council on Competitive Government operates within the Administration Commission, which is part of the Executive Office of the Governor and is composed of the Governor and the Cabinet.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Results</th>
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</thead>
<tbody>
<tr>
<td>Prison Operations</td>
<td>At least 7 percent</td>
</tr>
<tr>
<td>WAGES</td>
<td>No difference between state and private operation</td>
</tr>
<tr>
<td>Custodial</td>
<td>Over $1 million annual</td>
</tr>
<tr>
<td>Board of Professional Engineers</td>
<td>Output increased, as did costs; stronger monitoring system</td>
</tr>
<tr>
<td>Mental Health Hospitals</td>
<td>Significant quality improvements and at least $110 million in savings</td>
</tr>
<tr>
<td>Toll Collections</td>
<td>$2.1 million annual</td>
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</table>

WAGES – In the 1997-98 General Appropriations Act, the Legislature created the Work and Gain Economic Self-Sufficiency (WAGES) pilot project to demonstrate the feasibility of contracting out all program services within a service area. There were few differences between the private pilot projects and the state-run programs.

Building Maintenance – The Department of Management Services began contracting out some of its custodial services and reduced state costs. The department also realized cost savings by converting full-time custodial positions to part-time through attrition.

Corrections – In the summer of 1995, Florida began its successful venture with private prisons. The Department of Corrections has contracted for the operations of numerous facilities. There have been several studies evaluating the relative success of the initiatives. The South Bay Correctional Facility achieved operational savings of 3.5 percent in FY 97–98 and 10.6 percent in FY 98–99, exceeding the state-mandated 7 percent. The report further noted that construction costs were 24 percent less than similar government facilities and recommended contract renewal. Other facilities posted similar, albeit less impressive savings.
Mental Health Services – The Department of Children and Families (DCF) entered into a public-private partnership with Atlantic Shores Healthcare, a subsidiary of The Geo Group in November 1998 to manage South Florida State Hospital (SFSH). The SFSH campus was recently completed and opened as the first fully private state mental hospital.

Renovation and refurbishing of SFSH began in mid-1999, along with construction of new facilities. The 350-bed hospital is the first state psychiatric hospital to be completely turned over to a private company, and is one of the first new comprehensive public mental health facilities to be built in years.

Since the partnership began, SFSH has been fully accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), for the first time in the hospital’s 40-plus-year history. It achieved this status 10 months ahead of DCF contract stipulations with Atlantic Shores. Admissions and discharges were both at the highest levels of the decade last year. Of the discharges, only 3.4 percent were readmitted within 30 days – nearly 50 percent below JCAHO accredited state hospitals’ national average. In addition, the average length of stay has dramatically declined. Prior to the partnership, the average stay was 8.27 years – afterward it is just 185 days.

Treatment of patients has also improved. Beforehand, the hospital recorded an average of 21.6 events where restraints were used each month. By contrast, Atlantic Shores’ personnel recently posted their third consecutive month without a restraint event. The use of seclusion has also dropped well below JCAHO national averages.

In addition to SFSH, officials tapped Atlantic Shores to run the Pembroke Pines Hospital. The contract states that the cost per patient per day must drop by at least 15 percent, a savings of more than $110 million over the life of the contract. While some functions were completed in neighboring states, no contract resulted in jobs offshore outsourcing or offshore outsourcing is a contentious issue that made its way into the Presidential debates during the 2004 campaign. Given the extensive number of initiatives, it was only a matter of time before the issue popped up in Florida. In early 2004, the Department of Management Services completed a review of all existing competitive sourcing initiatives to determine if any work and/or jobs were sent overseas. The review found that 91 percent of the contracts were conducted entirely inside the state of Florida. This makes sense when you consider that the bulk of public services require an on-the-ground presence and include physical work. An additional 5 percent of the contracts were conducted in both Florida and in other states. Of all of the contracts, only 5 were conducted solely in other states.

Since Governor Bush took office in 1999, Florida has engaged in 138 projects ranging from prison food service to maintenance in state parks. The general fiscal condition of the state over that time speaks to broad success of the various initiatives. Reserves are at historic levels. Deficits have largely been avoided. When many other states were raising taxes, Floridians have received more than $8.5 billion in tax relief since 1999. In addition, property tax rates have decreased by almost 11 percent while K-12 education has received substantial funding increases.

