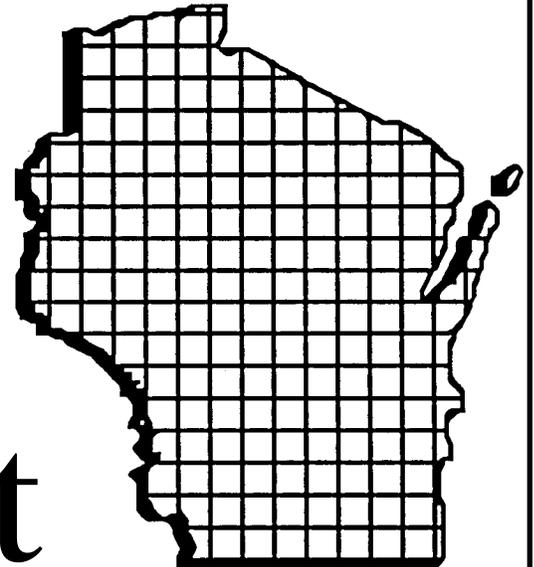


Wisconsin

Policy  
Research  
Institute

Report



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**COMPETITIVE  
CONTRACTING AND  
PRIVATIZATION  
OPTIONS IN  
WISCONSIN STATE  
GOVERNMENT**

## REPORT FROM THE PRESIDENT:

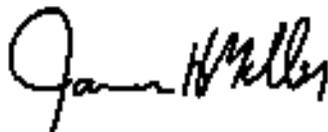
For the last several years, one of the most debated public policy issues across the country has been competitive contracting for government services. Most states and cities have utilized the concept and saved hundreds of billions of dollars. We thought it would be appropriate to examine the implementation of competitive contracting and privatization by the State of Wisconsin.

We contracted with Dr. Paul Kengor, an Associate Professor at Grove City College and a Visiting Fellow at our Institute, to research this issue. Dr. Kengor has written extensively on the topics of competitive contracting and privatization. He has examined existing data for the last year, and has produced a study that rates Wisconsin's progress in this area, and equally importantly, details innovative projects occurring in other states across the country.

This study also draws a real distinction between the ideas of competitive contracting and privatization. As Dr. Kengor points out, to get better efficiency in government spending, one does not necessarily have to privatize. It is much more important to introduce competition. In other words, if an agency begins to bid out certain programs, it may well be that the public sector can do it cheaper and more efficiently than the private sector. It is this competition that is most needed in Wisconsin's agencies.

This report does demonstrate that, during the 1990s, Wisconsin began to shift a number of programs away from the traditional monopoly of state government control. Unfortunately, just some agencies, not all, have participated in this shift. Certain agencies such as the Department of Administration and the Department of Natural Resources have been very aggressive; others have remained complacent. An earlier state study with partial data put the annual government savings from privatization at approximately \$33 million per year. But that is not enough.

With revenues dropping, Wisconsin is coming to a major fork in the road. It has three solutions to balance the budget: raise taxes, cut spending, or develop savings that could potentially negate the first two choices. Certainly, institutions such as the University of Wisconsin have tremendous opportunities for savings if they begin to look creatively at the amount of taxpayer money that they waste. The real question is not whether competitive contracting can save the state money, but whether these government agencies have the will to save taxpayer money. Until our government officials in Madison decide that good management is more important than taking more dollars from Wisconsin taxpayers, the speed of privatization in Wisconsin will not accelerate to the levels we need to save real money for our state and our taxpayers.



James H. Miller

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# COMPETITIVE CONTRACTING AND PRIVATIZATION OPTIONS IN WISCONSIN STATE GOVERNMENT

PAUL KENGOR, Ph.D.

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## EXECUTIVE SUMMARY

This report is a comprehensive overview of potential privatization targets in Wisconsin state government. It focuses on privatization *candidates*, meaning the mere mention or consideration of a service for privatization does not represent a *de facto* call for its privatization. It only means it should be carefully considered for possible privatization. More specifically, the report advocates competitive contracting of identified services, which means that the current government provider of the service should also be allowed to place a bid if and when the service is identified and pursued for possible privatization.

This report identifies hundreds of privatization opportunities in Wisconsin. In nearly every case, it calls for privatization of management or operations, not ownership. The report recognizes that privatization is not a panacea. But the data show that privatization produces greater efficiency and savings — on average, a 20-50% reduction in costs. Depending on the service, it often brings in revenue for the government. Usually, it leads to better service quality as well. The key to ensuring quality is proper bidding and contracting. Because of these benefits, privatization is now remarkably bipartisan, with the biggest advocates often being big-city Democratic mayors. Facing new budgetary constraints, privatization offers Wisconsin a chance to cut costs rather than hike taxes.

The seeds are there for more privatization in Wisconsin. The receptivity is shown by the encouragement of the State Legislature and Governor Thompson, who together created the bipartisan Wisconsin Commission on Privatization, which in 1998 called for a comprehensive privatization plan. Numerous departments and agencies have done privatization, some on a large scale. One internal report found over 62,000 contracts for \$262.9 million by state agencies in FY 1995/96. Counting strictly “significant examples” of outsourcing, the Department of Administration listed 140 services that have been outsourced in state government — the majority outsourced for at least 10 years, some 20-40 years. Merely a partial reporting of savings from just some of these “significant examples” found the state was saving \$33.4 million annually from privatization. This is far from a full total of all savings from all outsourcing. This across-the-board willingness to outsource ought to be seen as a strength and sign that Wisconsin has been receptive to outsourcing in the past, and perhaps may not be too resistant in the future. Privatization is nothing new to the state. The question is why much more isn’t being done when it could and should be, especially with so much of it done so successfully in the past.

- The Wisconsin departments and offices that have done the most privatization are the Department of Administration (DOA); Employee Trust Funds; the Gaming Commission; Industry, Labor and Human Resources; Insurance; Justice; Natural Resources; Transportation; and the University of Wisconsin System. Most impressive is the Department of Natural Resources, which by 1994 had privatized over 40 services throughout Wisconsin, generating considerable savings. These groups should be commended. At the same time, key opportunities remain in Administration, even though that department has been very innovative. Vast opportunities exist in Transportation and the University of Wisconsin (UW) System. The UW System is a gold mine of untapped privatization opportunities. An entire study should be done simply focused on identifying opportunities in the UW System.
- Among the impressive privatizations are the following: DOA’s Division of Building and Police Services contracts for custodial services at 20 state-owned facilities, with an annual savings of \$1,304,600. Since March 1993, the Gaming Commission has contracted for the delivery of some instant lottery tickets to retailers, saving \$335,000 per year. The Department of Health and Social Services contracts out claims-processing assessment and retrospective-drug-utilization review, saving \$250,000 to \$500,000 per year. By contracting actuarial assistance on financial examinations to evaluate reserve liabilities, the Office of the Commissioner of Insurance saves \$50,000 to \$100,000 annually. There are smaller privatizations that nonetheless are worthwhile. The Judicial Commission contracts out for legal help, saving \$10,000 to \$15,000 per year. By outsourcing janitorial services, the Department of Military Affairs is saving \$14,000 annually.
- Based on their own self reporting, the following 12 departments, agencies, commissions, and offices outsource very little: Aging and Long-Term Care; Banking; Employment Relations; Health and Educational Facilities; Judicial Commission; Lower Wisconsin State Riverway; Military Affairs; Personnel Commission; Public Instruction; Secretary of State; State Fair Park Board; and State Treasurer. Most of these groups could do much more.
- The Wisconsin Veterans’ Home at King represents a bonanza of privatization opportunities, from numerous support services to operation of recreational facilities to management of the home itself. Implementation would likely easily produce millions of dollars in annual savings.

- Wisconsin owns and operates 29 adult corrections facilities, none of which have privatized management. The state spends much more per inmate than government-operated facilities in other states, and nearly twice as much as privatized facilities in Texas and California. There are many privatization opportunities in Wisconsin's prisons. Among these, privatized management is a highly attractive option that should be considered as a means to improve both service quality and efficiency. The average state expenditure per prison in 1999 was roughly \$20.6 million. A standard savings from privatization of prison management would generate \$2 to 4 million in savings per facility. Spread among a few or many of the 29 facilities, the savings to the state budget could be immense. This report implores the state to at least initiate a pilot project to privatize prison management among two or three Wisconsin facilities. The state already employs private prisons for many of its inmates, several thousand of which are exported to other states where some are kept in private prisons operated by private providers. In addition, any new prison construction must rely on private contracts, since private construction is vastly more efficient and inexpensive.
- Wisconsin owns and operates four juvenile facilities that employ 1,250 state workers. Little to no privatization has occurred in any area relating to the operation of these facilities, including even support services like medical and nursing staff, cleaning, cooking, and janitorial duties. Private management seems to have never been closely considered. The state spends large amounts of money on these facilities. Privatization could produce millions of dollars in savings.
- There are three state mental-health institutions in Wisconsin. They offer numerous privatization opportunities, especially among support services such as maintenance, food, laundry and housekeeping, security, medical and lab services, handling of biohazardous waste, and more. All three provide opportunities for private management, particularly by hospitals or non-profit organizations. A 20% savings from privatization of management (not ownership) would save taxpayers annually over \$9 million with the Mendota Health Institute, nearly \$8 million with the Winnebago facility, and almost \$5 million from Wisconsin Resource Center. There are almost 500 private or non-profit/religious mental health institutions operating throughout the state. Surely, some would be interested in, and qualified to manage, one or more of the three state institutions. Again, perhaps Wisconsin could try a pilot privatization with just one of the three mental-health institutes.
- Other solid candidates for possible privatization include: processing of tax returns; copying and printing; computer and information services (MIS); architectural services; building inspections; state export promotion activities; microfilming and records management; multiple road services; payroll/paycheck processing; plumbing; painting; State Fair Park operations; Wisconsin telephone customer service; custodial services; processing of insurance claims; auto vehicle photo ID centers; fleet services; and more. This is only a partial list of services identified in this report.
- Wisconsin can learn a lot from neighbors and other states. The appendix of this report features a lengthy list of privatized services among all 50 states. If Wisconsin officials are serious about cutting costs, particularly through competitive contracting, they should circulate this list to department heads and managers in Wisconsin government. Those individuals could be asked to circle items on the lists that are currently done in-house in Wisconsin. Officials should then ponder why Wisconsin hasn't considered privatizing these same services.
- This report also offers many practical tips for dealing with government employee and union opposition to privatization — a key thread throughout the report.

## INTRODUCTION

This report is a comprehensive review of possible privatization candidates in Wisconsin state government. Emphasis needs to be placed on the words “possible” and “candidates.” The simple mention of a service or asset as a potential target for privatization does not signify a flat-out call for its privatization. The goal of this report is to identify services that have commonly been privatized elsewhere by other state governments and then consider why those items have or have not been considered in Wisconsin. To that end, it identifies a large number of potential targets.

Specifically, this report identifies hundreds of privatization opportunities. The number is multiplied when considering there are 29 adult prisons, 26 University of Wisconsin campuses, 50 job centers, and 12 travel information centers. There are also more than one nursery, fish hatchery, and state lab. There are 38 different types of crisis or “hot” lines, spread among 71 separate telephone numbers. Each of these has at least one excellent privatization opportunity — most have more. The category “Vacant Lots, Land, and Buildings,” could by itself entail hundreds of privatization opportunities.

In short, Wisconsin state government is ripe with privatization opportunities.

More accurately, this report favors competitive contracting of the candidates it identifies. Competitive contracting — also known as “competitive bidding” or “managed competition” — is a process whereby a government identifies a service as a target for possible contracting and seeks bids on the service from both private-sector bidders and public-sector groups as well. For instance, if a city decides it would like to competitively contract its refuse service, it would take bids from both private companies and its own refuse bureau or department. This allows government workers to bid on the service as well. The government then awards the contract based on which group it thinks will provide the best quality of service at the best possible price. This can mean, and often does, that the public-sector group can win the bid — i.e., it doesn’t become privatized.

The beauty of competitive contracting is that it offers a means to force efficiency by the government provider — an efficiency otherwise not ensured because of the lack of competition it faces. The private firms, of course, face competition everyday, which, not surprisingly, is why they’re, on average, much more efficient while still offering high quality service. (With the refuse example, a compilation of studies on privatization of refuse found the service to be 61-71% more expensive when provided by government.<sup>1</sup>)

Throughout this report, the words “contracting,” “outsourcing,” and “privatization” are used synonymously. They all refer to the same thing — turning over, or possibly turning over, the management or ownership (usually management) of a government service or asset to a private company or to a non-profit organization (NPO). Again, competitive contracting does not always lead to a privatization.

The most authoritative source on savings from privatization is the work of John Hilke. Since at least the 1970s, Hilke has been collecting case studies of privatization from all over the United States and the world. Based on literally hundreds of case studies, he finds that the average savings from privatization ranges from 20 to 50%.<sup>2</sup> His work is consistent with the findings of the top scholar in the field of privatization, E. S. Savas, called the “godfather of privatization” by the *New York Times*, whose pioneering works include *Privatizing the Public Sector* and *Privatization: The Key to Better Government*.<sup>3</sup>

This report in no way assumes that privatization is always best or always turns out for the better. It is certainly not a panacea. The undeniable reality, however, is that in the vast majority of cases it produces savings. The numbers don’t lie. The hope is that quality of service is bettered or maintained as well. While quality enhancements usually occur, they don’t always occur. The key to ensuring quality is proper bidding and contracting.

Privatization has become so obviously successful, and necessary, that its champions are no longer just libertarians or conservatives. The nation’s biggest advocates have been the mayors of our largest cities. Michael White in Cleveland, Richard Daley in Chicago, Ed Rendell of Philadelphia, and more. Rendell is most famously known as the chairman of the Democratic National Committee during the Bush-Gore 2000 election mess. Without a doubt, the nation’s two top privatizers throughout the 1990s were mayors Stephen Goldsmith of Indianapolis (a Republican) and Rendell. By privatizing 49 services in only seven years, Rendell saved his city \$275 million, eliminating a \$200-million deficit and junk bond rating, and quite literally rescuing it from bankruptcy. The first 13 services that Rendell privatized netted an annual savings of 50 percent.<sup>4</sup>

The point is that privatization is now remarkably bipartisan. When Democratic politicians resist efforts, it is usually because they are conceding to the power of government unions — their strongest base of political support. The

greatest victim of such politics is often Democratic mayors in bankrupt major cities who find themselves hamstrung by Democratic politicians in their city councils. Pittsburgh is but one example.

Nearly half the time and effort in this report is focused on what states outside of Wisconsin are doing or have done in privatization. What other states are doing is very instructive, especially if many of them have privatized a service that Wisconsin has not. When possible, attempts were made to ask Wisconsin officials about these services privatized by other states. One list of such services is published in the Appendix. That list, however, is so vast and varied that many times officials themselves didn't know whether Wisconsin had privatized the services identified. They sometimes directed the author to other sources who didn't know or couldn't be reached. Consequently, it is here hoped that Wisconsin readers will peruse the list themselves and do their own matching, carefully considering whether their state might also contemplate privatizing service A, B, or C, just as did states X, Y, and Z.

The State of Wisconsin has a very wise philosophy that when a new service or function is required or becomes the responsibility of state government, it first asks the question: Can the private sector do this instead of us? The answer is frequently, yes. Too often, most governments never ask that question.

Unfortunately, while Wisconsin boasts that it asks that question — which on occasion it surely does — there are many examples in this report of new functions for which the state has either not asked that question or did and decided to keep the function in-house anyway. This now means that privatization will be especially difficult, as these functions fall into the iron grip of government unions.

The union factor must be grappled with. In that regard, as a means to ease any actual attempt at privatization of services identified in this report, it is advisable that the state not pursue merely single privatizations one at a time. That strategy emboldens public-sector unions to martial their forces and crush the first attempted privatization so solidly that state officials are frightened from pursuing future privatizations. Moreover, even if that first attempt by state officials is pursued successfully, unions will rally again to crush each privatization thereafter. In sum, then, state officials interested in privatizing some of these services should choose a handful and pursue them simultaneously.

Another means for lessening union opposition is to write a contract that ensures that the new private manager will rehire all current government employees. These no-layoff clauses lessen the degree of opposition. The private manager still usually saves money because it is typically much more efficient than the government manager, and hence is able to cut costs even without layoffs. (For an example, see the section of this report on prison privatization — specifically, the Delaware County case.) Excess positions can be eliminated by attrition.

Wisconsin has been innovative in reforming welfare, promoting school choice, and limiting the role of government. However, though the governor and the state have much to be proud of, research indicates a mixed message concerning reforms of overall government agencies when outsourcing is examined.

To be clear: the state has not been “poor” in terms of its level of outsourcing. Yet, it probably rates no better than average at best. This fact is worse when one sees that certain Wisconsin government services are obvious targets for much greater outsourcing, or any contracting at all, and really should have long ago been targeted as candidates. To cite only a handful of examples (a small handful), a comprehensive review of Wisconsin's veteran's home, juvenile centers, state prisons, state parks and mental-health facilities, shows that much more work can be done to further the role of outsourcing in the successful and cost-effective management of state government in Wisconsin.

