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Privatization & Government Reform Newsletter

Issue No. 2 — December 2013

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STATE/LOCAL BUDGETS: New Reports Highlight Fiscal Shape of States, Cities

Earlier this year, three separate reports by major national organizations suggested that states and local governments are going to face continued fiscal headwinds into the future. Two new reports by the National Association of State Budget Officers (NASBO) and the Pew Charitable Trusts, respectively, shed additional light on the fiscal shape of state and local governments in the wake of the Great Recession and similarly suggest persistent fiscal pressures. » [FULL ARTICLE](#)

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CONTRACTING: Are Local Vendor Preferences a Good Thing?

Across the nation, a number of municipal governments have adopted ordinances that give preferential treatment to local businesses in procurements, often via requirements that non-local bidders come in 3-10% lower on their pricing relative to their locally-based competitors. Elected officials often argue that such local preferences benefit cities by boosting local businesses and economic activity and

increase municipal tax revenues. But is preferential treatment for local businesses a good thing in municipal contracting? » [FULL ARTICLE](#)

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CRIMINAL JUSTICE: Reforming Mandatory Minimum Laws in Louisiana

Louisiana today has the highest incarceration rate among the states, with 868 of every 100,000 of its citizens in prison. A major cause is the expansion of determinate sentencing laws in recent decades, which have been disproportionately applied to nonviolent crimes. Further, the trend has been costly for taxpayers—the state prison population has nearly doubled over the past two decades, with a commensurate increase in correctional spending of over \$300 million. Yet, these laws have failed to reduce Louisiana's violent crime rate. While Louisiana policymakers have enacted some modest sentencing reforms, a recently released study by Reason colleagues Lauren Galik and Julian Morris recommends that they take additional steps to reform the state's sentencing laws to right-size the prison population and get better results from its criminal justice system. » [FULL ARTICLE](#)

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CORRECTIONS: Responding to Critiques of Correctional Privatization

One of the more contentious areas of privatization policy debate involves competitive contracting in corrections, including the operations and management of prisons themselves, as well as specific support services like correctional healthcare. Four recent Reason Foundation articles examine different aspects of the debate and find that the related issues are often much more nuanced than they may first appear. » [FULL ARTICLE](#)

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TRANSPORTATION: Reviewing the First Year of the I-495 Express Lanes

In recent years, managed lane projects—projects involving the tolling of highway lanes where prices vary throughout the day depending on the amount of traffic in the lanes (e.g., the higher the traffic, the higher the toll) to maintain free-flow conditions—have been proliferating in various metro areas, as has the private financing of public highway infrastructure projects through public-private partnerships. One project that combines both in a 75-year long-term concession is the 495 Express Lanes project on the Northern Virginia portion of Interstate 495 (the Capital Beltway), which recently celebrated its first anniversary. A recent report provides an interesting snapshot of the first year in operation. » [FULL ARTICLE](#)

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FEDERAL: Divesting the Tennessee Valley Authority

A recent Reason Foundation article by William B. Newman, Jr.—a former Conrail executive who worked on its successful sale by the federal government via IPO—explores the Obama administration's interest in a potential divestiture of the Tennessee Valley Authority (TVA) and reviews some options on how that could proceed in practice. Newman explores three potential divestiture options—a public offering, an asset sale and divestiture to the states—and makes the case that a TVA divestiture would: (1) avoid the potential pressure for a future taxpayer bailout, given the TVA's massive debt load and investment needs, and (2) shed the federal government of an unnecessary function, given the ubiquity of private sector power provision in this country. » [FULL ARTICLE](#)

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INNOVATORS IN ACTION: Pursuing Fiscal Self-Reliance in Utah

The latest installment of Reason Foundation's *Innovators in Action* monthly interview series—which profiles innovative policymakers in their own words, highlighting good government efforts delivering real results and value for taxpayers—examines Utah's recent moves towards fiscal self-sufficiency, relative to federal fund transfers and land ownership.

Utah State Rep. Ken Ivory has emerged as a leader on both issues. Ivory was a primary sponsor of the recently enacted "Financial Ready Utah" bills—aimed at quantifying the amount of federal funding used by state agencies and making contingency plans in the event of a major cutback in the flow of federal funds—as well as the 2012 Transfer of Public Lands Act, which established a framework for the transfer of certain federal lands to the state of Utah. Ivory also serves as president of the American Lands Council, a nonprofit advancing the cause of local control of land access, land use, and land ownership in the West. I recently interviewed Rep. Ivory on the rationale behind the Financial Ready Utah bills and the Transfer of Public Lands Act, the history of federal control of Western lands, and much more.