Over the same period, the total number of authorized positions in all of state government—including the courts, Lottery, the National Guard and elected or appointed officials—has fallen by 3,795. But without gains in the universities and courts, caused by higher enrollment and workloads, the falloff would have been about 6,000 greater. During his second inaugural address, Gov. Bush said that the greatest legacy he could leave to Florida’s children was to empty some of the nearby buildings. Of course, the buildings were state government buildings, and competition initiatives have put a check on the growth of government. In this case, they actually have shrunk the government.

There has been much debate over the prospect of work being shipped overseas. Offshore outsourcing is a contentious issue that made its way into the Presidential debates during the 2004 campaign. Given the extensive number of initiatives, it was only a matter of time before the issue popped up in Florida. In early 2004, the Department of Management Services completed a review of all existing competitive sourcing initiatives to determine if any work and/or jobs were sent overseas. The review found that 91 percent of the contracts were conducted entirely inside the state of Florida. This makes sense when you consider that the bulk of public services require an on-the-ground presence and include physical work. An additional 5 percent of the contracts were conducted in both Florida and in other states. Of all of the contracts, only 5 were conducted solely in other states.

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being sent overseas. In fact, the review inadvertently revealed that more than 1,000 state employees in the Tallahassee region resided outside of the state in nearby Georgia. Surely, similar results could be expected in parts of the Panhandle. Given this information, the offshoring fear is unfounded. Over the last six years, with arguably the most aggressive competition agenda to date, not a single state job has been sent overseas. Some functions did go to other states; however, as demonstrated, many government employees already reside in other states.

For the most part, each project is inherently different from the next; however, they do have one thing in common: The services are commercial activities that are readily available in the marketplace. As Governor Bush noted in an interview, “If we can find a better way to send out payroll, handle purchasing, get licenses renewed online, provide medical services in public institutions ... and we can save money and add value to services, I will look at it.”

Here is a more detailed look at the results from a few select initiatives:

**Department of Transportation** – Private contractors currently perform the majority of the Department’s activities (see Table below). Many functions within the DOT tend to be commercial in nature, making them readily available for competition. Indeed, in March 2001, the Office of Program Policy Analysis and Government Accountability (OPPAGA) suggested that private contractors “can handle additional work” and called for the expedited contracting for toll collection operations.

More specifically, DOT administers several contracts for highway maintenance. Many of the contracts were initiated before Governor Bush took office, but he has continued and expanded the program. According to “Asset Management Program Summary,” November 2003, the state has saved $83.7 million, or 15.3 percent throughout the life of the contracts. An additional six contract awards for highway maintenance are planned. By July 2008, Florida expects to have 28 active asset management contracts. At the local level, the two major toll operators in Orlando and Miami also successfully contract out road maintenance. The contracting agency states that the contractor is “performing at better levels and the quality is at least the same if not superior.”

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Results</th>
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<tbody>
<tr>
<td>Prison Food Service</td>
<td>$16.9 million over 3 years</td>
</tr>
<tr>
<td>Juvenile Justice Food Service</td>
<td>$2.5 million annual</td>
</tr>
<tr>
<td>Medicaid Billing</td>
<td>$1.7 million annual</td>
</tr>
<tr>
<td>Online Professional Licensing System</td>
<td>$2.2 million to date</td>
</tr>
<tr>
<td>Data and Research Services</td>
<td>$353,145 to date</td>
</tr>
<tr>
<td>Centralized State Park Reservations System</td>
<td>100 percent increase in reservations</td>
</tr>
<tr>
<td>Maintenance of State Parks</td>
<td>Reduced equipment repair costs, savings at more than $650,000 a year</td>
</tr>
<tr>
<td>Employee Help Desk</td>
<td>Contract was cancelled</td>
</tr>
<tr>
<td>Highway Maintenance</td>
<td>$83.7 million or 15.3 percent throughout the life of the contracts</td>
</tr>
<tr>
<td>Inmate Health Care</td>
<td>$24.6 million over 4 years</td>
</tr>
</tbody>
</table>

### Activity | Percent of Budget Contracted (2002-03)
---|---
Construction Engineering and Inspection | 85
Design | 83
Materials Testing/ Research | 55
Planning | 57
Right-of-Way | 74
Maintenance | 74
Tolls | 99
Human Resources – The state entered into a contract with Convergys Corporation of Ohio to administer almost all of its routine personnel functions, including payroll, insurance benefits, employee training and recruiting. The contract was highly touted and initially was estimated to save $173 million over seven years. The state was going to avoid $80 million in capital spending to replace an aging computer system, and was also going to save millions of dollars in recurring expenses for many fiscal years to come.

A chief benefit of the initiative was that it allows the state to devote fewer internal resources to burdensome “back office” administrative tasks and instead concentrate resources on the core mission, responsibilities and programs of state government.