Governor Thompson said he was “proud of the extent to which the State of Wisconsin currently relies on the private sector to provide services at a cost lower than would be the case if state agencies provided them.” He asked: “Should the state do more private contracting? I think each future candidate for privatization should be analyzed carefully.”<sup>5</sup> That is good advice. This report takes a first step. The proper follow up to this report would be for state officials to carefully consider each candidate listed in this report for possible privatization by initiating an in-depth look, even a report, on each.

Lastly, privatization for Wisconsin has greater motivation now than at any recent time. On June 30, 2000, a little-noticed federal government edict has placed unprecedented pressure on governments like Wisconsin. Starting in 2001, all state and local governments with annual revenues exceeding \$100 million (that includes Wisconsin) are required to change their accounting and financial reporting systems, making them more similar to private sector methods. Budgets will have to include assets and liabilities, and must conform to accrual accounting standards. This means that many budgets that balanced with no problem in 1999 will not balance under the new rules. Scott Jensen, speaker of the Wisconsin Assembly, estimated last year that Wisconsin's then-balanced budget proposal would be as much as \$600 million in the red under the new accounting standards.<sup>6</sup>

This sort of pressure may mean Wisconsin could either be forced to raise taxes or cut costs. Cost cuts can come in the form of employee layoffs. Privatization offers a chance to cut costs without layoffs — as government workers are transferred to the private provider rather than eliminated — as well as a way to avoid tax hikes.

These dynamics mean that the information on privatization in this report may now be more important than ever.

## METHODOLOGY

As noted above, a substantial thrust of the research for this report, perhaps as much (if not more) than half, involved an extensive search among states throughout the country. This research was done in order to identify the latest innovations in state privatization, as well as examples of classic, standard cases of privatization of state government services. On the latter, there are certain services that are widely viewed as non-essential government services that can and should be easily privatized with little to no controversy. Some of these are so obvious that they are considered “no-brainers” for privatization. By placing calls around the country, it was possible to determine which of these services are thus perceived to be (for a lack of a better word) non-essential, no-brainer services. And, indeed, it was found that some of these functions are performed by Wisconsin state government and could be outsourced or competitively contracted.

In identifying appropriate potential targets for contracting in Wisconsin, it was most helpful to generate a list of the breadth of outsourced activities among other states. To that end, roughly 30 states were directly surveyed for this report. Direct contact was made via written correspondence and/or telephone interviews.<sup>7</sup> Also performed was a rigorous database and documents search among all states throughout the country. When available, policy organizations and think tanks were contacted in each state.

When possible, this report is careful to footnote contact information, including telephone numbers, of government officials in other states who have privatized certain services. This information is offered so interested Wisconsin officials will be able to contact an official in another state who has experience with privatizing certain services. These people have valuable insights and should without doubt be contacted.

The result is a product that should be of use not only to Wisconsin but also to states throughout the country. A state official in, say, Massachusetts or Hawaii, could pick up this report and quickly learn what other states are doing or have done in privatization, and, consequently, can gain an understanding of which services might or should be outsourced in their state. This report has application well beyond the Wisconsin border.

Three caveats need to be mentioned:

First, this report keeps in mind that state law may in fact prohibit privatization of certain services identified in this report. Experience has shown, however, that laws regulating privatization are in a constant state of change, either for or against.

Second, as will be seen, this report found an extraordinary number of potential privatization opportunities in the State of Wisconsin. Consequently, in compiling findings, the report soon became much larger than expected. That meant that certain related topics were not covered. For instance, a section on Wisconsin’s experiences in privatizing some of its welfare functions with the private firm Maximus was sacrificed. The state’s experiences here have been unpleasant and have recently deteriorated. A proper examination would fill a large case study in and of itself, and should be written. Also, the report barely mentions privatization among Wisconsin’s human services, a service area that the author has examined extensively in other states.<sup>8</sup> That issue, too, is so overwhelming that there simply wasn’t room for it in this report. Privatization among Wisconsin’s human services is a report itself, and someone should write it soon.

A last crucial point or caveat is worth noting: When a service or asset is identified in this report as a potential target for contracting, it usually is accompanied by a few sentences or paragraphs at best. That is probably not a sufficient amount of information to merit a final decision as to whether the service should be competitively contracted. This is the nature of a comprehensive overview, which this report is. The question of whether service X or Y ought to be privatized in Wisconsin may at times fill a 30-plus-page report in and of itself. This is certainly true for items like prisons and fleet functions. It also applies for state parks, veteran homes and numerous other services. Those more detailed, individualized analyses should be considered or conducted before proceeding with a comprehensive competitive contracting process.

## CONTRACTING IN WISCONSIN — PAST AND PRESENT

In urging broader consideration of privatization opportunities by Wisconsin, this report is hardly a voice crying alone in the wilderness. As part of the 1995 Wisconsin Act 27, a section of the 1995-97 budget bill, the Wisconsin Legislature and Governor Thompson created the bipartisan Wisconsin Commission on Privatization. The commission was directed to “study and evaluate all functions of state government that may be delegated to the private sector at a cost savings to state taxpayers.”<sup>9</sup> The commission recommended that a “comprehensive Privatization/Competitive Government Process be adopted by all Wisconsin State government agencies.” The key elements of the initiative were outlined in the following eight recommendations.<sup>10</sup>

1. The Governor or his designee should oversee the implementation of the privatization/competitive government process.
2. Support staff should be designated to effectively implement the privatization/competitive government process.
3. The Department of Commerce should facilitate the participation of private sector individuals in the privatization/competitive government process.
4. Criteria should be adopted to analyze proposed legislation, budget initiatives (including proposed performance-based budgets) and current government services for privatization/competitive opportunities.
5. A uniform and complete cost analysis model should be implemented throughout state government.
6. Guidelines should be adopted for use in implementing contracts, bids, measuring performance and monitoring services provided by a public or private contractor.
7. State employees should be involved in the competitive bidding process wherever possible, and employee incentive and productivity programs should be considered for future implementation.
8. Document the results of privatization activities through measuring the cost savings and quality of service in an annual report.

This report endorses those recommendations. The extent to which they’ve been implemented is unclear and debatable, and probably lamentable. The lack of implementation of a large-scale privatization initiative — indeed, even a smaller scale effort — is unfortunate. It also seems to violate the spirit and direction of the mandate given back in 1995.

That said, it is important to note that Wisconsin state government has not shunned privatization in the past. A large number of services have been privatized. For instance, delinquent tax payment collection has been privatized. Various services within human services have been outsourced. There has been impressive competitive bidding done in the area of welfare services. The following table, taken from research done by the Wisconsin Policy Research Institute, documents over \$10 million in savings from competitive bidding of W-2 programs:

**TABLE 1 W-2 COST SAVINGS UNDER COMPETITIVE BIDDING**

County	RFP Maximum Allowable Bid	Contract Amount	Cost Savings
<i>Vilas</i>	\$1,111,459	\$1,109,000	\$2,459
<i>Kewaunee</i>	\$967,573	\$964,000	\$3,573
<i>Forest</i>	\$1,493,634	\$1,199,138	\$294,496
<i>Oneida</i>	\$2,976,228	\$2,972,000	\$4,228
<i>Juneau</i>	\$2,452,245	\$2,451,600	\$645
<i>Milwaukee 2</i>	\$55,010,619	\$51,011,200	\$3,999,419
<i>Milwaukee 4, 5</i>	\$115,696,017	\$110,770,525	\$4,925,492
<i>Milwaukee 6</i>	\$58,682,678	\$57,644,008	\$1,038,670
<b>Total Savings</b>			<b>\$10,268,982</b>

Source: Wisconsin Policy Research Institute, *Privatizing Welfare in Wisconsin*, Vol. 11, No. 1, January 1998.

These are far from isolated cases of Wisconsin privatization.

A 1994 report by the state's Department of Administration sought to identify services that had been privatized. It attempted to quantify savings from those privatizations and the length of duration of the various contracts for each outsourced service.<sup>11</sup> Unfortunately, the report did not seek to identify services that have not been, but could be, privatized — the objective of this report.

The report was done by submitting a survey to the state's various agencies and departments, asking them to list the activities they currently contract out, rather than perform in-house with state staff.<sup>12</sup> The following lists only the "significant" examples of privatization found in the survey. Importantly, it is not a comprehensive list.

### **Significant Privatized Activities in Wisconsin State Government**

#### **Administration**

- Custodial Services at 17 State-Owned Facilities
- Child Care Services for State Employees in Central Madison
- Snow Removal
- Consolidation Data Network and State Telephone System
- Research in Energy Efficiency
- Worker's Compensation
- Software Development and Certified Network Engineer Support
- Maintenance of Computers and Printers
- Environmental Impact Review of Housing Projects
- Grants to Affordable Housing Organizations; Grants Administration
- Architectural, Engineering, and Building Design

#### **Aging And Long-Term Care**

None Reported

#### **Agriculture, Trade, And Consumer Protection**

Courier Services

#### **Banking**

None Reported

#### **Corrections**

- Physician Services at Juvenile Institutions
- Mobile X-Ray Units
- Extradition Services
- Systems Furniture Installment

#### **Employee Trust Funds**

- Group Term Life Insurance
- Deferred Compensation Plan Administration
- Actuarial Consulting Services
- Health Insurance Claims Processing
- Disability Insurance Claims Processing/Payment

#### **Employment Relations**

None Reported

#### **Gaming Commission**

- Delivery of Instant Lottery Tickets to Retailers
- Auditing for Lottery Money Game Show
- Public Relations Services
- Janitorial Services
- On-Line Supplies and Services for the Lotto Game
- Advertising Services
- Video Duplication

**Health And Educational Facilities**

None Reported

**Health And Social Services**

Medicaid Fiscal Agent Services  
 Management and Analytical Systems to Support Medicaid  
 Automated System to Administer AFDC  
 Automated System to Administer Child Support Enforcement

**Industry, Labor And Human Resources**

Facilities Design  
 Computer Programmers  
 Court Reporters  
 Treatment Reviews and Expert Opinions  
 Spanish Translation Services  
 Plan Review/Inspection of Petroleum Product Storage Tanks  
 Uniform Dwelling Code Enforcement  
 Office Supplies  
 Data Entry  
 Janitorial and Maintenance Services

**Insurance**

Administration and Claim Services for Local Government Property Insurance Fund  
 Valuation Services for Local Government Property Insurance Fund  
 Actuarial Services for the State Life Fund  
 Scoring of Agent Licensing Exams  
 Actuarial Assistance on Financial Examinations  
 Claims Administration for Patients Compensation Fund

**Investment Board**

Data Processing Support  
 Legal Services  
 Investment Management

**Judicial Commission**

Private Attorneys

**Justice**

Consultant Services for Procurement and Maintenance of Automated Fingerprint Information System  
 Microcomputer Maintenance  
 Contract Programming  
 Law Enforcement Training and Employment Programs  
 Hiring of Expert Witnesses and Court Reporters  
 Commercial Loan Accounting System for State Trust Fund Loan  
 Hiring of Odontologists and Pathologists

**Lower Wisconsin State Riverway**

None Reported

**Military Affairs**

Janitorial Services

**Natural Resources**

North Avenue Dam Feasibility Study  
 Hazardous Substance Spill Cleanup  
 Quality Improvement Training  
 Cleanup of Waste Tire Stockpiles  
 Rough Fish Removal From Lake Winnebago

Real Estate Appraisal  
 Lab Analysis of Samples of Volatile Organic Compounds  
 Car-Killed Deer Pickup  
 Emergency Response Zone Contract  
 Information System Development  
 Trail Mowing, Parking Lot Maintenance  
 Waste Pickup at State Parks  
 Snowplowing  
 Janitorial Services  
 Facilities Repair  
 Groundskeeper  
 Security Guard Services  
 Production of Milwaukee River Video  
 Pumping and Hauling of Septic Waste  
 Water Softener Service  
 Wood Cutting and Sales  
 Aerial Herbicide Spray  
 Tree Planting Services  
 Soil Fumigation Services  
 Youth Camp Food — Kettle Moraine  
 Youth Camp Laundry Services — Kettle Moraine  
 Road Maintenance  
 Fish Assessment — Great Lakes Research Facility  
 Sludge Pumping  
 Sampling Services for Enforcement Investigation  
 Preparation of Hazard Ranking List  
 Investigation, Design, Construction of Remedial Action Plan  
 Clerical Help  
 Deer Registration  
 Fire Tower Inspection  
 Concession Stand Operation  
 Heavy Equipment Leasing  
 State-Lead ERRP Work, ERRP Scoring & Ranking  
 Sampling Waste Streams — Hazardous Waste

#### **Personnel Commission**

None Reported

#### **Public Instruction**

Data Entry  
 Printing

#### **Regulation And Licensing**

Test Administration, Booklet Purchase, Application Processing  
 Computer Test Administration  
 Decorative Wall Certificate Processing and Mail Service

#### **Revenue**

Delinquent Tax Collection  
 Data Inspection Compilation of Local Government Records  
 Appraisal Services for Property Reassessment

#### **Secretary Of State**

State's Working Bank Lock Box

#### **State Fair Park Board**

General Operations of Numerous Activities

**State Treasurer**

Custodial Safekeeping of Unclaimed Property Securities  
Contract Programming

**Transportation**

Engineering for Highway Improvement Projects  
Special Counsel  
Roadside Vegetation Inventory  
Maintenance, Custodial Care, Program Management of Rest Areas  
Real Estate Title Information  
Real Estate Appraisal

**University Of Wisconsin System**

Amusement Equipment  
Asbestos Removal, Abatement and Testing  
Elevator Repair and Maintenance  
Waste Collection  
Fire Extinguisher Maintenance  
General Construction/Excavation/Remodeling  
Hazardous Waste Storage and Removal  
HVAC/EMS  
Laundry Services  
Office Machine and Computer Maintenance  
Pest Control  
Piano Repair  
Pumping Grease Pits  
Recycling Disposal and Removal  
Street, Sidewalk and Parking Repair  
Vending Machines  
Weed Control/Landscape Maintenance  
Window/Glass Replacement

Obviously, Wisconsin does a lot of outsourcing. There are almost 140 “significant” examples of privatized services listed above.

Importantly, not noted in the table is the fact that dozens of these services, probably a majority of them, have been contracted for at least 10 years. At least 20 have been contracted for 20 years or longer, some as long as 30-40 years.

The Department of Administration (DOA) tried to total the savings from all this outsourcing. Sadly, it received estimates only from some of the departments and agencies on just some of the services privatized. Even with that, the department estimated that this outsourcing has saved the State of Wisconsin \$33.4 million annually.<sup>13</sup> Again, this does not include savings from all of the roughly 140 services. In addition, it doesn’t include savings from all privatization throughout the state — only privatization from some of these above-listed “significant” examples.

One should expect, then, that the actual annual savings from privatization are much larger.

Among the savings are some very notable examples. Within DOA, the Division of Building and Police Services contracts for custodial services at 20 state-owned facilities, generating an annual savings of \$1,304,600. For over 20 years, DOA has contracted for snow removal. The largest savings from contracting this function is the avoidance of the cost for purchase and maintenance of equipment, which is approximately \$350,000 annually.

Also, the Division of Finance and Program Management contracts for the management of the state’s Consolidation Data Network and State Telephone System, saving \$648,740 annually. DOA for over 10 years has contracted investigation of workers’ compensation claims, producing annual savings of \$85,383. The Division of Hearings and Appeals has contracted the maintenance of computers and printers, producing \$50,000 in yearly savings. DOA has many more such examples, and has done a better job than any other group, department, or agency in documenting savings from privatization.<sup>14</sup>

There are many more examples, big and small, from other departments and agencies. The Department of Agriculture, Trade and Consumer Protection saves \$4,284 annually simply by using a courier service for delivery and pick up of payroll and finance documents for DOA, the State Treasurer, and the DOA Division of Information Technology Services.

**TABLE 2 SUMMARY OF CONTRACTUAL PURCHASES**

Fiscal Year	\$ Amount	\$ Change
1987/88	170,162,964	---
1988/89	182,403,986	42,241,022
1989/90	199,581,499	17,177,513
1990/91	172,975,981	(26,605,518)
1991/92	186,167,210	13,191,229
1992/93	235,659,638	49,492,428
1993/94	239,019,073	3,359,434
1994/95	286,330,815	47,311,742
1995/96	262,941,240	(23,389,574)

Source: State of Wisconsin, "Contractual Services Purchasing Report for the Period July 1, 1995 Through June 30, 1996," done by DOA's Division of State Agency Services, State Bureau of Procurement. Published in Competitive Contracting and Privatization, Options for a More Efficient State Government, Wisconsin Commission on Privatization Report to the Governor and Legislature, June 24, 1998, p. 42.

somewhat of a green light to government officials interested in pursuing larger-scale privatization. It is certainly not a red light. Officials might not meet the level of resistance that other states have found when pursuing a comprehensive privatization plan — states that have done far less outsourcing than Wisconsin.

