

Privatization's new motto: Think about it first

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For return on investment, no agency can beat the Council on Efficient Government.

Going strictly by statistics, each of the council's four employees saved the taxpayers about \$7.25 million last year. Of course, such raw numbers don't mean that if the Legislature hadn't cut the staff from 10 positions to four, the state would be saving proportionately more money.

The council's output will vary, depending on how many "business cases" are thrust upon it by state agencies that need help deciding whether to outsource, privatize or otherwise change how they go about their business. And two-thirds of the state's outsourcing last year came from one agency, the Department of Elder Affairs, which had a vast range of services under small contracts.

"Ongoing state budget concerns highlight the need to continue looking for ways to create efficiencies in all areas of state government," Department of Management Services Secretary Linda South said in releasing the council's 2008 annual report this month. The report reviewed the quality and value of outsourcing by agencies.

Bottom line: The council reviewed 21 business cases valued at \$94 million last year. It was able to identify savings of more than \$29 million.

That's not huge on a total of 551 outsourced projects, worth some \$2.8 billion a year in state spending. The lifetime value of those contracts was pegged at \$8 billion.

For deals of \$10 million or more, the council staff makes a report to the governor and Legislature. Many of the 551 were "historical" projects, predating the council's creation, but executive director Henry Garrigo said he and his two analysts routinely look over contract extensions and new projects.

Having the council to provide some professional review and advice for major outsourcing projects is a lot better than the Nike approach — "Just do it" — taken to privatization in the past administration. The staff also trained 130 state employees in "best practices" for developing a case for outsourcing or keeping a task in-house.

The council was created two years ago, as the Legislature sobered up from ex-Gov. Jeb Bush's privatization binge. South chairs the panel, which includes Chief Financial Officer Alex Sink, state Revenue Director Lisa Echeverri, Department of Business and Professional Regulation Secretary Holly Benson and three private-sector representatives.

In appointing the council last year, Gov. Charlie Crist asked it to start with three of the biggest privatization miscues of the Bush years — the People First! human-resources deal with Convergys, MyFloridaMarketPlace and the now-abandoned Aspire accounting contract.

The council's annual report says, somewhat tactfully, that its report to Crist on those contracts, which totaled over \$550 million, produced some "key findings and lessons learned" for future big outsourcings. Yeah, like, think about it *first*.

The 2006 law creating the council requires agencies to develop a "business case" for each big-ticket outsourcing project. Previously, the operative question in most outsourcings was, "Does the governor want to do it?"

Answer that question in the affirmative, and it was automatically assumed that privatization was the way to go. So, now, what's a business case?

"When an agency wants to take care of business, they're going to determine the smartest and best way to get that done," South explained. "A business case has elements in it that help an agency evaluate all the components that go into making a good decision. It standardizes the thought processes for agency heads so they're sure they come to the right conclusion."

By the numbers, the council's annual report said Elder Affairs had 332 outsourced projects valued at \$1.2 billion. Garrigo said that represented a wide range of Alzheimer's initiatives, nutrition incentive programs, public guardianship contracts and other relatively small but vital services. The Department of Juvenile Justice was second, with 71 projects valued at \$208.8 million, and the Department of Children and Families was third with 35 projects — but their dollar amount ranked second, at \$839.2 million.

"Our motto is, advocate for innovation, educate on best practices, evaluate for value," said Garrigo.

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