Implementation has not been perfect. The full rollout was at least a year behind schedule, diminishing some of the savings. In addition, total functionality and user satisfaction remain lower than originally anticipated. During product design, a small but important oversight by the contractor led to many of the difficulties. Convergys designed the program to operate on computers with the Windows 2000 platform or better. In the private sector it is a safe assumption that computers will have the latest operating system. Unfortunately, this did not ring true for the state of Florida. There were thousands of desktop computers operating on Windows 95 and 98. The new software was incompatible and did not work, sending Convergys back to the designing table to alter the software.

Throughout the years there have been many successful competition initiatives. As the Convergys experience highlights, however, there have been bumps along the way. Indeed, last year two critical reports were issued by the Governor’s Inspector General and the Office of Program Policy Analysis and Government Accountability concerning the state’s practices with regard to competition and contracting.

Over the years Florida’s contracting processes and procedures have undergone dramatic changes. However, there is much to learn and apply about what has worked, what has not worked, and how to ensure that Florida’s taxpayers continue to receive high quality services at low cost.

Many of the challenges and lessons are inherently related to a couple of key areas of needed improvement. They are not unique to Florida and are lessons that other states could learn from. Some of the more prominent challenges (and the lessons inherent within them) include:

Lack of understanding or purpose – Either through a failure of communication, lack of transparency, or dissemination of misinformation, employees and the public often fail to understand why initiatives are put in place. Simply, with competitive sourcing, the emphasis is on introducing competition into government services to make them more effective and efficient in their delivery. The process is not focused on outsourcing, privatization, or attacking dedicated public employees.

Lesson: There is a need for better communication and documentation to help employees, other stakeholders, and the Legislature understand and appreciate the process.

Failure to define goals and/or desired results upfront – Over the years, agencies have sometimes initiated competitive sourcing without first defining or documenting the goals and/or desired results. When the goals haven’t been spelled out, it is difficult to communicate and conduct comparisons to identify the bid that provides the best value.

Lesson: Before a competition initiative begins, goals and desired results should be documented.

Lack of transparency for stakeholders – Stakeholders too often have been left in the dark regarding competition initiatives. Their input has not been sought, the lines of communication have been unclear, and they’ve lacked access to relevant public records.

Simply, with competitive sourcing, the emphasis is on introducing competition into government services to make them more effective and efficient in their delivery.
Lesson: Stakeholder input should be sought, clear, standard lines of communication should be established, and public documents should be made readily available. In addition, agencies should work extensively with stakeholders to explain motivations and goals and how changes will affect them.

Lack of trained or specially skilled workforce to negotiate and manage contracts – Procurement staff members are often inadequately trained and/or inexperienced in conducting competition initiatives. Contract negotiations are often tilted in the favor of contractors because of their highly skilled and trained attorneys.

Lesson: Develop a core group of procurement officials who assist other agencies in developing their procurement and competition documents. In addition, this team would work with the agencies throughout the process, including assisting and developing an evaluation and negotiating team ensuring that field experts and highly trained negotiators are present.

Weak mechanisms or none for setting acceptable performance metrics and measuring the success of a contract post-implementation (Oversight/monitor) – Similar to the problem of failing to define goals, some initiatives failed to utilize performance-based contracting. Contracts often included weak performance metrics or none for determining contractor payment. In addition, post-implementation plans including agency oversight and monitoring were not adequately spelled out beforehand.

With contracting comes a greater need to monitor contractor performance. As more agencies rely on private companies to deliver public services, monitoring and assessing these outside partnerships becomes vital to achieving the government’s goals. While monitoring and measurement systems are becoming more refined, state agencies need to continuously improve purchasing and oversight of service delivery. Effective monitoring pays for itself by improving the quality, transparency, and accountability of services.25

Lesson: The bottom line is thinking about how to monitor the service/contract before issuing the request for proposals or signing the contract. The monitoring plan defines precisely what a government must do to guarantee that the contractor’s performance complies with the contract.

The better the performance standards, the easier it will be to monitor the contract effectively. The design of the deal makes a lot of difference in the success of monitoring the contractor. Because these factors are so interdependent, it is often best to write the performance standards and the monitoring plan simultaneously. Indeed, the U.S. Office of Management and Budget recommends simultaneous development of performance measures and monitoring plans as a best-practice.26

Monitoring plans should focus on quantifiable measures as much as possible, including reporting requirements, regular meetings, complaint procedures, and access to contractors’ records (if necessary). As much as possible, focus on monitoring and evaluating the major outputs of the contract and not wasting too much time and resources monitoring mundane and routine tasks that are not central to the taxpayers’ value.