There is more evidence of the state's receptivity to outsourcing. The tables on this page show the total contractual purchases made by the state up through 1996, as well as the number of purchase orders listed by state entities.

This information is taken from the 1996 State Bureau of Procurement, a division of DOA, which published the data in a report. The state spent a considerable amount on contracts in FY96, \$262.9 million. Those state purchases were spread out over a total of 62,647 private contracts. Among these, the UW-System alone accounted for 23,957 of the contracts (38%) with the majority coming from the four-year universities (23,467). Other major agencies contracting out for services included DOC, DOT, and DHFS.

Table 4 breaks down specific contracts above \$1.5 million, beginning with the largest.

Clearly, Wisconsin is willing to contract services.

Here are more:

Since March 1993, the Gaming Commission has contracted for the delivery of some instant lottery tickets to retailers, saving \$335,000 per year. The Department of Health and Social Services contracts out claims-processing assessment and retrospective drug-utilization review, saving \$250,000 to \$500,000 per year. By contracting actuarial assistance on financial examinations to evaluate reserve liabilities, the Office of the Commissioner of Insurance saves \$50,000 to \$100,000 annually. The Judicial Commission contracts out for legal help, saving \$10,000 to \$15,000 per year. By outsourcing janitorial services, the Department of Military Affairs is saving \$14,000 annually.<sup>15</sup>

This shows something quite important.

This broad-based willingness to outsource so many functions should be viewed as a strength, as well as a sign that Wisconsin government is not immune or hostile to attempts to privatize. Quite the contrary, it has been receptive to outsourcing efforts in the past. This might be construed as

**TABLE 3 STATE AGENCIES WITH THE MOST PURCHASE ORDERS (POs) IN FY96**

Agency	# of POs
UW System	23,957
DOT	12,618
DHHS (now DHFS)	6,877
DOC	4,276
DOA	1,913
DPI	1,889
DILHR (now DComm and DWD)	1,783
DNR	1,320

Source: State of Wisconsin, "Contractual Services Purchasing Report for the Period July 1, 1995 to June 30, 1996," done by DOA's Division of State Agency Services, State Bureau of Procurement. Published in Competitive Contracting and Privatization, Options for a More Efficient State Government, Wisconsin Commission on Privatization Report to the Governor and Legislature, June 24, 1998, p. 42.

**TABLE 4 SUMMARY OF FY96 STATE CONTRACTS**  
**STATE OF WISCONSIN CONTRACTUAL SERVICES OVER \$1,500,000**

<b>Service</b>	<b>\$ Amount</b>
Software Development – Mainframe	26,824,087
Correctional Services	16,141,812
Computer Programming	14,545,742
Advertising – Public Relations	13,910,943
Mainframe Computer Maintain/Install	13,238,272
Food and/or Nutrition Services	10,653,705
On-Line Lottery	8,006,700
Mainframe Computer Repair/Maintain/Install	6,729,463
Fees – Membership, Subscription	5,892,940
Teaching	5,136,178
Inspection Services	5,006,552
Management Consulting	4,376,033
Medical Services – Emergency	3,999,229
Medical Services – Outpatient	3,878,011
Alcohol and Drug Prevention Treatment	3,723,195
Janitorial and Custodial Services	3,588,999
Office Space Rental/Leasing	3,531,143
Management Studies	3,095,382
Computer Consulting	2,911,031
Automotive Maintain/Repair	2,788,082
Legal – Attorney	2,741,446
Entertainment Services	2,706,411
Network Services: Radio/TV (not computer)	2,585,417
Conservation and Resource Management	2,485,102
Clerical Support (excluding data entry)	2,428,577
Micro PC Maintain/Repair/Install	2,344,389
Convention and Space Rental	2,307,797
Lab Equipment Repair/Maintain/Install	2,195,540
Lab & Field Testing	2,175,327
Garbage/Trash Removal & Disposal	2,064,103
Travel – Bus, non-charter	2,006,798
Postage Stamp Service	1,987,967
Financial – Banking Services	1,951,111
Lodging – Non-Conf.	1,883,501
Transportation – Bus	1,766,220
Testing – Educational	1,612,666
Collection Services	1,561,929
Labor (Temp Help)	1,547,313
<b>Total</b>	<b>196,329,113</b>

Source: Competitive Contracting and Privatization, Options for a More Efficient State Government, *Wisconsin Commission on Privatization Report to the Governor and Legislature, June 24, 1998, p. 42.*

Among departments and agencies that have done outsourcing, complements should go to Administration; Employee Trust Funds; the Gaming Commission; Industry, Labor and Human Resources; Insurance; Justice; Natural Resources; Transportation; and the University of Wisconsin System. If there were an award for the most impressive department when it comes to outsourcing services, it would go to the Department of Natural Resources (DNR). By 1994, DNR had privatized over 40 services throughout Wisconsin.<sup>16</sup>

At the same time, the list also shows a number of departments to be quite conspicuous in the absence of privatization of internal functions.

Based on their own self reporting, an internal 1994 survey, and interviews by the author, in Wisconsin state government there is a significant number — 12, to be exact — of departments, agencies, commissions, and offices that outsource very little (some reported outsourcing nothing in 1994<sup>17</sup>). Here are those 12:

- Aging and Long-Term Care
- Banking
- Employment Relations
- Health and Educational Facilities
- Judicial Commission
- Lower Wisconsin State Riverway
- Military Affairs
- Personnel Commission
- Public Instruction
- Secretary of State
- State Fair Park Board
- State Treasurer

Generally speaking, why is so little outsourced among these groups? Is it because there are few to no things that can be privatized? In part, that might well be the answer. But the answer also could be that there has not been a serious effort or determined look for privatization targets among some of these entities and their functions.

Also, even though more privatization has been done within, for example, Health and Social Services and the University of Wisconsin System than within, say, Military Affairs and the Judicial Commission, it is extremely likely that there remains far more privatization opportunities within entities like the University of Wisconsin.

Indeed, there are a number of key opportunities in departments such as the Department of Administration, even though Administration has been diligent and conscientious in identifying and pursuing targets, probably more so than any other department. Also, Transportation could do much more outsourcing.

There are also additional departments, agencies, and services not yet listed in this report. The next section considers specific privatization opportunities throughout Wisconsin state government.

## CONTRACTING OPPORTUNITIES AND OPTIONS IN WISCONSIN

This is the core section of this report. It lays out a long list of potential privatization opportunities in Wisconsin state government, providing details on each — sometimes a brief amount of detail, and sometimes a large amount.

A number of the services identified over the next pages have been identified by other sources as well. For instance, the January 1995 Commission for the Study of Administrative Value and Efficiency (SAVE) report also suggested (as does this study) that privatization be considered for fleet and air management, local maintenance and “related garage work,” the “State Fair,” data entry and information management services, DNR nurseries, and “state health facilities.”<sup>18</sup>

This report identifies dozens of services. Again, as said more than once, the mere mention or consideration of an asset or service for privatization does not represent a *de facto* call for its privatization. It only means that the asset or service ought to be carefully considered for possible privatization.

The following box, derived from the author’s research, lists services identified in this section as prime targets for possible privatization:

**POSSIBLE PRIVATIZATION OPPORTUNITIES CONSIDERED**

Leasing Land/Space at WTICS – Wisconsin Travel Information Centers  
State Historical Societies and Museums  
Processing of Tax Returns  
Vacant Lots, Land, and Buildings  
Copying and Printing  
University of Wisconsin System  
Warehousing, Supplying, and Storing for UW and State Agencies  
Wisconsin Veterans' Home at King – Management and Support Services  
Juvenile Centers – Management and Support Services  
State Prisons – Management and Support Services  
Prison Construction  
Mental Health Facilities – Management and Support Services  
Computer/Information Services/MIS  
Architectural Services  
Building Inspections  
Power Plants – Operation and/or Ownership  
Support Services and Security around State Capitol Building  
Physical Security at Military Facilities  
State Export Promotion Activities and Economic Development  
Microfilming  
Records Management  
Road Services – Snow Plowing, Maintenance, Pot Holes, Paving, and More  
Payroll and Paycheck Processing  
Libraries  
Publications  
Plumbing  
Painting  
State Fish Hatcheries  
Nature Conservancies/Nature Centers  
Use of E-Commerce for State Bidding  
Management of State Fair Park  
Wisconsin Telephone Customer Service Among State Agencies and Departments  
Hot Lines/Crisis Lines  
Custodial Services Beyond DOA – Job Center Buildings  
State Labs  
Nurseries  
Accident Fund/Workers' Unemployment Compensation  
Processing of Insurance Claims  
Schools for Blind, Deaf, and Disabled – Management and Support Services  
Auto Vehicle ID/Photo Centers  
Fleet Service – Management, Maintenance, Leasing, and Fueling  
Six New Facilities – Management and Support Services  
Geographic Information System-based Registry  
State Parks  
SAVE Outsourcing Recommendations – Seven Services

Each of these services is examined in this section.

The box includes almost 100 items for potential privatization consideration. The actual total number of opportunities is far larger. Consider that many of the line items suggest possible privatization for both management and support services. The number of opportunities is multiplied when considering that, combined, the number of adult prisons, University of Wisconsin campuses, job centers, and travel information centers exceeds 100. There are 50 job centers and 12 travel centers. There is also more than one nursery, fish hatchery, and state lab. There are 38 different types of crisis or “hot” lines, spread among 71 separate telephone numbers. The category “Vacant Lots, Land, and Buildings,” could by itself entail hundreds of privatization opportunities.

The following pages detail the items listed in the box.

### **Leasing Land/Space at WTICs — Wisconsin Travel Information Centers**

The state owns and operates a number of travel centers throughout the state, located on state-owned land along the Interstate highway system. There are 12 of these WTICs — Wisconsin Travel Information Centers — listed in the state departmental directory. These generally well-maintained facilities feature information terminals, brochures, coupons, travel information, vending machines, and restrooms. Space at these centers could easily be contracted to various vendors, from food establishments to coffee shops to souvenir shops and the like. Aside from the facility itself, land near or adjacent to the centers could be leased to restaurants and various establishments. Throughout many states, restaurants like Sbarro, Pizza Hut, Wendy’s, McDonalds, Burger King, Subway, Blimpy, and coffee shops like Starbucks have been permitted to establish shops at rest areas, and are often hugely popular with travelers.

The state could collect lease/rent payments and tax revenues from these entities.

Also, if not done already, the state should consider outsourcing maintenance and lawn care at the WTICs. For insights, Wisconsin could contact Georgia, which has done this with visitor centers and rest areas along state highways.<sup>19</sup>

With as many as 12 of these travel centers, the opportunities could be immense.

There are two especially salient advantages to such privatization at the WTICs. First, land and space leasing would enable the collection of much new revenue. This is contrary to the conventional benefit of privatization, which is a reduction in government costs. Second, there should be virtually no union opposition to this sort of privatization, since no government jobs would be lost by leasing land or space.

### **State Historical Societies and Museums**

The state both owns and operates a variety of historical societies and museums. While privatizing ownership may be an unattractive option — and is not being advised here — outsourcing management to non-profit organizations might be an attractive possibility that would benefit the state.

In addition, when not already done, support services could be outsourced at these facilities, particularly maintenance and groundskeeping, which are often handled by government workers.

### **Processing of Tax Returns**

The State of Wisconsin has done some outsourcing in performing its taxation responsibilities. A number of private firms handle tax collection for the department.

In addition, Wisconsin might consider outsourcing the processing of tax returns, a function currently carried out by state employees at the Department of Revenue. The department is increasing the number of returns it processes electronically. The thrust has been toward greater automation.

This function may be among the easiest to privatize because the spot-checkers and processors are state employees who tend to be hired on a part-time basis. Temporary state employees do much to most of the processing. This means opposition from public-sector unions, or at least state employees, will likely be less fierce than in other areas.

Privatizing this function has worked well for states. The State of New York is saving \$7.5 million annually.<sup>20</sup>

## Vacant Lots, Land, and Buildings

It was difficult to acquire accurate information about vacant lots, land, or buildings owned by the state. Experience shows that most large governments own a considerable amount of vacant land and buildings that sit unutilized. Typically, there is a long list of buyers interested in purchasing the land and buildings.

For some governments, depending on the type of land, these areas can become magnets for trash and even crime and social problems.<sup>21</sup> This means they are a cost in terms of maintenance/cleanup and security as police are required to monitor and check on these areas. All of this is a government cost.

In many of these cases, privatization of ownership is a very attractive option — one that takes place without the displacement of government workers, and hence without union opposition. The state can contract with a real-estate firm that receives a commission for selling the properties. The state itself, of course, receives cash for their sale. Experience among other governments typically finds that there are residents eager to purchase many of these areas, but simply don't know how or are impeded by government bureaucracy. Once the properties are sold, development can take place that makes these areas attractive and eliminates them as magnets for trash and other problems — also saving cleanup and policing costs. Moreover, these areas then become subject to property tax, not to mention other taxes if, for instance, the space is converted into a commercial establishment.

Wisconsin should do a thorough vetting of its vacant lots, land, and buildings.

This suggestion has been urged in the past. The SAVE Commission report suggested that the state “should investigate selling” structures such as GEF 1 to the federal government, Hill Farms to the Department of Transportation, and the Thornton Avenue warehouse to the City of Madison.<sup>22</sup> In addition, land-owning agencies such as DNR, DOT, and a few others have been encouraged to sell off surplus land. They've done so on occasion. There is in place a formal process to review proposed sales. The Department of Military Affairs recently sold a National Guard armory, using the proceeds for repairs at other armories.

Indeed, excess, unused armories themselves could be sold, if they haven't already. To cite one example, the State of Michigan gained \$407,900 from the sale of the St. Joseph and Benton Harbor armories.<sup>23</sup>

## Copying and Printing

In a time of literally thousands of copying and printing shops throughout the nation, from as large as Kinko's and Office Depot down to smaller shops on main streets and in malls, it is strange that some governments still rely on in-house copying and printing. It is almost always found that outsourcing this function is a no-brainer that leads to considerable dollar savings and often improvements in quality and options as well.

All state-government offices, and particularly the UW System, should be carefully examined for outsourcing opportunities in copying and printing. The savings are very likely to be sizable, based on the experiences of other governments elsewhere. At the least, little would be lost by taking the time to solicit bids from private providers. If the state or UW officials are displeased with the bids, they can reject them.

Importantly, it's possible that the state may currently be getting the best service possible via its present in-house arrangement. For instance, the Department of Administration has consolidated printing and copying and seems quite satisfied with the service. Still, it doesn't hurt to consider the option.

## University of Wisconsin System

University of Wisconsin (UW) institutions contract a variety of functions relating to the physical plant at each campus. Each campus independently makes its own decision on which services to contract. The Department of Administration's privatization report stated that, “The UW feels that while in many instances it is more economical to provide the service in-house than it is to contract out, contracting for services is advantageous in other situations, including expertise, availability, and cost.”<sup>24</sup> Most UW campuses do, in fact, outsource maintenance services for equipment and buildings, glass replacement, laundry services, and garbage collection. These services, however, are probably just the tip of the iceberg in terms of opportunities available. There are certainly a number of added services that could be considered for privatization.

There are contracting opportunities among food services at some campuses. Colleges throughout the country contract with private food-service providers like Bon Appetit. Students are often pleased with the improved quality of food.

Many UW campuses own and operate their own fleets. For those who haven't done so, outsourcing of fleet services should be carefully examined. These services include fleet management, maintenance and repairs, leasing, and fueling. In-house fueling, in particular, can be disastrous, inviting lawsuits and headaches for a campus.

The state might even consider outsourcing all fleet services *en masse* for all campuses, contracting them to a single provider like Ryder.

Contracting opportunities may also exist for services as varied as pest control and window and glass cleaning. One person interviewed for this report says that the University system in the past has had state-employed locksmiths.

In Texas, the state government hired a hotel chain to manage college dorms in the Texas higher-education system.<sup>25</sup> Campus bookstores are also often privatized.<sup>26</sup>

There are many more opportunities as well.<sup>27</sup>

The State of Wisconsin needs to take a close look at the UW System, probably on a campus-by-campus basis. The UW System is likely a gold mine of untapped potential for privatization, particularly with 26 campuses and an extremely large budget.

### **Warehousing, Supplying, and Storing for UW and State Agencies<sup>28</sup>**

The Wisconsin Commission on Privatization notes that for many years warehousing supplies was a common and necessary business practice for state departments and agencies. However, business practices have changed. Now, entire businesses and even an industry have developed around the concept of "Just in Time" (JIT) delivery for supplies. Supply firms have created highly successful niches out of delivering supplies to a customer's door within a tight timeframe. With such services now available, many state departments and agencies have found it more practical and cost effective to get out of the warehousing business, instead concentrating on their own core functions.