» [Read full interview with Utah State Rep. Ken Ivory](#)

» [Innovators in Action 2013 homepage](#)

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NEWS & NOTES

Toledo Officials Tout Public-Private Partnership in Solid Waste Collection: Since 2011, Republic Services has provided solid waste management services for Toledo, Ohio (via an agreement with Lucas County), the result of an attempt by city officials to seek cost savings amid a \$48 million budget deficit. In a [recent blog post](#), I discuss a promotional video produced by Republic that features first-hand testimonials from Toledo Mayor Mike Bell, City Councilman Tom Waniewski, and several other local officials and city department heads on the benefits of their

solid waste contract—which include \$6 million in annual savings—and more.

Colorado State University Examining Potential Parking Lease: *The Coloradoan* reports that officials at Colorado State University (CSU) in Fort Collins are evaluating the potential lease of its parking assets to a private investor/operator as one way to help address growing parking demand. The move follows on the heels of Ohio State University's 50-year lease of its parking assets to a private consortium last year, in exchange for a \$483 million upfront payment that was invested in the university's academic endowment to help support its long-term academic mission. According to CSU officials, any revenues from a parking asset lease would be used to fund new parking facilities and transit operations.

Louisiana Piloting Privatized Driver's License Renewals: *The Advocate* recently reported that Louisiana Gov. Bobby Jindal's administration has launched a pilot program to privatize driver's license renewals in two locations (in East Baton Rouge and Jefferson Parishes, respectively), with the possibility of expanding the program statewide. According to Office of Motor Vehicles (OMV) Commissioner Stephen Campbell, customers at the private facilities may pay a transaction fee of up to \$18, on top of the regular renewal fees charged in state OMV facilities, but in return they are expected to see shorter wait times and greater convenience. As Louisiana State Police Superintendent Michael Edmonson explained, "Some people just want the ease, and they pay more," according to the *Associated Press*.

Indianapolis Seeking Public-Private Partnerships for Parks: Late last month, the *Indianapolis Star* reported that the city parks department is seeking potential private partners for a range of potential activities, including launching new programs, taking over existing facilities or programs, or even taking over operations of "swaths of the park system." The initiative is aimed at lowering costs, expanding programs (and revenue generation opportunities), and addressing a nearly \$46 million backlog of needed facility improvements. "If a proposal comes back in a way that would improve the quality of a space, and that would improve utilization of a space, then we are open to having some of these facilities (privately) operated," city parks deputy director Jen Pittman told the *Star*. The city issued a request for proposals in late November, with a submission deadline of January 31, 2014.

NJ Turnpike Authority Seeks to Privatize Cash and Electronic Toll Collection: In the *last issue*, I reported that the South Jersey Transportation Authority is seeing significant savings through privatizing toll collection on the Atlantic City Expressway, with an estimated savings of nearly \$7.5 million by the end of 2014 (or 43 percent savings over three years). A similar initiative may now be on deck for New Jersey Turnpike Authority (NJTA) as well. Last month, the *Asbury Park Press* reported that NJTA officials were issuing requests for proposals to potentially privatize electronic and cash toll collection on the New Jersey Turnpike and Garden State Parkway in 2016. According to NJTA executive director Veronique Hakim, the authority intends to shed its manual toll collection and administration functions and expects that cost savings could total in the millions of

dollars.

West Virginia Workers' Compensation Program Privatization Continues to Pay Dividends: The 2005 privatization of West Virginia's Workers Compensation Commission—at the time, the state-run monopoly insurer—continues to benefit the state and its taxpayers and businesses. A 2005 law began the process of converting the Commission into a private insurance carrier—BrickStreet Mutual Insurance Co.—that was given a temporary monopoly as it transformed into a private sector enterprise, and since 2008 Brickstreet has faced competition from over 200 other private insurers. Last month, *The State Journal* [reviewed the results](#) thus far of opening the market to competition, finding:

Since the process completion in 2008, workers' compensation rates declined an average of 30 percent statewide, saving employers annual costs of \$150 million in 2010. The number of protested claims is now hovering at about 4,000 a year - a dramatic difference from 2004 when it was about 24,000. In just the first two years, the number of outstanding, unfunded liabilities from the old state-run system dropped from \$3.2 billion to \$1.9 billion.

Separately, a [July article in Insurance Journal](#) noted that the state has seen nine consecutive decreases in loss costs (the costs associated with worker's compensation claims) since privatization, representing a 48.1 percent decline. Former state insurance commissioner Jane Cline told *The State Journal*, "It has really been a success all the way around."

Washington State Municipal Contracting Guide Released: Having recently returned from speaking on state and local government privatization and public-private partnerships at the inaugural [Solutions Summit events](#) held by the Washington Policy Center, I was pleased to see the release of a new guidebook on local government contracting, [Contracting for Services](#), by the Municipal Research and Services Center of Washington. It contains an overview and handy guidance for municipal governments on contracting for architectural/engineering professional services, personal services, and purchased services, along with some useful questions and answers, solicitation checklists and other useful resources. While tailored for local governments in Washington, a large amount on the content is general in nature and could serve as a useful contracting primer for local officials elsewhere.

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Additional Resources:

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