Lack of consistency and a centralized enterprise-wide approach to competition – Over the years, several different standards and processes have been used in identifying competition initiatives and carrying out the competitions themselves. This has led to confusion among agencies, stakeholders, and competitors. In addition, agencies have been unable to communicate, share best practices, or apply lessons
learned. Finally, a lack of a comprehensive approach limited the possibility of enterprise-wide solutions.

Lesson: A coordinated, standard process should be established to guide future competition initiatives and identify deficiencies in existing contracts. In addition, a central point of accountability and responsibility for overseeing initiatives should be created to manage the process and build up a critical mass of knowledge to identify best practices and adopt lessons learned. Such a unit also would act as an institutional advocate for reform—publicizing and riding herd over departments that drag their feet. A central unit is also best equipped to identify and manage enterprise-wide solutions.

Lack of focus on changing antiquated business processes – Competition provides a unique opportunity to reevaluate and redefine how services are provided. Contracts should focus on results, not the process.

Lesson: Flexibility and innovations should be central to competition initiatives—and should not be based on current agency practices. In addition, technology has enormous power and potential to change the way governments operate and change antiquated business practices. Its power should be harnessed.

Applying Lessons Learned
Clearly there is much to be learned and room for improvement with Florida’s competitive sourcing initiatives. To ensure success, any future initiative will have to apply previous experience and lessons learned to better the process and fully tackle any challenges they may face.

In an effort to tackle the issues head on, Governor Bush signed an executive order on March 11, 2004 directing the Department of Management Services to create a “center of excellence” authorized to conduct a statewide evaluation of Florida’s competitive sourcing efforts. The new Center for Efficient Government (CFEG) was also empowered to “identify opportunities for additional [competition] initiatives, and oversee execution of future [competition] projects.”

CFEG has an important and critical mission: “to promote fair and transparent best business practices in government in order to foster accountability, competition, efficiency and innovation in the way state agencies serve Florida’s citizens.” But it is larger than that; it will serve as the “enterprise-wide gateway for best business practices in [competition]” standardizing how the state identifies opportunities, conducts competitions, and awards and manages contracts for government services.

CFEG is tasked with changing the way the state uses competition to deliver services, creating a process that is transparent, accountable, and performance based. The process will incorporate the lessons learned from previous initiatives and directly resolves the lack of a centralized and consistent process. CFEG will serve as a trained unit that assists agencies with their competition initiatives, accountability, and communication. In addition, it may explore opportunities for enterprise-wide solutions or initiatives.

Its first priority was developing statewide competitive sourcing standards that included the development of a business case template applicable to any proposed project. The Center developed a centralized “GATE Process” for evaluating the best source for delivering services. The process consists of standards, templates, guidelines and a transparent process to manage various stages of an initiative.

The process consists of five stages and four “gates.” The goal is to provide a thorough assessment at key decision points (gates) of a competitive sourcing initiative. The review is conducted independently of the project team and will only move through the process if the project can demonstrate benefits and/or savings. In addition, it will allow for better communication and consultation with

To ensure success, any future initiative will have to apply previous experience and lessons learned to better the process and fully tackle any challenges they may face.
stakeholders including the legislative branch, impacted agencies, the general public, and advocacy groups.

The Gate Management Process also provides assurance and support for agencies. It further ensures that:

- The business need of a proposed project is documented;
- The full scope of work for a project has been realized;
- An independent entity has validated the data provided;
- The procurement phase has an added mechanism of oversight;
- The project has the necessary and appropriate resources to successfully manage the project and its contract;
- An enterprise-level approach is the driving force behind procurement strategies;
- There is a roadmap for how the project is developed, procured, implemented, and managed; and,
- Projects are entered into within the context of what is best for the state holistically.

Stage 1 - Business Case Development

The first, and perhaps most important part of the GATE process is the development of a business case. The business case itself is a living document that travels with the initiative through the process. It is updated as new data become available or as conditions change. A business case evaluation gives agencies and CFEG an opportunity to systematically study and plan a competition initiative to evaluate potential costs and benefits before entering the process.

Moving forward the business case will be the foundation for any initiative moving forward. It directly brings transparency to issues such as motivation and goals, and it clearly outlines the current situation.