As an example of the outsourcing of the warehousing function, the Wisconsin Commission on Privatization noted a price analysis done by the California Department of General Services Procurement Division in February 1996. The analysis compared prices between the State of California and two private vendors, Boise Cascade and Office Depot. The analysis showed that California's costs were significantly higher. The analysis determined that by contracting out this service, the State of California could save from 2 to 21% on various supplies.

The Wisconsin Commission on Privatization notes that Wisconsin's DOA has contracted for office supplies with Boise Cascade, and that "service has been good. Supplies are delivered to the user, generally within 48 hours of the request." In addition, it says that several other state agencies and UW campuses, including the UW-Milwaukee branch, have successfully contracted for office and other supplies.

Identifying a potential target for outsourcing, the commission asserts:

The UW-Madison operates a central stores warehouse, employing roughly 30 people. Supply firms deliver both office supplies and lab supplies to the UW-Madison central stores warehouse, which then re-warehouses the supplies prior to distributing them on campus. Based on calculations done by the Division of State Agency Services for office supplies, products delivered in this method cost the State of Wisconsin roughly 14% more than they do when delivered to state agencies directly by DOA's contracted JIT vendor.

The UW-Madison may wish to consider whether warehousing is a core function of the University. It is possible that the UW-Madison stores operation could be replaced by contracts with a supply firm for JIT delivery, or its operations could be turned over to a firm specializing in the business of warehousing and distribution.<sup>29</sup>

This is thoughtful advice based on careful observation. It should be weighed. It is indeed undoubtedly true that the private sector has well-developed, even sophisticated, capabilities in this service. For certain firms, this is their "core function."

Aside from the function itself — warehousing, supplying, storing — the state might also consider selling some under-utilized warehouses.

**Wisconsin Veterans' Home at King — Management and Support Services<sup>30</sup>**

Currently, the state operates a veteran's facility in King, Wisconsin. The Wisconsin Veteran's Home at King is the state's largest nursing facility. It is the only home devoted solely to veterans. Located on Rainbow Lake near the town of Waupaca, the facility has a campus of four nursing buildings, as well as a chapel, bowling alley, post office, theater, museum, and library — all are owned and operated by the government and government employees, as are all campus facilities. To qualify for admission to the King facility a resident must be a veteran meeting military-service requirements, and a resident of Wisconsin. If an individual is accepted, income and secondary resources are subtracted from the cost of care paid for by Medicaid. Members of the community have an opportunity to earn extra income by participating in work-therapy programs.

The budget for the Veteran's Home at King is approximately \$37 million per year. The budgeted finances are derived from three separate sources. First, as stated earlier, every resident pays a certain contribution to the home based on his/her income through social security and VA pensions. This accounts for roughly \$12 million of the annual budget. Another \$12 million in resources comes from the U.S. Veterans Administration. This money is allotted to the State of Wisconsin in proportion to the number of residents. Being the largest nursing center in the state, the Veteran's Home at King has the capacity for 749 beds. The remaining \$13 million for the 300-acre facility comes from the State of Wisconsin itself, allotted to cover additional expenses.

*Most important, from the viewpoint of this report, is that the state subsidizes the facility at \$13 million annually — that is the state expenditure, or the taxpayer contribution.*

Again, it is important to note that state employees, including the nursing staff, run almost every activity on the King Campus. The only service not handled by state employees is the actual medical staff that cares for the residents. These doctors are contracted through the Waupaca Clinic in the town outside Rainbow Lake. Indications are that this relationship has been in place for several years without major complaints. From a quality of service point of view, no major problems were found. This, however, is no indication of whether private management might be better or more efficient.

Finally, it is important to understand that there are 800 employees of the facility. Of those 800, 695 are designated "full-time equivalency employees," meaning they receive benefits and a regular income from the facility. The other employees are considered part-time and not eligible for benefits.

While there are several indicators that certain contracting measures have been implemented (such as outside medical staff and resident employment), it's clear that privatization is an option severely under-utilized at King.

Privatization options at the veterans' home include support services such as groundskeeping, custodial and maintenance, cleaning and housekeeping, and cooking. Cooking, in particular, is often a popular and successful function to outsource.

There are also numerous contracting opportunities with the bowling alley, theater, museum, and library. This might include management as well as support staff.

Most significantly, private management could be hired to operate the entire veterans' home facility, specifically by outsourcing management to a non-profit organization (NPO). A management contract could be written that includes a no-layoff clause to mollify government employees. Throughout the United States, privatization of nursing facilities and residents' homes has consistently led to much better and more efficient management, often enabling the total elimination of the government subsidy to the facility. In this case, such subsidy elimination would produce a windfall of \$13 million in annual savings. At the least, and more modestly, it would be more reasonable to expect a standard cost savings of roughly 20% from privatization of management. If the state achieved that level for the veterans' home, it would reap a sizable annual savings of \$2.6 million. Again, this figure is based on averages seen throughout the United States.

In sum, the Wisconsin Veterans' Home at King represents a bonanza of privatization opportunities. One could have complete confidence in predicting that the likely savings from a broad privatization effort could translate into millions of dollars in annual savings. Any such effort must also ensure that service quality is maintained or enhanced.

For advice, officials could contact the State of Georgia, which privatized Milledgeville War Veterans Home. This change has greatly augmented quality and resident satisfaction, and has produced savings of 57%.<sup>31</sup>

## Juvenile Centers — Management and Support Services<sup>32</sup>

Juvenile detention centers (JDCs) do a wide variety of outsourcing of support services. While contracting of support services is common, there are few examples of privatization of an entire facility — whether privatization of full ownership or merely outsourcing of management to a private company or NPO. This may start changing as governments realize that: a) juvenile delinquency is reaching record proportions; and 2) private facilities operate much more efficiently and often more effectively as well.

On the second point, there are examples of both poor and excellent service by private JDCs, just as similar divergent reports exist on publicly operated facilities.<sup>33</sup> The State of Louisiana was in the news in 1999 because of problems at a privately managed JDC. (Unfortunately, many problems at private JDCs are blown out of proportion by public-sector unions. Hence, it is often difficult to discern fact from fiction.)

By and large, however, privatized JDCs seem to provide improved management at a lower cost. Various studies find that privately operated JDCs run at lower costs. A study by Equitable Securities said private JDCs run at 20% lower costs. Some industry analysts push that number to 20-50%; others find 10-30% in savings strictly from private construction of JDCs.<sup>34</sup>

Outside of Wisconsin, in Pennsylvania, Blair County owns its juvenile center but has hired a private firm, Adelphoi, to manage it. York County has considered privatization but did not proceed. Private groups like JusticeWorks YouthCare in Pittsburgh are eager to bid on county JDCs. Moreover, we may begin to see more privatization of full management of JDCs as the nation learns of more examples like those which have taken place successfully in Blair County and, outside of Pennsylvania, in Colorado by the private firm Youthtrack.<sup>35</sup>

The mission statement for the Wisconsin Juvenile system, a part of the larger Wisconsin Department of Corrections, declares that, “The Division of Juvenile Corrections is to promote a juvenile justice system that balances protection of the community, youth accountability and competency-building for responsible and productive community living.” The Division of Juvenile Corrections is responsible for operating four institutions: two for boys, one for girls, and a boot camp. The funding for these state-run centers is somewhat complex, made confusing because of the overall spending by the state on juvenile programs and institutions in general, including money it provides to counties. In essence, it appears the state spends \$135 million in juvenile-corrections expenditures. Of this amount, approximately \$55 million comes from the State of Wisconsin, directly for operations. The other \$80 million goes to individual counties for juvenile programs. The State of Wisconsin earmarks a certain sum of money to each county. If a county chooses to send a juvenile offender to a state facility instead of a county facility, then it must pay a certain sum for each day the offender serves at a state facility. The amount paid per juvenile was last calculated at \$155 per day.

More important from this report’s perspective is the lack of outsourcing. Little to no privatization has occurred in any area relating to the operation of these facilities.

Despite the wide variety of functions necessary to run the four juvenile facilities, virtually no services are contracted out to either private companies or NPOs. All 1,250 full-time workers are state employees. Support functions at the juvenile centers are done in-house, including medical staffing. Each center has its own private nursing staff as well as part-time limited term doctors. The only outside contracting comes from special repairs or construction, and does not amount to substantial budgeting or savings.

Based on discussions with officials, it appears that cooking, cleaning, and maintenance are all also done in-house, and could be contracted as well.

Privatization within these facilities seems limitless. Contracting of management is a solid possibility that ought to be carefully considered. Due to the very high level of state spending at these facilities, privatization could generate millions in savings.

From conversations with officials at the Division of Juvenile Corrections it does not appear that any privatization is likely in the future. Currently, positions at the juvenile centers are unionized. Because of the unions, any contracting will certainly not come voluntarily at the juvenile centers, and would require bold leadership by the state. Any contracting of privatization of management would likely require a no-layoff clause.

## State Prisons — Management and Support Services<sup>36</sup>

Privately operated prisons have become an increasingly significant sector of corrections in the United States. Roughly 10 years ago, in 1990, they housed about 3,000 inmates. Throughout the 1990s, the private prison population grew at a rate of 34.5% per year. By 1996, private prisons held 85,201 prisoners.<sup>37</sup> This new reliance on the private sector can be traced to spiraling corrections costs over the last two decades. The Department of Justice reports that from 1980 to 1992, government spending on prisons grew over three-and-a-half times, with an average annual increase of 12.6%. Corrections expenditures have grown at a rate nearly four times that of inflation.<sup>38</sup>

Wisconsin is itself experiencing this precise problem.

Prison privatization has picked up steam because it brings several advantages over publicly run prisons.<sup>39</sup> Here are just three fundamental benefits: First, unlike government-run prisons, private prisons are subject to severe sanctions—even cancellation of the contract—if they fail to uphold minimum standards of performance. Second, private prisons operate in a competitive environment; other private firms can bid on the renewal of a contract, making a good track record by the current private manager essential. Finally, private corporations are held to a higher standard in the public eye due to popular suspicion of “corporate exploitation” and “profiteering.” This high standard is simply not applied to government prisons. Undoubtedly, public-sector unions and hostile public officials often eagerly apply a double standard. Wisconsin has witnessed some of these double standards among politicians allied with unions.

There are three points in particular that are important to note about prison privatization. All stem from research throughout the country and all deal with misperceptions usually used to attack prison privatization. These are:

1. Prison privatization almost always involves management, not ownership;
2. Private management is not less secure/safe than public management; prison escapes have occurred at both government- and privately-managed prisons; and
3. Privatization nearly always leads to not only big improvements in management, and thus dollar savings, but also services for inmates.

Public-sector unions have done what they can to foster these misperceptions. It is in their interest to demonize prison privatization, and they’ve eagerly done so.

The very growth of private prisons, and the willingness of governments to contract with private firms, illustrates anticipated cost savings and efficiencies.<sup>40</sup> According to data from the University of Florida’s Center for Studies in Criminology and Law — the premier source for data on public and private prisons — jail privatization yields savings of 10-20% on average. The Privatization Center of the Reason Public Policy Institute cites an average savings of 10-15%, based on 14 independent cost-comparison studies.<sup>41</sup> Pennsylvania’s only case thus far of prison privatization, done in Delaware County, achieved immediate savings of 21%, which amounts to \$3 million annually.<sup>42</sup>

In Delaware County, the new private operator made these changes without slashing jobs, salaries, or benefits for prison employees. Of the 250 public employees, all but two were offered jobs. All employees received a 3-5% increase in their base salaries. How were savings produced? Vastly better management. Previously, 12% of the prison budget was absorbed by overtime costs. The private firm has cut that figure below 1%. Labor costs can comprise up to two-thirds of a prison’s operating costs. Delaware County’s Board of Prison Inspectors achieved all this without relinquishing a modicum of its authority or control over the prison, which preserves administration of justice as an ultimately public function, merely delivered by a private firm.

Significantly, privately managed prisons generally achieve cost savings without sacrificing service quality. A study by the Tennessee Select Oversight Committee on Corrections,— which examined publicly and privately run prisons in Tennessee — found that the private provider, Corrections Corporation of America, achieved a higher performance rating and still beat state facilities on cost.<sup>43</sup> A case study by Charles H. Logan at the University of Connecticut found that a privately operated facility outperformed a comparable federal facility in West Virginia on almost all 333 indicators of quality.<sup>44</sup>

Wisconsin’s state prison system for adults operates much like its state juvenile corrections centers. Also a part of the Wisconsin Department of Corrections, the prison system operates 29 facilities throughout the state — 12 “adult institutions” and 17 “adult correctional centers.” According to the mission statement, “These facilities serve to protect the public through the constructive management of offenders placed in its charge.” This goal is accomplished by, “Providing levels of supervision and control consistent with the risk posed by the offender, assuring the staff func-

tion professionally, honestly, and with integrity, and providing for the humane and respectful treatment of offenders.” Of the 29 facilities (two more are currently under construction), all are owned and operated by the State of Wisconsin. There are no privatized facilities; none are privately managed or owned.

These facilities employ a massive number of government workers — 9,000 full-time workers, not to mention openings currently planned for another 500-1,000 workers as facilities are expanded or await completed construction. In addition to being sent to these buildings, some offenders are “exported” to sites in surrounding states. Again, Wisconsin is symptomatic of the prison overcrowding seen throughout the country. Inmate exporting occurs with the understanding that Wisconsin state guidelines are enforced, and that Wisconsin inmates are kept in a separate wing or area for their own safety.

Budget numbers for the state adult prison system show expenditures approaching \$600 million for fiscal year 1999 — specifically, \$597,780,704. Within that total, \$344,123,397 was spent on adult institutions and \$253,657,307 was spent on adult correctional centers.

A per-prisoner breakdown in 1998 found that the per-capita institution cost was \$20,703.24, or approximately \$56 per inmate per day.

Based on costs elsewhere among other states, this is quite high. The figure is high when compared to other publicly operated facilities. It is much higher when compared to privately operated prisons.

The average cost per day per inmate for Texas in public-operated facilities is \$42.47, compared to \$29.25 for private. In February 1997, Los Angeles County received bids on its “Pinchess Facility.” The California Department of Corrections’ bid was \$53.00 per diem, compared to the private firm’s of \$28.98. Note that the private bids in these states are half the price of what Wisconsin spends statewide.<sup>45</sup>

In a study of all 67 counties in Pennsylvania, the mean prison expenditure per county was \$51.27 per inmate day. The median was \$41.62. Even before the privatization of its management, which generated \$3 million in annual savings via improved management alone, Delaware County’s government-managed prison operated at \$39.40 per inmate day.<sup>46</sup> All of these Pennsylvania figures are lower than Wisconsin’s.

The author is unaware of national data that offer an average per inmate day figure for all prisons, public and private, nationwide.

The funding to cover these costs comes almost entirely from Wisconsin’s general revenue program, with a small portion in federal money to oversee specifically earmarked purposes. Despite the enormous size of the state prison system, the application of services remains state run. Much like the juvenile facilities, all food service, janitorial, laundry, housekeeping, and medical staff positions are filled with state employees. Unlike the juvenile facilities, however, inmates perform many of these chores in the adult system.

If Wisconsin is interested in seeking advice, state officials might contact Kansas to inquire about that state’s outsourcing of medical and food services in 1997.<sup>47</sup>

Also, the correctional facilities should strongly consider outsourcing for fleet operations, particularly fleet fueling and maintenance and possibly fleet leasing.

Outsourcing is not an alien process to the Department of Corrections. Physician’s services at juvenile institutions have been contracted out for more than a decade. For over 10 years DOC has contracted for the pick up and transport of fugitives from point of capture to their return to DOC — i.e., extradition services — that has cut costs in that area by 25-30%. DOC also contracts for some x-ray unit services.<sup>48</sup>

Still, adult corrections has seen no large-scale privatization attempts throughout the state, nor are any currently in the works. When one considers the 29 prisons, it becomes easily apparent that there could be as many as 100-plus privatization opportunities in the Wisconsin corrections system. Among these opportunities, privatizing prison ownership is not included, while outsourcing management is. Privatizing ownership is uncommon, and usually barred by state legislatures. Contracting management, however, is common, and has been done many times throughout the country. Wisconsin should consider privatizing management. At the least, it should consider, without hesitation, a pilot project that allows for two or three cases of privatized management among the nearly 30 state prisons. There are numerous private prison providers that would jump at the chance to place bids. The state could then compare the result of the privatized facilities to the success of public-operated prisons.

On average, a Wisconsin adult institution or adult correctional center absorbed roughly \$20.6 million in state expenditures in fiscal year 1999, with the largest adult institutions spending much more. Under a standard privatiza-

tion savings of 10-20%, the typical Wisconsin prison could find \$2 to \$4 million in savings by outsourcing management. Again, this is an average based on experiences around the country. Wisconsin could save much less, much more, or none at all. A bidding process would bring answers.