The business case clearly defines the current situation providing a benchmark for measuring performance. In addition, the expectations and goals are spelled out, providing justification for pursuing the initiative. It is developed with the input of key stakeholders (internal and external) and is drafted by a team of people, including subject matter experts; budget, legal, personnel and purchasing staff; experienced project managers; senior managers; and, where appropriate, seasoned technology project managers.

CFEG has correctly identified that the overriding purpose of developing a business case is to demonstrate the value to the state in pursuing an initiative. Additionally, the business case should serve as a roadmap for how the project should be implemented and managed.
Specific goals of a robust business case are to:

- Communicate a clear business need.
- Obtain management commitment and approval for the project.
- Identify all options considered and the rationale used to reject the options not chosen.
- Clearly present the rationale and documentation for investment.
- Justify the project in terms of benefits to be realized.
- Provide an audit trail for decisions to be made during the planning and implementation stages.
- Estimate costs, benefits, and risks associated with the proposed project.
- Ensure that senior management and owners of the business case fully understand the implications and scope of the project.
- Provide transparent rationale for gaining support from the Governor and Legislature as well as stakeholders.
- Demonstrate that the implementing agency is capable of implementing and managing the project.
- Provide a framework for decision-making in the planning and management of the project.
- Provide a structure for further stages.
- Serve as a management tool to achieve maximum value.
- Document the policy, budget and functional objectives.
- Identify key stakeholders and formulate the plan with their input to ensure buy-in on the front end and commitment to managing the changes required to implement the program.

Since the business case lays the foundation for a sourcing initiative, what goes into it needs to be addressed. The business case is meant to provide the added transparency and to act as a guide to the initiative. To see how the Gate Process and a business case apply lessons learned and address challenges and concerns, one must have an understanding of what goes into a business case. Several key components are:

**Benchmarking:**
What: Should be a comprehensive documentation of the current service, program, or function, as it is currently conducted by the government.

Why: Provides ability to compare future outsourcing activities with the benchmark data to determine successes and failures. Identify whether the goal of the outsourcing initiative was achieved.

How: Compile outcome and performance data, including but not limited to budget and staffing data.

**Rationalization:**

Why: Document the issues that need to be addressed. Why the service is critical and needs to be improved i.e., why the status quo is not desirable and the drivers of change.

How: Explain objectives i.e., what the initiative will achieve in terms of tangible benefits to stakeholders and taxpayers. In addition, discuss other alternatives, why they were dismissed, and why the function could not be improved internally.

**Assumptions and methodology:**

What: List and define any assumptions associated with policy, legislation, agency direction, market conditions, etc.

Why: Assumptions are built into every evaluation. In the interest of full disclosure and transparency, assumptions should be listed. In addition, any methodologies guiding cost comparisons or quality evaluations should also be included.
Recommendation:

What: Outline proposed solution and full scope of the project.
Why: Further document the reason for pursuing the initiative.
How: Identify fiscal impact (savings, cost avoidance, etc.) and requirements that must be addressed and delivered, included expected performance.

[Note that it is all right for a business case to conclude that the project should not be outsourced or privatized after all — as long as the recommendation is backed up with hard facts].

Success factors:

What: Identify what a successful end-result is.
Why: To identify success from failure and enable lessons to be applied for future competitive sourcing efforts.
How: The goals should be easily measurable and tangible, include a full description of outcomes and service requirements. Also include as many minimum performance metrics as will be included in the final contract.

Transition management:

What: Establishes change of management plans and strategy early.
Why: Develop communications plan ahead of time. Allows maximum communication with stakeholders and presents baseline for how a transition will be handled. In addition, it enables the early mitigation of risks inherent with change.
How: Outline employee transition and training strategy, customer training, and organization strategy for implementing change.

Gate 1 – Oversight Board Review of Business Case

Once the business case is completed, the initiative heads to the first “gate” for approval. An oversight board consisting of five agency heads reviews the initiative and determines whether or not it has followed the Center’s gate process standards and if the initiative is feasible in the first place. After the Oversight Board’s review, the Governor and the agency head presenting the project would then make the policy decision on whether to move the project forward or not. CFEG and/or the agency must produce a strong business case for the project to move forward, so this gate provides an added level of accountability and transparency from the beginning of a project.

Stage 2 – Procurement

If the business case is approved by the Oversight Board, the initiative moves into the procurement stage of the Gate Management process. It is in this stage that the procurement document and strategy are designed.

In addition, evaluation criteria and methodology are established for evaluating bids or proposals. Procurements should be performance or outcome oriented. Evaluation criteria should be established to achieve the greatest value. Appropriate weighting needs to be given to different measures including cost, quality, and output level.

Performance measures and deliverables are also identified and documented at this stage.