Lastly, it should be understood by Wisconsin legislators hostile to private prisons that the state already uses private prisons for many of its inmates. Several thousand inmates are exported out of Wisconsin to states like Texas, sometimes held in private prisons operated by private providers like Corrections Corporation of America.

### Private Construction for Prisons

With its prison-crowding problem, Wisconsin now faces the trouble of what to do with all its prisoners. To the extent that new prison construction is being pursued, it would be wise to ensure that private contractors are employed for the construction.

In Ohio, Columbiana County predicts at least \$1.4 million in annual savings from contracting out its jail to CiviGenics of Massachusetts. The savings have come from both private management and private prison construction. In California, public construction time totaled 40 months, compared to a private design-build-systems rate of 25 months.<sup>49</sup>

Here again, one of the better examples of the benefits of privatization is the prison privatization in Delaware County.<sup>50</sup> Delaware County is located in Eastern Pennsylvania. The privatization of its prison has generated \$74 million in savings. The total amount of savings will be realized over seven years — or over \$10 million annually. The savings derive from three areas: 1) \$37 million in savings from private rather than public construction (\$56 million compared to \$93 million); 2) \$20 million from private rather than public management (\$96 million over seven years compared to \$116 million); and 3) \$2.4 million in annual savings from debt service. The private company Wackenhut won the bid in a three-way competition that also included a \$99 million bid from Corrections Corporation of America. The \$37 million in savings from private construction should give pause. The private bid for construction was much lower than the public bid.

### Mental Health Facilities — Management and Support Services<sup>51</sup>

The Wisconsin mental-health sector falls under the auspices of the Division of Care and Treatment Facilities. This sector is part of the Department of Health and Family Services. As of this time, Wisconsin operates three inpatient mental-health facilities. They are the Mendota Health Institute, the Winnebago Mental Health Institute, and the Wisconsin Resource Center. There is also a fourth institution currently under construction that will be known as the Sand Ridge Secure Treatment Center. This facility plans to begin operation in 2001. Here is the state expenditure for each facility:

**TABLE 5 WISCONSIN EXPENDITURES FOR STATE MENTAL HEALTH FACILITIES**

Mental Health Facility	FY00 State Expenditure
Mendota	\$46,654,549
Winnebago	\$39,722,626
Wisconsin Resource Center	\$24,468,219

The Mendota Health Institute is located in Madison and provides in-patient services to individuals who were “civilly” committed as well as to “forensic” patients. The facility employs approximately 700 employees and has 243 residents. The annual state expenditure for the facility (FY00) is \$46.7 million. The budget is comprised of funds provided from three sources. While the majority comes from state taxpayers, funds are also collected from insurance or medical assistance, and from user fees from residents themselves.

The second state-run facility is the Winnebago Mental Health Institute in Oshkosh. This institute specializes in psychiatric evaluation and multidisciplinary treatment of the civilly and forensically committed. Similar in size, the facility employs 720 full-time staff and receives \$39.7 million in funding. The full budget is obtained in a fashion similar to the Mendota facility. This facility contracts out several services, including laundry, biohazardous waste, medical lab work, and building security. Individuals at the Winnebago Institute appeared to be pleased with this arrangement.

Finally, the Wisconsin Resource Center also functions in the treatment of incarcerated felons. Much more security intensive than the other two current facilities, the Wisconsin Resource Center provides care for inmates transferred from medium and maximum-security facilities. It receives \$24.4 million in state expenditures annually.

Among some or all of the three mental-health institutes, there are numerous privatization opportunities, especially among support services such as maintenance, food, laundry and housekeeping, security, medical and lab services, handling of biohazardous waste, and more. For insights, Wisconsin could contact officials in Georgia, such as Brenda Purcell, who could relate their state's experience in contracting food services in mental hospitals.<sup>52</sup> Likewise, the State of Washington could be sought as well.<sup>53</sup>

Also, all three facilities provide opportunities for private management, particularly by various hospitals or non-profit organizations. A 20% savings from privatization of management (not ownership) would save taxpayers annually over \$9 million with Mendota, nearly \$8 million with Winnebago, and almost \$5 million from Wisconsin Resource Center.

Indeed, in addition to these three facilities, there appear to be as many as 480 private or non-profit/religious mental health institutions operating throughout the state. Surely, there are groups among these 480 that might be interested in managing one or more of the three state institutions.

Again, perhaps the State of Wisconsin could try a pilot privatization with just one of the three mental-health institutes, choosing one with which officials have been unhappy in terms of current management.

Finally, and notably, the state (as noted) is constructing a fourth center called Sand Ridge. Maybe this center would be an attractive option for a pilot privatization, considering it has not yet been staffed. This might make it easier to privatize from a political standpoint. There would be less union opposition than would surface if attempts were made to privatize management at the three existing facilities.

### Computer/Information Services/MIS

The management of computer and information services and systems for Wisconsin state government — sometimes known as MIS or IT — were recently centralized by the Department of Administration. DOA had three computer divisions that have now been consolidated into one within DOA itself. This has been quite successful. An added step that might be taken would be the outsourcing of those services. Some attention has been given to that option, but seemingly not serious attention.

There are advantages and disadvantages to this option.

Among the disadvantages are the problems that can come with modern IT contractors, perhaps due to the transient nature of the field. The state has had problems in the past with contractors who come in, set up a system, and then disappear. The state is then stuck with a problem it can't solve and doesn't know who to call to fix it.

Outsourcing in this area would not be a shock to the state system. A number of state agencies already contract certain IT services. Also, data entry has been outsourced.

For similar reasons, the SAVE report suggested the state consider outsourcing information management services.<sup>54</sup>

On the other hand, considerable savings are available via outsourcing. The State of Texas made use of a private company's expertise in IT by contracting with the firm to upgrade the MIS used for its child-protective services. This initiative transformed Texas from a state that just a few years ago kept foster children's records on three-by-five cards to a leader in child welfare IT, freeing up social workers from filling out forms to helping children in need. One study estimated that the change would save Texas \$102.6 million over the first three years. Privatizing IT also resulted in better services and fewer lost cases.<sup>55</sup>

In other IT examples outside of Texas, the City of Indianapolis outsourced its information systems to Systems and Computer Technology Corporation (SCT), reducing the city's seven-year cost from \$107 million to \$81 million — savings of \$26 million, or nearly 25% of costs.<sup>56</sup> A Michigan firm, Consulting Resource Associates, told Allegheny County — which includes Pittsburgh, Pennsylvania — that it could save the county \$15 million annually via consolidation and coordination. The Commonwealth of Pennsylvania is outsourcing all "Data Center" operations. Thus far, it has completed 16 of 17 agencies. The state estimates \$100 million in savings over a seven-year period.<sup>57</sup> The Commonwealth of Virginia is saving over \$1 million annually from outsourcing computer service operations.<sup>58</sup> Florida has also done widespread IT outsourcing.<sup>59</sup>

Again, there are advantages and disadvantages. The option should be weighed carefully by Wisconsin.

### **Architectural Services**

This is a common area for contracting among governments. The state possesses a division for “facilities development,” which employs architects on staff. In today’s world, the private sector even does prison design; a reality that was much less common years ago when mainly public-sector architects employed in-house did that function.

This service should be given strong consideration for outsourcing.

### **Building Inspections**

Many state have in-house inspectors for government buildings. A safety and building inspections section does this service in-house. This, too, is a service that is frequently contracted to capable private-sector firms.

### **Power Plants — Operation and/or Ownership**

The state owns and operates an outdated, old power plant in Madison. Thought has been given to selling the plant, but the view is that private companies wouldn’t want to purchase it. This may be the case. If the state hasn’t yet, it might want to at least make some calls or issue RFPs to see if, in fact, private companies might be interested in purchasing the plant or even operating it as a private manager. There are also plants among the University of Wisconsin System. Again, the same process might be considered.

The State of Wisconsin may decide it is advantageous to keep the plants under its management and ownership. If so, so be it. But consideration should at least be given.

### **Support Services and Security Around State Capitol Building**

There are a number of physical services around the State capitol building that could be outsourced, ranging from landscaping to grass cutting to snow plowing to litter pick up. It is possible that building security might be an option worth examining as well.

### **Physical Security at Military Facilities**

Michigan has privatized security services at state military facilities. The privatization slashed costs by 70%, generating savings of \$1.2 million in the first fiscal year. The change has also augmented service quality and the ability to meet performance standards.<sup>60</sup>

If possible, Wisconsin should consider outsourcing this function as well.

### **State Export-Promotion Activities and Economic Development**

Currently, the State of Wisconsin performs export-promotion activities. These activities are handled in-house by state employees and also by an outside non-profit organization working on behalf of the state. If the state feels it is not getting efficient or quality service from in-house providers, it might consider complete outsourcing.

Aside from exports specifically, economic development generally is done in-house as well by groups like the Division of Economic Development. A number of governments have outsourced this function to the many economic-development groups, including some 501(c)(3) organizations, around the nation.

### **Microfilming**

Microfilming is one of the easiest services to privatize. The decision is often a no-brainer and almost always beneficial. Roughly 13-14 government employees within the Department of Administration currently handle this function. It is part of the state records center. It is unclear whether outsourcing has been considered for this function.

## Records Management

State records management is a function performed alongside microfilming within the state records center. It, too, could be examined for possible outsourcing.

## Road Services — Snow Plowing, Maintenance, Pot Holes, Paving, and More

Counties using county crews and county employees handle snow plowing of major roads in Wisconsin. The state pays counties to plow certain roads. Rather than using county crews, the state could instead contract with private providers. The state should consider a competitive-bidding process, perhaps done annually at first, to gain an idea of what sort of service improvement and savings it could get by employing private-sector snow plowing rather than public-sector county crews. If no apparent savings or, most important, improvement in service, is gained by contracting, the state should obviously keep the function in-house, as it undoubtedly would.

The beauty of trying outsourcing in this case is that the state doesn't lose an already existing in-house capability — which would mean that the state, upon outsourcing, would need to sell all its trucks and equipment, an almost irreversible action if privatization fails — since it doesn't handle the service itself. This eliminates a common concern by governments who outsource this function.

This same thinking may also apply, where applicable, to other road functions handled by counties and paid by the state, including maintenance, filling pot holes, some paving, mowing and weed cutting, litter clean up, traffic light repair, and line painting.

This would not be a new experience or great leap of faith for Wisconsin. The state already relies on the private sector for road construction and expansion and some resurfacing.

## Payroll and Paycheck Processing

A division within the state controller's office and treasurer's office processes payroll and paychecks. The card stock comes from an outside provider. It is not clear whether outsourcing has been considered for this function. Contracting is common by many other governments, not to mention private firms as well. The state does have some experience with contracting in this area. It contracted a roughly \$700 million tax rebate through a Utah firm. That tax-rebate job was awarded through a competitive-bidding process. Wisconsin officials should consider a similar process for the broader payroll and paycheck processing function.

## Libraries

There are many libraries within state government, especially when one adds in university libraries. For example, there is a state law library and also a historical society library. The operation of these libraries might possibly be contracted to non-profit organizations. Privatization of ownership of libraries is rarely done and is not advised.

Nearby, in Chicago, under the leadership of Mayor Richard Daley, the Harold Washington Library was privatized, generating millions of dollars in savings.

## Publications

There are a number of state publications that are currently produced in-house by state employees. Often, it makes more sense financially, and sometimes quality wise as well, to contract out these publications. Michigan, for example, considered this with publications such as *Michigan History* and *Michigan Out of Doors*, among others.<sup>61</sup>

## Plumbing

There are state workers who handle plumbing needed around state offices. The service is occasionally contracted, depending on the facility. A cost analysis might be performed to see whether it would be wise to permanently outsource this function.

## Painting

The State of Wisconsin employs full-time painters as government employees. It would seem that this function might be performed just as well but at a cheaper price if it was outsourced to outside contractors. Such a possibility should be examined.

## State Fish Hatcheries<sup>62</sup>

The Department of Natural Resources (DNR) operates many fish hatcheries around the state. These fish are released into public waters for recreational fisherman. In 1996, the Wisconsin Agriculture Industry Advisory Council, a group representing private fish hatcheries, passed a resolution calling for the privatization of fish hatcheries. In addition, a June 1997 report by the Wisconsin Legislative Audit Bureau recommended that the DNR rely more on private hatchery stocking to meet unmet demand by fishermen. The bureau recommended that the DNR enter into contracts with private operations. It was careful to recommend that those contracts: 1) include quality-control measures ensuring the health of fish; and 2) implement disease-control practices.

The Wisconsin Commission on Privatization suggested another item for DNR contracting in this area, urging that rather than turning over hatcheries to private concerns, the state could use private facilities to bolster production to meet increased demand. "In this case," the commission advised, "DNR could focus more on raising wild brood stock that propagate better in certain lakes and streams, while private hatcheries focus on planting fish in bodies of water that are not conducive to natural propagation." The commission added that this seems to be the direction the DNR is currently headed.

There are also, it should be noted, a number of Indian groups that would like to manage fish hatcheries.

With the DNR's impressive receptivity to outsourcing, perhaps more so than any other department or agency, these ideas might be worth careful consideration.

## Nature Conservancies/Nature Centers

The State of Wisconsin's DNR also owns and operates a variety of nature conservancies and nature centers that could easily be contracted out to non-profit organizations, many of which would likely run these entities quite effectively. This approach has been taken in the City of Pittsburgh, for example, where (due to political constraints) the only privatizations the mayor was able to pull off were privatizations of Phipps Conservatory, the Pittsburgh Zoo, an aviary, and a golf course. The result has been record attendance levels achieved by the new non-profit management groups.

These groups perform quite well because the continuation of their contract is tied to performance standards. Wisconsin should give priority consideration to this option. In doing so, it should ensure that it selects and incorporates performance standards.

## Use of E-Commerce for State Bidding

The Commonwealth of Pennsylvania has achieved huge success by hiring a private provider named "FreeMarkets" to seek on-line bids for state contracts. This has worked extremely well.

In Wisconsin, the state capital finance office has developed an in-house capacity for on-line bond sales. The Department of Administration has auctioned state vehicles on-line. Wisconsin should consider a company like FreeMarkets for this service.

Such a company could do well in not only saving the state the cost of providing the function in-house, but it may also enable the state to get much more money for items it sells or auctions. A firm like FreeMarkets would also offer Wisconsin a chance to get a greater variety of bids for services it seeks to outsource. This greater variety can produce not only greater savings but also greater quality and breadth of contractor experience.

This is a new capability done in-house by Wisconsin. In keeping consistent with its credo, Wisconsin should first consider whether the service could be contracted before institutionalizing it in-house. This is a service that could easily be contracted.

### **Management of State Fair Park**

The State Fair Park is a major entity in southeast Wisconsin — a full-time operation up and running all year round. It is used for flea markets, auto racing, a large summer fair, features an Olympic ice rink, and more. There's interest in ensuring the park starts making more money, or at least breaks even. (Washington state has privatized ticket sales, and can be reached for advice.)<sup>63</sup>

Government workers staff the park, only a few of which are regular full-time employees, mainly due to the seasonal nature of activities at the park. Contracting out operations might be a step toward ensuring greater profitability by the park, particularly if some sort of incentivized revenue-sharing agreement were reached between the state and the private provider. Any contract could be subject to annual renewal, and could also include an immediate cancellation clause for certain poor performance or offenses by the contractor.

### **Wisconsin Telephone Customer Service Among State Agencies and Departments<sup>64</sup>**

Wisconsin telephone customer service is a solid example of outsourcing that has been done with big success in one area but has not been done (at a cost) in other areas.

An analysis by the Wisconsin Commission on Privatization notes that the state Department of Tourism has used a bidding process to secure telemarketing vendor services dating before 1982. The department contracted with Lands' End in Dodgeville to provide telemarketing/inbound inquiry systems for its major 800-number.

Lands' End charged the Department of Tourism \$1.15 per inbound phone call without additional per minute charges. By comparison, another Wisconsin state agency telemarketing division seeking private or public partners for a similar service stated a minimum \$3.50 per in-bound phone call, based on a two-minute average call.

In a separate service within telecommunications, the Department of Transportation (DOT) contracts with M&I Data Services, Inc. for telephone vehicle registration renewal by credit card.<sup>65</sup> The program costs are born by the users (with a service charge of \$2-3 for phone renewals). M&I Data Services is responsible for providing and maintaining the system. "DOT has been pleased with the project," reports the Wisconsin Commission on Privatization, "and estimated that during calendar year 1997 over 190,000 registrations were renewed by phone. This reduced the number of people that needed to make a special trip to a DOT office to renew registrations in person and freed up front-line DOT staff for other responsibilities."

The Commission rightly concluded that, "Both of these telemarketing experiences could be translated to other state government agencies with similar work processes, including perhaps renewals of licensing and registrations done by the Department of Regulation and Licensing."

### **Hot Lines/Crisis Lines**

The State of Wisconsin maintains 38 different types of crisis lines, or "hot lines," for handling certain emergencies or problems by residents. Examples include a suicide prevention line, an Aging and Disability Line, a Family Connect Line, a Friends of Abused Families line, and many more. These lines are spread out among 71 separate telephone numbers.

It seems that state employees staff most of these. Many of them could be outsourced to crisis centers at hospitals and among various non-profit organizations.

### **Custodial Services Beyond DOA — Job Center Buildings**

DOA has custodial responsibilities for maintaining and cleaning state office buildings.<sup>66</sup> Up to the early 1970s, typically the individuals performing janitorial services were state employees paid by DOA. An analysis was prepared

in roughly 1972 by DOA, comparing the cost of privately provided custodial services to then-current in-house costs. It found that private contracts would be less costly, chiefly due to the differences in salaries and fringe benefits. It was clear that privatization was the more attractive option, but the big hurdles were union contracts and statutory language protecting state employees from being displaced.

DOA decided to take a gradual approach of using funding from vacancies to fund private contracts on a building-by-building basis. Now, over a three-decade process, the only custodial or maintenance positions in DOA are assigned to the Wisconsin State Capitol building. According to the Wisconsin Commission on Privatization, all other Madison office buildings are cleaned by private companies or sheltered work centers. The commission reports that the net savings for these contracts is \$1.3 million.

The commission further reports:

The state custodial success story should serve as a model for using private competition to lower costs without causing one state employee to lose their job. However, despite its success, other agencies have not picked up on the opportunity. There are still over 1,500 classified state employees in custodial positions working in buildings owned by agencies and institutions other than DOA.<sup>67</sup>

This is an area that requires priority attention for privatization because of the large number of opportunities, and thus likely savings, available. Among the office buildings that could be examined for outsourcing are the plentiful (roughly 50) job centers around the state, some of which rely on custodial services provided by the office complex in which they reside, some of which is private service.

To cite just one example, state employees clean the Milwaukee office of the Division of Buildings and Police Services.

## State Labs

The State Hygiene Lab is affiliated with the University of Wisconsin System. It provides testing for public-health concerns, such as testing for venereal disease, for example. This lab continues to get larger. Some have argued that a private-sector lab system wouldn't bid on this lab because, in one person's words, "there's no money in it." A way to find it would be to issue RFPs to private-sector parties and measure their level of interest.

There are other labs affiliated with the state that could at least be looked at for possible outsourcing to the private sector or non-profit organizations and hospitals. These include the Animal Health Lab, the Weights and Measures Lab (of the Department of Aging and Consumer Protection), the State Crime Lab (Department of Justice), and the Petroleum Testing Lab.

## Nurseries

The state operates a number of nurseries via the Department of Natural Resources. Some of these nurseries grow Christmas trees, for example. Management of them could be contracted. In addition, the ownership of the nurseries themselves could be sold to a private nursery company — meaning privatization of ownership.

## Accident Fund/Workers' Unemployment Compensation

Michigan recently privatized this function, and the result has been overwhelming success. The state gained \$261 million from the sale of the accident fund. The private Accident Fund Company reduced rates by an average of 9.2% in the first year of operations. There are many other side benefits to the privatization.<sup>68</sup>

Wisconsin has not outsourced this function. An evaluation could be done to see whether outsourcing is feasible for the State of Wisconsin.

## Processing of Insurance Claims

The processing of insurance claims is a function that is frequently outsourced. While not totally clear, it seems this function is currently done in-house in Wisconsin.

## Schools for Blind and Deaf and Disabled — Management and Support Services

Wisconsin operates a number of schools for the disabled, blind, and deaf. For instance, there are three centers for the “developmentally disabled” — one in central Wisconsin, one in southern and one in northern.

An audit done in the recent past revealed problems with the operation of some these schools. Management could be outsourced to hospitals, educational institutions, or a number of non-profit organizations. — likewise with support services for the schools, including maintenance, housekeeping, groundskeeping, food/cafeteria, fleet, and more.

## Auto Vehicle ID/Photo Centers

A number of states have privatized the photo/ID centers where residents get pictures taken for their driver’s licenses. Privatization can range from support services, such as photo processing, to the entire center itself. In cases where privatization has occurred among other states throughout the country, private providers have often been much more accommodating than government-owned and operated centers. For instance, private providers, compelled by the profit motive, frequently have much later hours of operation, particularly after 5:00 PM — a change welcomed by 9 to 5 workers.

The state is currently seeking innovations in this area. For instance, it is now looking at a process that would allow licenses to be renewed over the telephone. As a result, now may also be the time to consider innovations in contracting as well.

The state could reap considerable financial benefits by leasing these centers to private providers. The actual sale of the centers would provide tax revenue as well. Whether an actual sale is advisable is something for Wisconsin officials to consider.

For helpful information, officials could contact the Commonwealth of Virginia, which, within its Department of Motor Vehicles, privatized the Driver Improvement program, security operations for the facility, and several smaller services. As a result, Virginia is saving \$1.2 million annually.<sup>69</sup>

## Fleet Service — Management, Maintenance, Leasing, and Fueling

Various departments in Wisconsin own and maintain different fleets of vehicles used to conduct state business. Overall, the state contracts a substantial amount of needed maintenance and repairs. Some maintenance and repairs, however, are done in-house. DNR and DOA have in-house capabilities, as do many UW campuses.

Among many other examples of the savings from a state’s privatization of fleet maintenance, Georgia cut costs by 40%, producing \$300,000 in annual savings.<sup>70</sup>

It could be that the state has maximized its outsourcing of maintenance functions. A systematic look would resolve that issue.

Aside from maintenance, there is the question of whether the state should purchase or lease the cars it uses.

Currently, the state owns the vehicles it uses. This has benefits. The state gets a discount because it purchases the vehicles in volume. It also sells the cars once they reach a certain mileage level. Yet, many governments have found leasing of vehicles to be much more economical. (The state can likewise get discounts from leasing vehicles in volume.) Wisconsin should weigh the benefits of the leasing approach.

Another outsourcing possibility for fleet services would be to contract fleet management, which is often done. This might involve, first, a centralizing of the management function among all departments, followed by a bidding process to see which group might best manage the fleet (including, perhaps, in-house bidders).

Finally, if possible, the state might want to consider further outsourcing of fleet fueling. This is advisable because of the significant environmental regulations that can become a nightmare for any entity — public or private — that maintains its own in- or above-ground fueling tanks. Commercial vendors provide the majority of fueling for vehicles used by Wisconsin state employees. Employees purchase gas with a fleet-fueling card. Some sites, however, continue to maintain their own tanks, including correctional facilities and a number of UW campuses.

### Six New Facilities — Management and Support Services

There are six new entities under construction or recently completed, all of which were detailed in the State of Wisconsin's February 1999, *Budget in Brief*. These include:

- An "aquaculture demonstration and development center"
- The Richard I. Bong Air Museum in Superior
- Brewer Creek Treatment Center for sexual predators
- An "intensive treatment center" at Central Wisconsin Center
- Two 150-bed pilot inmate workhouses

None of these facilities are privately managed nor are there plans for private management. It would seem that all are reasonable targets for private management, including by a variety of non-profit organizations. In addition, there are a handful of support services that could be outsourced for each of the six new entities.

Again, these offer a solid opportunity for Wisconsin to live up to its credo of first trying to outsource a newly created function before institutionalizing it in-house. Once unionized state employees do the service in-house, the chances of making the switch to private management are greatly diminished by the power of unions.

### Geographic Information System-Based Registry

The February 1999 budget also provided for the creation of a "geographic information system-based registry," which is intended for "sites with groundwater contamination above state enforcement standards." The development of this registry was contracted; state employees do its operation. It is unclear whether the operation should be outsourced. That is a consideration that should be contemplated by the state.

### State Parks<sup>71</sup>

The Wisconsin State Park system currently operates 85 state facilities. As part of the Wisconsin Department of Natural Resources, the park system's mission is to protect and enhance natural resources, provide a healthy, sustainable environment, and ensure the rights of all people to enjoy these resources. While the state owns and operates all facilities, most services inside the park are contracted out. Functions such as concession stands, gift shops, and boat rentals are awarded to outside groups. Each park separately accepts bids for services and no company or non-profit group operates in more than one park. Many of these contracts are awarded to "friends groups," which are non-profit foundations set up specifically to provide certain park services. Of the 85 parks, 51 currently have active and extended contracts. The other 34 parks rely on seasonal contracts for various services. This system of privatized operation has been in existence since the start of the state park system itself. Thus, it is not possible to determine any exact amount of "savings" to Wisconsin from this contracting. It is important to emphasize that no state money is given to operate these services.

In addition to the state parks, Wisconsin also owns one state golf course, located at Peninsula Park. However, this golf course is not maintained or operated by the state. Rather, a private company named Peninsula Golf Associates handles all aspects of the course. This is a government-owned course that is privately managed.

In all, the Wisconsin state park system employs 200 full-time workers and another 600 limited-term or seasonal workers. The budget allocated to the system in 1999 totaled \$17.7 million dollars while the comprehensive gross revenue for the state park system totals \$4,185,000. These revenues are based on all sources of income the state collects. A portion of this revenue goes directly back into the state general fund, while the rest stays at each specific site. Those funds remaining at the individual parks pay for general repairs, new equipment, and staff salaries.

Overall, this agency appears to be among the most privatized of all state departments or agencies or commissions. It enjoys a mutually beneficial relationship with contractors, and should be commended for its efforts. In sum, all concessions, gift shops, boat rentals, etc. are operated by the private sector, as is the public golf course located at Peninsula Park. It is possible that a very close inspection might reveal additional privatization opportunities, but likely not many, if any at all.

Aside from services and activities within the park, privatized park management is also a possibility. For insights, Wisconsin officials could contact the State of Georgia. Georgia outsourced Lake Lanier Islands recreational area. It projects revenues of \$300 to \$350 million over the 50-year contract.<sup>72</sup>

### **SAVE Outsourcing Recommendations — Seven Services**

The SAVE Commission recommended a number of services be considered for privatization. Among those identified by SAVE but not examined in this report are the following: mail processing, comparative employee compensation information (class and comp), child support collection, wastewater management facilities, public water systems, DOT state flight instruction training, and higher education aid administration.<sup>73</sup> SAVE also recommended Medicaid/medical assistant administration. Within that area, the state now contracts for MA fiscal agent services.

## **CONCLUSION**

Wisconsin state government, particularly under the leadership of Governor Thompson, has been innovative in operating and reforming government services. Still, Wisconsin could do much more privatization than it currently does.

In its 1994 report, the Department of Administration concluded that, “Agency experience with privatization has generally been positive and cost savings have been demonstrated.” The report is generally supportive of privatization. Yet, it listed some key caveats. Each is worthy of consideration and response. Lessons can be learned.

The report contained this first caveat: “Privatization is not always the best option available. It is not always a lower cost alternative.”<sup>74</sup> Of course, that is true. But the facts show that privatization usually does save money. The averages show a net percent savings, not loss, from privatization. This is a fact based on hundreds of studies over decades, not speculation. While outsourcing is sometimes not the lower-cost alternative, it more often is. In those cases where Wisconsin considers privatization but finds it would not be more cost effective, it should probably not pursue privatization. (Exceptions are made when government determines it must get “out of the business” of offering certain non-core-function services.)

The report also cautioned that privatization “requires that time be spent on the contracting process.”<sup>75</sup> This is also true. Contracting entails a cost. But the cost rarely exceeds the savings from privatization. For example, the 1994 report found that \$33.4 million was saved among just a few of the privatizations it surveyed. It is unlikely that the contracting process for those examples exceeded that \$33.4 million in savings. If and when the cost of the contracting procedure exceeds the savings that would be generated, either the contracting procedure should be modified or, if the procedure is fine (and not in need of any correction), the contract should not be awarded. In the vast majority of cases, the savings far outweigh the contracting process.

The report offers a third warning: Contracting “can also make quality control more difficult and present oversight difficulties.”<sup>76</sup> This, too, is true. A solid method for dealing with this problem is to ensure rebidding every few years — experience shows that usually three to four years is best — in order to keep the contractor on its toes. The threat of losing a contract is itself oversight.

It’s worth considering here whether there is a comparably effective level of oversight when a service continues to be operated in-house, where there is no similar threat of losing a contract. A regular competitive-bidding process, whereby an in-house group has won a contract, can ensure that level of effective oversight for in-house services as well.

Finally, the report, while overall advocating outsourcing, noted that privatization is not a “panacea.” That, as well, is undoubtedly true. It should never be viewed as such. It should be viewed for what it is: An often smart, reasonable method for ensuring or improving quality of service and generating savings to taxpayers. If the quality of service will not be ensured or improved via privatization, the service should not be outsourced.

As this report shows, Wisconsin has done a lot of privatization. Yet, it is obvious that much more could be done — much, much more. The result could be not just improvement in services but also tens of millions of dollars — possibly much more — in added savings. State officials should use this study to begin a process of identifying potential targets. A detailed examination should be pursued in closely considering which targets should be competitively contracted. Somebody needs to take the initiative.

## NOTES

1. Compilation cited by E. S. Savas, *Privatizing the Public Sector* (Chatham, NJ: Chatham House Publishers, 1987).
2. Among Hilke's compilations, see, John Hilke, *Cost Savings from Privatization: A Compilation of Study Findings*, The Reason Foundation, *How-to Guide* No. 6, March 1993. There are a number of other valuable compilations, albeit not as comprehensive as Hilke's. See, E. Berenyi and E. Stevens, "Does Privatization Work? A Study of the Delivery of Eight Local Services," *State and Local Government Review*, Vol. 20, No. 1, pp. 11-21.
3. Both works were published by Chatham House Publishers of Chatham, NJ.
4. This information was taken from interviews with the City of Philadelphia budget office. For a summary, see, Paul Kengor, "Rendell practices what Wecht won't preach," *Pittsburgh Tribune-Review*, October 9, 1999, p. A7.
5. *Competitive Contracting and Privatization, Options for a More Efficient State Government*, Wisconsin Commission on Privatization Report to the Governor and Legislature, June 24, 1998, p. 15. Hereafter referred to as "Wisconsin Commission on Privatization Report."
6. Quoted in: *Privatization 2000: The 14th Annual Report on Privatization*, Reason Public Policy Institute, p. 2.
7. The author would like to thank Angella Sabella and R.C. Phinney for their assistance in telephoning a number of these states. The fruits of their persistence is evident in the non-Wisconsin data. I'd also like to acknowledge the help of William Bowan in collecting information on Wisconsin veterans homes, state parks, and juvenile corrections. Bill collected a large portion of this information, and his help was indispensable. He also collected helpful information on the state's three mental health institutes.
8. For a recent work, see, Paul Kengor and Colleen Hroncich, *Dauphin County Human Services: Contracting Options*, Allegheny Institute for Public Policy, June 2000.
9. Wisconsin Commission on Privatization Report, pp. 2-5.
10. *Ibid*, pp. 18-22.
11. *Privatization in Wisconsin State Government*, Department of Administration, Division of Budget and Planning, January 1994. Hereafter referred to as *Privatization in Wisconsin State Government*.
12. This was the CSG method as well. The CSG study/data are listed in the Appendix. The Department of Administration got a much better response than did CSG, and hence fuller data.
13. *Ibid*, p. 2.
14. *Ibid*, pp. 3-5.
15. *Ibid*, pp. 5, 8, 9, 13, 16, 17.
16. *Ibid*, pp. 18-9.
17. That could be a failure to report rather than a failure to outsource. A distinction was not made.
18. *Citizen, Community, Government: Wisconsin: The 21st Century*, Commission for the Study of Administrative Value and Efficiency (SAVE), January 1995, p. 70. (Published by State of Wisconsin.) Hereafter cited as "SAVE Commission report."
19. Georgia's Brenda Purcell can be reached by phone at (404) 656-6517. Interview with Brenda Purcell, Policy Coordinator, State of Georgia, November 2000.
20. U.S. General Accounting Office (GAO), *Privatization: Lessons Learned by States and Local Governments*, Report to the Chairman, House Republican Task Force on Privatization, March 1997, GAO/GGD-97-48, p. 29. Hereafter referred to as "GAO report."
21. Vacant buildings often become hang outs for drug users and junkies, homeless people, and even gangs.
22. SAVE Commission report, pp. 49 and 70.
23. GAO report, p. 29.
24. *Privatization in Wisconsin State Government*, p. 24.
25. See, Gary Wolfram and Anne Kirsten, "Privatized Dorms: Michigan Can Learn from Texas," *Michigan Privatization Report*, Fall 2000, pp. 4 and 6.
26. On campus bookstores, see, Michael LaFaive, "Privatization by the Book: Competition for Campus Bookstores," *Michigan Privatization Report*, Spring 2000, pp. 8 and 12.