Gate 2 – Oversight Board Review of Procurement Strategy

Upon completion of the procurement stage, the Oversight Board meets and reviews the initiative a second time. The board reviews the evaluations of bids to ensure that the standards set forth in the business case are met and that the state is delivered the best value. The board must approve the plan to move to Stage 3.
Stage 3 – Contract Management

This stage encompasses the drafting, negotiation and signing of a contract as well as ongoing management of the contract terms and conditions. The procurement team identified in the business case, in coordination with CFEG, ensures that highly trained personnel handle contract negotiations.

Gate 3 – Oversight Board Review of Contract Management

The contract is the basis for managing the project on an ongoing basis. The Oversight Board will review the signed contract and ensure that the proper safeguards and provisions are included. The board must approve the contract to move to Stage 4.

Stage 4 – Transition Management

The transition plan is carried out in this stage. Employees and stakeholders are given special attention including training and communications. The plan should provide a clear outline of the agency’s and vendors’ plans for addressing the impact on employees. This should include a communication plan providing employees with a means of obtaining information about the status of the project. Employee transition planning has proved to be a key component in the success or failure of a project.

Gate 4 – Oversight Board Review of Transition Management

Again, the Oversight Board meets to review the initiative. At this stage, the board reviews progress towards transition and ensures that employees and stakeholders are kept informed throughout the process.

Stage 5 – Post Implementation

This is the actual management of the contract. Long term and continuous monitoring and performance evaluation take place in this stage, which lasts until the contract term has expired. Actual performance is evaluated against what is outlined in the business case and the contract deliverables. This stage ensures performance and accountability for the taxpayers of Florida.

What’s Next: Where Do We Go From Here?

Even though Florida has a long and rich history with competitive sourcing, which includes a commitment at the highest levels, there are still more opportunities. There are several services and functions for which other states have used competitive pressures to innovate, improve results, and save money.

Several states have considered using competitive sourcing for various functions of the (DMV) including; the licensing of drivers, vehicle registration, processing of registrations and license plates, the facilitation of insurance information, and the issuance of tags and registrations. Indeed, several states including Arizona, Ohio, and North Dakota have successfully utilized competition to deliver better services.

A 1997 Cascade Policy Institute study, which examined the successful initiatives, reported that through competition, DMV fees could be reduced by 14 to 17 percent. It also estimated cost savings between 55 and 67 percent. For example in Ohio, more than 200 privately run “franchises” offer virtually all services that government-run offices once did. Private for-profit businesses, and nonprofit groups such as the American Automobile Association, issue new drivers licenses, license renewals, commercial and non-commercial truck certification, vehicle registration, ID cards, register voters, and more.

Vehicle fleet maintenance is a rapidly growing area of competitive sourcing within state and local government. There are few more commercial activities than vehicle maintenance currently conducted by state governments. Companies like Jiffy Lube leave little question as to the vibrancy, quality, and cost effectiveness of private fleet maintenance. Besides significant savings of upwards of 38 percent, the quality and timeliness of service can be dramatically improved. Although only a few states utilize widespread fleet maintenance, many cities and counties already do.
The state could competitively source some of the activities of Medicaid field offices. Outsourcing services such as processing exceptional claims, training providers, and managing the MediPass network could save significant amounts of money and resources.29

CFEG is currently reviewing a number of competitive sourcing ideas. In addition, there are several other initiatives that are being vetted. CFEG will also continue to identify and study additional opportunities where appropriate.

Lottery Field Offices (Stage 2):

Through competition, the Lottery Department wants to improve the manner in which field support services are delivered to reduce costs and ensure effective and efficient services to a retailer base of 15,000. The bidding process will identify a private vendor or vendors capable of providing field support that matches or exceeds current service levels, both in scope and in quality, at a cost savings to the State. Savings in excess of $800,000 annually are expected.

In August 2001, the Lottery’s Office of Inspector General determined that, “there may be vendors responding to a formal RFP that could perform this operation on a cost effective basis”—and could result in savings upwards of $1.1 million in annually. In addition, OPPAGA concluded in a February 2002 Justification Review that the “Florida Lottery could potentially reduce administrative expenses if it outsourced its field support operations.”

Consolidation of Fleet Management (Stage 1):

The state currently owns and maintains a large and diverse fleet to carry out the state’s business. Due to the size, scope, and costs associated with acquiring, maintaining, and replacing the fleet, there appears to be an opportunity to save considerable taxpayer dollars while improving services.

<table>
<thead>
<tr>
<th>Initiatives Being Considered</th>
<th>Where</th>
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<tbody>
<tr>
<td>Economic self sufficiency</td>
<td>2 options in Stage 1 – needs federal waiver</td>
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<tr>
<td>Corrections mental health</td>
<td>Stage 2</td>
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<tr>
<td>DCF South Florida evaluation and treatment center</td>
<td>Stage 2</td>
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<tr>
<td>Mail Services consolidation</td>
<td>Stage 3</td>
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<tr>
<td>Fleet management</td>
<td>Stage 1</td>
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<td>Statewide HVAC maintenance contract</td>
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<td>Statewide electrical contract</td>
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<td>Statewide plumbing services contract</td>
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<tr>
<td>Lottery Field Offices</td>
<td>Stage 2</td>
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<tr>
<th>Possible Benefits</th>
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<tr>
<td>Service enhancements; cost savings in addition to the $69 million generated by internal reengineering</td>
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<tr>
<td>Cost containment; growth control; savings</td>
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<tr>
<td>New facility</td>
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<tr>
<td>Projected savings of $56 million over 10 years</td>
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<tr>
<td>Significant savings and better fleet management practices</td>
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<td>More than $800,000 annually</td>
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More than $85 million is currently spent on fleet management services, so competition should result in significant savings. However, an accurate number is difficult to ascertain due to a lack of data from projects of this size and scope. Immediate savings should be realized through the elimination of duplicative administrative functions. Indeed, over the last few years, several OPPAGA reports have suggested that significant savings could be realized in the state’s fleet management services.

In addition to costs, there are other motivations for pursuing competition. They include the development of an enterprise-wide fleet administration to ensure the correct size and mix of vehicles. The state would also gain added flexibility to place vehicles where they are needed and when they are needed across agency lines.

Department of Corrections Mental Health (Stage 2):

Inmates under the charge of the Department of Corrections receive comprehensive health care. Currently, inmate healthcare includes physical, dental, and mental health services. Despite the implementation of several cost saving initiatives, including a contract with health care services in one of the Department’s four geographical regions, the cost of providing these services has risen dramatically—more than a 35 percent increase in expenditures over the last three years.

Mental health services are available to all inmates and are provided at various levels of service. CFEG is “looking to the private sector to enhance flexibility, purchasing power, business acumen and innovation to apply managed care principles in the delivery of these services within the state correctional system.”

Department of Children and Families South Florida Evaluation and Treatment Center (Stage 2):

In 2002, the legislature directed the Florida Department of Children and Families (DCF) to develop a redesign plan for one of its mental health institutions. The plan includes a Request for Proposals for the finance, design, construction and operation of a new mental health institution by a private contractor.

DCF chose the South Florida Evaluation and Treatment Center (SFETC), a secure forensic treatment facility in Miami-Dade County, after a civil facility was contracted out and a second one closed. DCF deemed it important to focus a new proposal on a forensic facility, to enable the civil system to stabilize after these changes. Secondly, SFETC was chosen because it is the most costly, free-standing forensic facility operated by DCF. Finally, because of workforce issues, potential contracting out was judged to have less of an impact on the local working community in South Florida than elsewhere.

Department of Management Services Mail Services Consolidation (Stage 3):

Mail services throughout the state currently use a very manual and labor-intensive process to accommodate mail received and delivered to and from state agencies. There is an opportunity to provide Florida taxpayers with considerable savings while improving mail services through a centralized mail center.

By consolidating individual mail services operations into one, centralized operation, annual savings are projected at more than $5.6 million per fiscal year. In addition, consolidation would provide more efficient and effective mail services to agencies and their customers.

Department of Children and Families Modernization of Economic Self-Sufficiency (Stage 1):

CFEG is currently reviewing two different options to further enhance modernization and service levels in various Economic Self-Sufficiency initiatives.

The first option utilizes a fully outsourced service delivery method for Food Stamps, Temporary Assistance to Needy Families, and Medicaid eligibility determinations, including fraud prevention activities. The proposed
model calls for outsourcing front-end (client access services) and back-end (certain program support functions) through a combination of public and private partnerships, while outsourcing the core eligibility determination services to a primary vendor.

The second option only outsources various components of the system. State staff will retain core eligibility determinations under this model.

Both options would provide the state a more responsive, cost effective service delivery system that leverages modern technology to improve client access, streamline the eligibility process and optimize cost effectiveness in program operations.

Through other modernization initiatives, the operating costs will have fallen from $273.1 million to $203.9 million by the end FY 2005-2006. These savings reflect a combination of $43.8 million dollars in legislatively mandated savings and an estimated $25.4 million resulting from internal modernization efforts for a cumulative savings of $69.2 million. Further competition could lead to additional savings.