27. An easily accessible report on privatization in public higher education was published by researchers at North Carolina State University. For a report copy, go to: [www.fis.ncsu.edu/privatization/chapter2.htm](http://www.fis.ncsu.edu/privatization/chapter2.htm).
28. This source was identified as a target in Wisconsin Commission on Privatization Report, pp. 27-9.
29. Ibid.
30. Information for this section taken from interviews with Larry DeWayne and Mike Stead, November 2000.
31. GAO report, p. 27.
32. Information for this section taken from interviews with Barry Jensen, November 2000.
33. One of especially egregious government-operated facilities we encountered was in Macomb County, Michigan.
34. Among the sources for this data, see, Hilke, "Cost Savings from Privatization," p. 14-20; Interview with Adrian Moore, Reason Public Policy Institute, February 10, 2000; Kengor and Hroncich, *Dauphin County Human Services*, p. 24; and Paul Kengor, "Juvenile Detention Centers – the Next Wave of Privatization?," *The Pennsylvania Privatization Monitor*, May 20, 1998, Vol. 2, No. 16, p. 1.
35. For profiles of these cases, see, Kengor and Hroncich, pp. 24-8.
36. Information for this section taken from interviews with Dale Jellings and Nicole Post, November 2000.
37. Thomas, Charles W., Dianne Bolinger, and John L. Badalamenti. *Private Correctional Facility Census, 10th Edition*. Gainesville, FL: Private Corrections Project of the University of Florida, March 1997.
38. Lindgren, Susan A, *Justice Expenditures and Employment Extracts 1992*, Washington D.C.: The United States Department of Justice, January 1997 (NCJ-148821).
39. For a detailed examination of these benefits, see, Paul Kengor, *Benchmarking Key County Services in Pennsylvania: Prisons, Nursing Homes, and Airports*, Allegheny Institute for Public Policy, June 2000.
40. Thomas, Charles W., *Testimony Regarding Correctional Privatization*, the Little Hoover Commission of the State of California, 21 August 1997. The data is accessible on the website <http://web.crim.ufl.edu/pcp/research/Calif.html>. Also see by Thomas: "Private Prisons Succeed," Brief Analysis No. 191, National Center for Policy Analysis; and Thomas, *Comparing the Cost and Performance of Public and Private Prisons in Arizona*, Phoenix, Arizona Department of Corrections, August 1997. For other savings data and studies, see, Logan, Charles H. and Bill W. McGriff, *Comparing Costs of Public and Private Prisons: A Case Study*, 216 NIJ Reports (1989); Texas Sunset Advisory Commission, *Recommendations to the Governor of Texas and Members of the 72nd Legislature*, 1991; State of Florida, Office of the Auditor General, *Certification of Correctional Facility Actual Per Diem Costs Pursuant to Section 957.07, Florida Statutes*, November 1993; and Archambeault, William G. and Donald R. Deis, Jr., *Cost Effectiveness Comparisons of Private Versus Public Prisons in Louisiana: A Comprehensive Analysis of Allen, Avoyelles, and Wynn Correctional Centers*, Baton Rouge: Louisiana State University Press, 1996.
41. Adrian T. Moore, "Cost Savings and Quality: The Evidence on Private Prisons," *Privatization Watch*, March 1998, No. 255, pp. 3 and 7.
42. Paul Kengor and Mark Scheffler, *Prison Privatization in Pennsylvania: The Case of Delaware County*, Allegheny Institute for Public Policy, December 1999.
43. Tennessee Select Oversight Committee on Corrections, *Comparative Evaluation of Privately-Managed Corrections Corporation of America Prison and State-Managed Prototypical Prisons*, February 1995.
44. Logan, p. 601.
45. See previous sources: Thomas; Logan and McGriff; Texas Sunset Advisory Commission; Kengor and Scheffler; State of Florida; and Archambeault and Deis.
46. Kengor, *Benchmarking Key County Services in Pennsylvania*, pp. 15-9.
47. For more information, contact Elaine Frisbie at [Elaine.frisbie@state.ks.us](mailto:Elaine.frisbie@state.ks.us). Interview with Elaine Frisbie, Principal Budget Analyst, Kansas Division of the Budget, November 2000.
48. *Privatization in Wisconsin State Government*, p. 6.
49. Ibid; and "Delaware County Finds Big Savings in Prison Privatization," *The Pennsylvania Privatization Monitor*.
50. For more information, see lengthy case study: Kengor and Scheffler, *Prison Privatization in Pennsylvania: The Case of Delaware County*.
51. Information for this section taken from interviews with Greg Gants and Paul Juinty, November 2000.
52. Purcell can be reached by phone at (404) 656-6517. Interview with Brenda Purcell, Policy Coordinator, State of Georgia, November 2000.

53. Contact Candace Espeseth at (360) 902-0565. Interview with Candace Espeseth, Budget Division, State of Washington, November 2000.
54. SAVE Commission report, p. 70.
55. Conna Craig, et. al., "Blueprint for the Privatization of Child Welfare," Reason Public Policy Institute, Policy Study No. 248, p. 2.
56. Adrian T. Moore, ed., *Privatization '96*, Reason Public Policy Institute, p. 9.
57. Interview with Theresa A. Cermanski, Office of the Budget Web Administrator, Commonwealth of Pennsylvania, November 2000. For more information, Cermanski can be reached at (717) 787-1503.
58. Interview with Herb Hill, Associate Director, Virginia Department of Planning and Budget, October 2000.
59. See, *Privatization 1999: The 13th Annual Report on Privatization*, Reason Public Policy Institute, pp. 44-5.
60. GAO report, p. 29.
61. See, Michael LaFaive, "Should State History Magazine Become a Thing of the Past?," *Michigan Privatization Report*, Summer 2000, pp. 9 and 16.
62. This source was identified as a target in *Competitive Contracting and Privatization, Options for a More Efficient State Government*, Wisconsin Commission on Privatization Report to the Governor and Legislature, June 24, 1998, pp. 27-9.
63. Contact Candace Espeseth at (360) 902-0565. Interview with Candace Espeseth, Budget Division, State of Washington, November 2000.
64. This source was identified as a target in Wisconsin Commission on Privatization Report, pp. 27-9.
65. This source was identified as a target in Wisconsin Commission on Privatization Report, pp. 27-9.
66. Some of the information in this section is taken from: Wisconsin Commission on Privatization Report, pp. 27-9.
67. Ibid.
68. For a presentation of those benefits, see, GAO report, p. 29.
69. Interview with Herb Hill, Associate Director, Virginia Department of Planning and Budget, October 2000.
70. GAO report, p. 27.
71. Information for this section taken from interviews with Jim Koegan and Bruce Chavis, November 2000.
72. GAO report, p. 27. For an article on Georgia's initiative, see, *Privatization 1999: The 13th Annual Report on Privatization*, Reason Public Policy Institute, pp. 55-6.
73. SAVE Commission report, p. 70.
74. *Privatization in Wisconsin State Government*, p. 2.
75. Ibid.
76. Ibid.

**CONTACTS/INTERVIEWS**

Many individuals throughout the country and Wisconsin were contacted for this report. Among them, a few in particular were especially helpful. These include:

Cermanski, Theresa A., Office of the Budget Web Administrator (Commonwealth of Pennsylvania)

Chavis, Bruce (Wisconsin state government, state parks)

DeWayne, Larry (Wisconsin state government, Veterans' homes)

Espeseth, Candace, Budget Division, State of Washington.

Frisbie, Elaine, Principal Budget Analyst, Kansas Division of the Budget

Gants, Greg (Wisconsin state government, mental-health facilities)

Griffith, Robert K., Chief of Strategic Planning, Rhode Island Budget Office

Hill, Herb, Associate Director, Virginia Department of Planning and Budget

Jellings, Dale (Wisconsin state government, adult prisons)

Jensen, Barry (Wisconsin state government, juvenile centers)

Juinty, Paul (Wisconsin state government, mental-health facilities)

Koegan, Jim (Wisconsin state government, state parks)

Lafaive, Mike, Mackinac Center for Public Policy (Michigan)

Moling, Rick, Department of Administration (Wisconsin state government)

Montgomery, John, Deputy Director, Department of Administration (Wisconsin state government)

Post, Nicole (Wisconsin state government, adult prisons)

Purcell, Brenda, Policy Coordinator (State of Georgia)

Stead, Mike (Wisconsin state government, Veterans' homes)

## APPENDIX: OTHER STATES VS. WISCONSIN —THE CSG LIST

In 1993, the Council of State Governments (CSG) completed the most exhaustive survey of state privatization ever attempted. The following long list, covering roughly 6 pages, lists items privatized among states surveyed by CSG. A close reading of the list informs Wisconsin officials of items the state has not privatized, particularly compared to other states.

The survey incorporates selected state programs and services that are both fully and partially privatized. I've found that the CSG list for Wisconsin is incomplete. There are probably two reasons for this: 1) the list is now eight years old, and 2) most importantly, CSG researchers were unable to fully interview all Wisconsin agencies and departments.

Nonetheless, the survey is still very valuable in giving Wisconsin state officials an idea of services commonly privatized around the nation among other states. For that purpose, they should read it closely.

My study finds that the CSG report does in fact accurately show that most of the privatized services listed by CSG among all states have not been privatized in Wisconsin. The CSG list includes Wisconsin state government among only roughly one-third of the privatized programs and services it lists. Wisconsin is not at all listed among health and MH/MR services (although this could be due to a lack of response from Wisconsin officials at those agencies). The state is also seldom listed under the "education agencies" category. On the contrary, Wisconsin is featured frequently under the categories "social services" and "administration/general service."

### CSG Survey: Privatized State Programs and Services by Responding Agency

#### *Administration/General Services Agencies*

Accounting (NC)

Architectural Services (AL, AZ, CA, GA, HI, ID, KS, KY, MD, MI, MO, MT, NE, NM, NY, NC, OH, OK, OR, SD, TN, VA, **WI**)

Asbestos Removal (AL, AZ, CA, GA, HI, ID, IA, KS, KY, MD, MI, MO, MT, NE, NM, NY, NC, PA, SD, TN, VA, **WI**)

Auditing (HI, KY, NM, NY, NC)

Building Construction (AL, AZ, CA, GA, HI, ID, IA, KS, KY, MD, MI, MO, MT, NE, NM, NY, NC, OH, OK, OR, PA, SD, VA)

Building Inspections (MD, MI, SD, VA)

Central Stores (CA, ID, IN, NY, OH, OR)

Civil Service Arbitration (NE, OK)

Civil Service Testing/Training (AZ, CA, MT, VA)

Computer Maintenance (AZ, CA, GA, HI, IA, KS, MD, MT, NE, NM, NY, NC, OK, OR, SD, TN, VA, **WI**)

Computer Systems Design (CA, GA, ID, KS, KY, MT, NE, NM, NY, NC, OK, OR, SD, TN, VA, **WI**)

Custodial Services (AL, AZ, AR, CA, HI, ID, IA, KY, MD, MI, MO, MT, NE, NY, NC, OH, OK, OR, PA, SD, TN, VA, **WI**)

Data Collection Functions (AR, MT, NY, NC, SD, TN, VA, **WI**)

Data Processing (AR, MT, NE, NY, NC, SD, TN, VA)

Employee Benefits Administration (AR, KS, KY, MO, NE, OK, SD, VA, **WI**)

Engineering Services (AL, AZ, CA, HI, ID, IA, KS, MD, MI, MO, MT, NM, NY, NC, OK, SD, TN, VA, **WI**)

Facility Maintenance (AZ, CA, HI, ID, IA, MD, MT, NE, NY, NC, OH, OK, TN, VA, **WI**)

Fleet Operations and Maintenance (GA, MD, MI, NY, SD, VA)

Health Screening of Employees (AZ, AR, MT, OR, VA)

Information Systems (AR, IA, NY, NC, TN, VA, **WI**)

Legal Services (CA, ID, KY, MD, MT, NE, NM, OK, SD, VA)  
 Mail/Courier Services (AR, CA, IN, MI, NE, NY, OK, SD, VA)  
 Moving Services (AZ, AR, CA, HI, ID, IN, KS, MI, MT, NE, NM, NC, OH, OR, SD, VA, **WI**)  
 Museums (SD)  
 Pest Control (AZ, HI, KS, KY, MD, MI, MO, MT, NE, NM, NC, OH, OR, SD, VA, **WI**)  
 Printing (AZ, AR, CA, GA, HI, ID, MD, MI, MT, NE, NM, NY, OR, SD, TN, VA, **WI**)  
 Recreational Facilities (ID, SD)  
 Security (AL, AZ, CA, HI, KY, MD, MI, MO, MT, NY, NC, OH, TN, VA, **WI**)  
 Snow Removal (KS, MI, MT, NE, NY, NC, SD, TN, VA, **WI**)  
 State Employee Insurance (AZ, KS, KY, MT, NE, NM, OK, OR, SD, TN)  
 State Parks (SD)  
 Technical Consulting (AZ, AR, CA, GA, ID, KY, MO, MT, NM, NY, OH, OR, SD, TN, VA, **WI**)  
 Telecommunications (AZ, GA, ID, IA, MD, MT, NE, TN, VA, **WI**)  
 Undeveloped State-Owned Land (CA, MD, TN)  
 Workers' Compensation Administration (AZ, IA, KY, NM, OR, PA)

#### *Corrections Agencies*

Alcohol and Drug Treatment (AZ, CA, CO, CT, DE, IA, KS, KY, MD, MI, NY, OK, OR, PA, TN, UT, VT, WA, **WI**)  
 Clinical Assistance (AZ, DE, KS, MI, NC, ND, OR, TN, UT, VT, WA, WV, **WI**, WY)  
 Community Board and Care Services (CA)  
 Community Correction Centers (CA, CO, KY, LA, MD, NC, ND, PA, SD, TN, WA, WY)  
 Correctional Facilities Construction (AZ, CA, CO, DE, IA, KY, MD, MO, NH, NM, NY, NC, OK, OR, TN, TX, WA, **WI**)  
 Correctional Industries (AZ, CA, MO, NM, OR, WA)  
 Court-Ordered Monitoring (MI, NY, WA, **WI**)  
 Developmentally Disabled Services (MA)  
 Education/Training of Inmates (CA, CO, MA, MI, NC, OK, OR, UT, VT, **WI**)  
 Employee Assistance Program (SC)  
 Employee Training (CA, MI, NC, ND, TN, UT, VT, WA, **WI**)  
 Facility Inspections (NY)  
 Food Services (AZ, IN, MA, NM, OR, TN, UT, VT, WV)  
 Halfway Houses (CA, CT, KS, KY, LA, MA, MO, NY, NC, ND, OK, TN, VT, WA, **WI**)  
 Health/Dental Care (AZ, CA, CT, DE, GA, IN, IA, KS, KY, ME, MD, MI, MO, NM, NY, NC, ND, OR, PA, SC, SD, TN, TX, UT, VT, WA, WV, **WI**, WY)  
 Juvenile Detention Centers (ND)  
 Laboratory Services (AZ, CA, CO, DE, IA, KY, MI, NM, NY, NC, ND, OK, OR, PA, SD, TN, TX, VT, WA, **WI**, WY)  
 Laundry (MA)  
 Medical Services at Institutions (MA)  
 Medical Waste Disposal (MA)  
 Mental Health Services (DE, GA, KS, KY, MD, NC, ND, OK, OR, PA, SD, TN, TX, VT, WA, **WI**, WY)  
 Pharmacy (CA, KY, ME, MD, MO, NM, NY, OK, OR, SD, TN, VT, WA, WY)  
 Prison Operations (CA, CO, KY, LA, NM, TN, TX)  
 Rehabilitation Services (CA, MI, VT, **WI**)  
 Religious Services (AZ, IA, KS, KY, MI, MO, NM, NY, OK, OR, SD, TN, VT, WA, WY)

Transportation of Prisoners (AZ, CA, CO, KY, TX, VT, **WI**)

Work Release Programs (CA, LA, NC, OR, WA)

*Education Agencies*

Academic Grant Programs (FL, GA, KS, MA, PA)

Bibliographic Services (GA, NY, PA)

Bookstore at State Universities (FL)

Bus Transportation (AL, DE, NM, NY, PA, TX, **WI**)

Cafeteria Management (AL, AK, MD, MI, NM, PA, WV)

Counselors/Psychologists/ Social Workers (AZ, GA, MI, PA)

Donated Foods Distribution (GA)

Dormitories at State Universities (FL)

Education of Drop-outs (KS, MA, SC, MD)

Educational Conferences (AZ, FL, GA, MA, MO, MT, NV, NM, PA)

Food Services at State Universities (FL)

Hearing Officers (Lawyers) (GA)

Laundry Services for Schools (MI, NY, PA)

Loan Services (MI)

Management of Individual Schools (MD)

On-line Cataloging (GA, NY, PA, **WI**)

Program Evaluations (AK, DE, FL, MA, MI, MO, NM, NY, SC, WV, **WI**, WY)

Public Information Services (DE)

Regional Libraries (MA, NY, **WI**)

School Food Purchasing (MT)

Specialized Instruction (GA, KS, MA, MO, **WI**)

Statewide Data for Libraries (PA, **WI**)

Statewide Date System (KY)

Technical Consulting (FL, GA, MA, MI, NV, NM, NY, PA, SC, SD, WV)

Test Scoring (AZ, DE, FL, GA, KY, LA, MD, MA, MI, NV, PA, SC, SD, TX, **WI**)

Testing Teacher Competence (GA, MI, NV, NY, SC, TX)

Therapists (DE, FL, GA, MA, MI, NM, NY, PA, SD)

*Health Agencies*

AIDS Program (CA, CO, FL, GA, IN, KS, MD, MI, MO, NE, NV, NJ, NM, NC, OH, OK, PA, RI, SD, TX, VT)

Air Quality (CA, CO, NC)

Clinics (AL, CA, CO, FL, HI, IN, IA, MD, MI, MS, MO, NE, NJ, NC, OH, OK, RI, SD, TX, WY)

Domestic Violence Services (ND)

Drug and Alcohol Treatment (CO, FL, HI, IA, MD, MI, NJ, NM, PA, VT, WY)

Environmental Health (CA, CO, KS, NJ, NC, OK, PA)

Family Planning Services (ND)

Food Services in State Hospitals (FL, MD, NM, VT)

Food Supplement Services (ND)

Health Maintenance Organizations (CA, FL, PA, UT)

Hospital Operation (MD, RI)

Infant Mortality Reduction (CA, CO, NE, NC, OH, OK, PA, RI, TX, UT)

Injury Prevention Services (ND)  
 Laboratory (CA, FL, GA, MD, MO, NV, NC, OH, OK, SC, TX)  
 Lead Poisoning (CA, CO, GA, IN, NE, OK, PA, RI, WY)  
 Medicaid Processing (AL, CA, FL, HI, IN, KS, MD, NM, UT, VT, WY)  
 Primary Care (NM)  
 Refugee Health Programs (CA, HI, MI, NJ, NC, RI, VT)  
 Research and Development (CA, FL, MI, NE, NC, OH, PA, RI, VT)  
 Resource Recovery (HI, NC, SC)  
 Sexual Assault Services (ND)  
 Toxic Waste Cleanup (CA, CO, FL, KS, NC, SC)  
 Waste Water Treatment (CA, CO, KS, NC, SC)  
 WIC Program (CA, IN, KS)

*Mental Health and Mental Retardation Agencies*

Case Management of Developmentally Disabled (MD, NY)  
 Case Management of Mentally Ill (AK, CT, DE, FL, GA, HI, IL, KY, LA, ME, MD, MI, MO, NV, NH, NY, ND, OK, OR, TN, TX, VT, WV)  
 Case Management of Mentally Retarded (SC)  
 Community Living Support Systems (AK, AZ, CO, CT, FL, GA, HI, IL, KY, LA, ME, MD, MI, MO, NV, NH, NY, ND, OH, OK, OR, PA, SC, TN, TX, UT, VT, WV, WY)  
 Court Reporting (FL, MD, MI)  
 Developmentally Disabled Services (AK, AZ, CO, DE, FL, GA, IL, KY, LA, ME, MD, MI, NV, NH, NY, OH, OR, PA, SC, TX, UT, VT, WV, WY)  
 Educational Services for Patients (AK, AZ, CT, FL, MI, NY, OK, TX, WV)  
 Expert Witnesses (FL, MI, UT, VT, VA)  
 Food Services at Institutions (DE, FL, IL, KY, LA, MD, MI, MS, MO, NV, NH)  
 Laundry (CO, FL, GA, IL, KY, LA, MD, MI, MS, MO, NV, NY, OR, SC, TN, TX, VT, WV)  
 Management of Facilities (KY, MI, SC, VA, WV)  
 Medical Services at Institutions (AK, CO, CT, FL, LA, MD, MI, MO, NY, OR, PA, TN, TX, VT, VA, WV, WY)  
 Medical Waste Disposal (CT, DE, FL, KY, LA, ME, MS, NH, NY, PA, TN, TX, VA)  
 Mental Health Care Services (AK, AZ, CT, DE, FL, GA, HI, IL, LA, ME, MD, MI, MO, NV, NH, NY, OK, OR, TX, VT, WV, WY)  
 Nursing Home Services (AZ, FL, HI, IL, LA, ME, MI, MO, NY, OH, OK, TX, WY)  
 Parent Support and Advocacy (AK, AZ, CT, DE, FL, GA, KY, LA, MD, MI, MS, NH, NY, OH, SC, VT, VA, WV)  
 Pharmacy Services (AK, AZ, CO, CT, DE, FL, GA, LA, ME, MD, MI, MO, NH, NY, SC, TX, VA)  
 Protection and Advocacy (AK, CT, DE, LA, ME, MD, MI, MS, NY, OH, UT, VA, WV)  
 Psychiatric Services (AK, AZ, CO, CT, DE, FL, HI, IL, LA, ME, MD, MI, MO, NV, NH, NY, ND, OK, OR, PA, SC, TX, VT, VA, WV, WY)  
 Specialized Foster Care (AK, CT, FL, HI, LA, MD, MI, MO, NY, OR, PA, SC, TX, UT, VT, WV, WY)  
 Therapists (AZ, CT, FL, GA, IL, KY, LA, ME, MD, MI, MS, MO, NH, NY, ND, OR, PA, SC, TX, UT, VA, WY)  
 Transportation and Ambulance Services (AZ, CO, CT, FL, IL, LA, MD, MI, MO, NH, NY, OK, PA, SC, TX, VT, VA, WV)

Youth Group Homes (AZ, DE, FL, HI, IL, LA, ME, MD, MI, MO, NY, OK, WV)

Youth Services (AZ, DE, FL, GA, HI, IL, LA, MD, MI, NY, OK, VT, WV, WY)

*Social Services Agencies*

Adoption Programs (AL, AK, AZ, IL, IN, MI, NH, NY, PA, SD, TN, VT, WY)

Advocacy Services (AK, AZ, AR, IL, IN, LA, MI, NH, NY, TN, TX, **WI**)

Cash Issuance (NY)

Child Care (AL, AK, AZ, DE, HI, IL, IN, KS, KY, MN, NE, NH, NY, PA, SC, SD, TN, TX, VT, WV, **WI**, WY)

Child Support Enforcement (AL, AZ, NE, NY, TN, **WI**, WY)

Child Welfare Services (AL, AZ, HI, IL, IN, KS, MI, MN, NE, NH, NY, PA, SD, VT, WV, **WI**)

Client Assessment/Evaluation (AK, AZ, AR, DE, IL, IN, KS, LA, NE, NH, NY, SD, TN, TX, VT, WV, **WI**)

Consultants/Specialists (AK, AZ, AR, DE, FL, IL, IN, KY, MI, MN, NE, NH, NY, SD, TN, TX, VT, WV, **WI**)

Day Care Programs (AL, AK, AZ, DE, HI, IL, IN, KY, MN, NH, NY, PA, SD, TN, TX, WV, **WI**)

Domestic Violence (NE)

Drug and Alcohol Treatment (AK, DE, IN, MI, MN, NH, PA, TN, VT, **WI**)

Educational Services (AL, AK, AZ, DE, IN, LA, MN, NE, NH, **WI**)

Emergency Shelters (AK, AZ, DE, IN, LA, MN, NE, NH, **WI**)

Family Assistance Management (AK, AR, DE, IN, **WI**)

Family Planning Services (AK, AZ, DE, IN, KS, MN, NH, NY, PA, **WI**)

Food Services at Institutions (AK, DE, IN, TN, VT)

Food Stamp Issuance (AK, DE, HI, IN, MI, NE, NY, NC, PA, TX, **WI**)

Foster Care (AK, AZ, DE, IL, KS, KY, MI, MN, NE, NH, NY, PA, SD, TN, VT, WV, WY)

Health Maintenance Organizations (AZ, HI, MI, MN, NH, NY, PA, TN, **WI**)

Independent Living Support Services (AK, AZ, AR, CA, DE, HI, IL, IN, KY, LA, MI, NE, NH, NY, PA, TN, TX, VT, WV, **WI**)

Legal Services (AL, AZ, DE, IL, IN, KS, MI, NH, NY, PA, SD, TN, **WI**, WY)

Medical Claim Payments (AK, AZ, DE, IL, IN, KS, MI, NH, NY, PA, SD, TN, **WI**, WY)

Occupational Therapy at State Nursing Homes (AZ, DE, MN, NH, TN, **WI**)

Pharmaceuticals/Pharmaceutical Claims Processing (AK, DE, HI, IN, KS, NH, NY, PA, TN, TX)

Physician Services at State Nursing Homes (AK, AZ, DE, MN, NH, TN, **WI**)

Pre-admissions Screening (DE, IL, IN, KS, NH, NY)

Programs for the Elderly (AL, AK, CA, DE, IN, KY, MI, MN, NH, NY, SD, TN, TX, WV, **WI**)

Psychological Testing (AL, AK, AZ, DE, FL, KS, KY, LA, MI, NH, NY, PA, TN, VT, WV, **WI**)

Refugee Services (AZ, DE, KY, LA, MI, MN, NE, NH, NY, NC, PA, SD, TN, WV)

Rehabilitation Services (AK, AZ, AR, DE, IN, KY, LA, MI, MN, NH, NY, PA, TN, TX, **WI**)

Return of Runaways (AK, MI)

Services for Disabled (AL, AK, AZ, AR, DE, IN, KY, LA, MI, MN, NH, NY, PA, TN, TX, **WI**)

Teen Pregnancy Prevention (AK, DE, IL, IN, MI, NE, NH, NY, TN, **WI**)

Transportation of Clients (AK, AZ, AR, DE, FL, HI, IL, IN, LA, MI, MN, NE, NH, NY, PA, TN, TX, WV, **WI**)

Vocational Rehabilitation Services (AK, AZ, DE, HI, IN, LA, TN, **WI**)

Weatherization (AK, DE, IN, KS, KY, LA, NE, NH, NY, SD, TN, **WI**, WY)

Welfare Services (IN, TN TX)

*Transportation Agencies*

Airport (AK, CT, DE, FL, IL, ME, NY, NC, TN, TX, VT, WA, **WI**)

Architectural Services (AZ, AR, CA, CO, CT, DE, FL, HI, ID, IL, MA, MI, NE, NM, NY, NC, ND, SC, SD, TN, TX, UT, VT, VA, WA, WV)

Bridge Rail Repair (LA)

Draw Bridge Operation (ME, MA, MI, NY)

Fleet Operations and Management (DE, NY, TX)

Global Air Cargo Park (NC)

Grass Mowing (AZ, CT, DE, FL, HI, IA, KY, LA, ME, MA, MI, NE, NH, NJ, NC, OH, OK, SC, SD, TN, TX, VT, VA, **WI**)

Hazardous Waste Disposal (AZ, CA, CO, CT, DE, HI, ID, IL, IA, KS, KY, LA, ME, MI, NE, NH, NJ, NM, NY, NC, ND, OH, OK, SD, TN, TX, UT, VT, VA, WA, WV, **WI**)

Highway Maintenance (AK, AZ, AR, CA, CO, DE, HI, IL, IA, LA, ME, MD, MA, MI, NE, NJ, NM, NY, NC, ND, SC, SD, TN, TX, UT, VA, WV)

Inspections (AZ, CT, DE, HI, ID, IL, IA, MA, MD, MI, NE, NJ, NM, NY, OH, SC, SD, UT, VT, VA, **WI**)

Landscaping (AZ, CA, CO, CT, DE, HI, ID, MD, MI, NH, NJ, NM, NY, ND, SC, TN, TX, UT, VT, VA, WA, **WI**)

Litter Prevention (AK, AZ, AR, CA, CO, DE, HI, ID, IA, KS, KY, MI, NE, NY, NC, ND, OH, OK, SC, TN, TX, UT, VA, WV)

Map Sales (AZ, MA)

Materials Test (AZ, CO, DE, HI, ID, IL, MI, NM, NY, SC, SD, TX, UT, VT, WV, **WI**)

Motor Vehicle Registry (MD, NC, ND)

Public Transit (CO, CT, DE, HI, IL, KS, ME, MD, MI, NY, NC, SC, SD, TN, TX, VT, WA)

Railroad Maintenance/Inspections (AZ, CT, DE, MD, SD, TN, VT, WV, **WI**)

Rest Area Operation/Maintenance (CT, FL, ID, IL, IA, KS, KY, ME, MD, MA, MI, NJ, NM, NC, ND, OH, OK, SC, SD, TN, TX, UT, VA, WA, WV, **WI**)

Road and Bridge Construction (AZ, AR, CA, CO, CT, DE, FL, HI, ID, IL, IA, KY, ME, MA, MI, NE, NH, NJ, NM, NY, NC, ND, OK, SC, SD, TN, TX, UT, VT, VA, WA, WV, **WI**)

Road Kill Pick Up (AZ, CO, SC, SD, UT)

Road Maintenance (AZ, CA, DE, FL, HI, IL, ME, MD, MA, MI, NJ, NM, NY, ND, SC, SD, TN, TX, UT, VA)

Road Striping (AK, AZ, CA, CO, CT, DE, FL, HI, MA, MI, NJ, NM, NY, ND, SC, SD, TN, TX, UT, VA)

Security (AZ, DE, FL, HI, IA, MD, NY, OH, TX, VT, VA, WV)

Shipping Ports (MD, NY)

Sign Manufacturing (AZ, CA, CT, HI, ID, KY, MD, NM, NY, ND, SC, SD, TX, UT, VA, WA, WV, **WI**)

Snow Removal (AK, AZ, CT, KY, ME, MA, MI, NH, NJ, NY, OK, SC, SD, TX, VA, WV, **WI**)

Tunnels (AZ, TN)

Wisconsin is listed among many of these services, but it is missing among most.

CSG took its research and compiled a total number of programs and services privatized by all states. Among the 50 states, Wisconsin was tied at 28th in terms of the most services and programs privatized. There were 20 states that privatized less. According to the survey, a total of 27 states privatized more services than Wisconsin.

The 48 Wisconsin privatized services and programs listed on the table on the next page are one below the median figure of 49.

While this table and information are useful, the problem, as stated, is that the actual research and data were gathered almost 10 years ago. In addition, as the column on the right indicates, not all Wisconsin agencies responded to the survey.

As this report has shown show, Wisconsin has in fact privatized more services than the 48 credited by CSG.

STATE	NUMBER OF PROGRAMS & SERVICES PRIVATIZED	NUMBER OF AGENCIES THAT RESPONDED TO SURVEY
Alabama	49	10
Alaska	41	8
Arizona	48	7
Arkansas	61	10
California	124	9
Colorado	125	10
Connecticut	90	14
Delaware	31	4
Florida	151	16
Georgia	56	7
Guam	3	5
Hawaii	59	13
Idaho	37	8
Illinois	88	6
Indiana	39	6
Iowa	118	10
Kansas	50	6
Kentucky	73	7
Louisiana	78	11
Maine	42	9
Maryland	118	10
Massachusetts	30	3
Michigan	119	11
Minnesota	46	6
Mississippi	31	4
Missouri	41	8
Montana	41	4
Nebraska	68	10
Nevada	52	8
New Hampshire	54	8
New Jersey	112	9
New Mexico	6	3
New York	60	7
North Carolina	49	10
North Dakota	35	9
Ohio	26	4
Oklahoma	42	6
Oregon	45	7
Pennsylvania	47	7
Puerto Rico	22	6
Rhode Island	26	5
South Carolina	90	11
South Dakota	48	8
Tennessee	86	10
Texas	82	8
U.S. Virgin Islands	5	2
Utah	58	7
Vermont	28	6
Virginia	76	8
Washington	49	9
Washington, DC	23	5
West Virginia	45	8
Wisconsin	48	6
Wyoming	29	7

Source: *The Council of State Governments, 1993.*

## ABOUT THE INSTITUTE

The **Wisconsin Policy Research Institute** is a not-for-profit institute established to study public-policy issues affecting the state of Wisconsin.

Under the new federalism, government policy increasingly is made at the state and local levels. These public-policy decisions affect the life of every citizen in the state. Our goal is to provide nonpartisan research on key issues affecting Wisconsinites, so that their elected representatives can make informed decisions to improve the quality of life and future of the state.

Our major priority is to increase the accountability of Wisconsin's government. State and local governments must be responsive to the citizenry, both in terms of the programs they devise and the tax money they spend. Accountability should apply in every area to which the state devotes the public's funds.

The Institute's agenda encompasses the following issues: education, welfare and social services, criminal justice, taxes and spending, and economic development.

We believe that the views of the citizens of Wisconsin should guide the decisions of government officials. To help accomplish this, we also conduct regular public-opinion polls that are designed to inform public officials about how the citizenry views major statewide issues. These polls are disseminated through the media and are made available to the general public and the legislative and executive branches of state government. It is essential that elected officials remember that all of the programs they create and all of the money they spend comes from the citizens of Wisconsin and is made available through their taxes. Public policy should reflect the real needs and concerns of all of the citizens of the state and not those of specific special-interest groups.