Moving Forward

There is a long history in Florida with competitive sourcing—a history that extends beyond party lines, administrations, and even decades. Gov. Jeb Bush was not the first to bring competitive sourcing to the sunshine state, and he certainly won’t be the last to embrace its awesome powers to reform how government interacts with taxpayers. However, his philosophy of a smaller, more efficient government has resulted in continued savings for Florida’s taxpayers, while providing better governmental services. Saving money and improving services will always be at the top of every Governor’s goals — and competitive sourcing is a proven tool to assist them.

Moving forward, Florida should continue to consider conducting an inventory of all of state government’s functions and activities. Activities would be classified in one of two broad categories, “inherently governmental” or “commercial in nature.” This would facilitate determining which services are central to government operations, and which could be competitively sourced. Commercial activities are by definition ripe for competition. Armed with an inventory, agencies and CFEG can more easily identify competitive sourcing opportunities as well as look for enterprise-wide solutions or opportunities to common function areas.

In 1998, President Clinton ordered the federal government to undertake such a review, and the practice has continued, with inventories being taken each year. These serve as the basis for the massive federal competitive sourcing program that has saved the federal government billions since the program’s inception. In addition, the Commonwealth of Virginia conducted a similar review in 1999 and will update that inventory no later than January 1, 2006.

Moreover, elected officials and agency heads need to trust the system and the process. There is little doubt that mistakes had been made in the past. As recent as January 19th of this year, for instance, Governor Bush acknowledged shortcomings with recent competition initiatives. However, that’s the beauty of the GATE Management process and the newly formed Center for Efficient Government: They can apply lessons learned to standardize and professionalize the process so as to guide the state in future endeavors.

Governor Bush was correct that the state is “not very good at procuring, and as a result we’ve had some challenges… that have clouded a really good record as it relates to saving money for the state…we have to get better at procuring and monitoring the procurements.” The GATE Management process and CFEG are two critical steps toward achieving those ends and “increase[ing] the professionalism of the procurement process.”

While the GATE Management process is still new and likely has some kinks that need to be worked out, it is the most innovative, performance-based, transparent and accountable process out there. Other states are already looking to capitalize on the efforts going on in Florida.

Remaining skeptical of competitive sourc-
ing is one thing. Studying something to death (also known as “death by committee”) is another thing. Studying something gives the illusion of progress, but studies too often degenerate into an exercise in futility, generating paper and sound bytes. The Center for Efficient Government has spent considerable resources grinding through the competitive sourcing process and experiences to learn what works and what doesn’t. It has built a process that applies best management practices and valuable lessons learned.

Most Floridians want their tax dollars spent in the most effective and efficient manner possible. If there is one thing to learn, it is that competition works to promote efficiency and restrain costs. Governments at every level have embraced it and will continue to do so. The moral: Stay the course.

**About the Author**

Geoffrey F. Segal is an adjunct scholar at the James Madison Institute in Tallahassee. He is also director of government reform policy at Reason Foundation. He is a highly skilled policy analyst with a strong diversified background in policy research and project analysis focusing on public-private partnerships, competition, government efficiency, government spending and waste, transparency, accountability, and government performance.

His advice and counsel has been sought by Gov. Mark Sanford of South Carolina and by Gov. Mitch Daniels of Indiana, where he is working with the Government Efficiency and Financial Planning group inside the Office of Management and Budget. Segal has worked closely with legislators and staff in California, Virginia, New York, Oregon, Kentucky, Indiana, Maine, South Carolina, and Texas in efforts to reduce government spending without destroying the important social net of services in that state.

Segal has presented his research at numerous conferences around the world and has appeared in front of numerous city and county councils as well as testified to the States of California, New York, Florida, and Virginia as well as the United States Senate. He has written dozens of articles for leading publications including *Investor’s Business Daily, Atlanta Journal-Constitution, Indianapolis Star* and *New York Sun*. Segal is also a contributing editor to *Budget & Tax News*. 


Ibid., p. 8.


Wisconsin Legislative Audit Bureau, Evaluation of Use of Engineering Consultants, p. 10.


In just a couple of years the schools have seen a dramatic turnaround. One contractor, Edison schools had 12 of its 20 schools make AYP, up from just one school last year. For more information on the Philadelphia’s turnaround see: Reason Foundation’s 18th Annual Privatization Report, http://www.rppl.org/apr2004/anpr2004.shtml


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