

Reason Foundation's Annual Privatization Report 2009

As deficits mount, governors from both parties look to public-private partnerships; Chicago continues to privatize; taxpayers leave failed local governments to create contract cities

Leonard Gilroy, August 6, 2009

Federal tax revenues have fallen to levels not seen since the Great Depression. The deficit is a record \$1.8 trillion and rising. Led by California's \$26 billion deficit, state governments across the country are facing a cumulative deficit of over \$142 billion in fiscal 2010. And budget shortfalls are so bad at the local level that cities like Georgetown, Indiana, are considering filing for bankruptcy.

Amidst that backdrop, all levels of government should be looking for ways to save taxpayer money and cut costs. "When it comes to looking at how the city can fulfill its obligations to the public, and pay for it, no subject should be taboo," California Inspector General and former Los Angeles City Controller Laura Chick aptly put it while addressing LA's deficit last year.

Reason Foundation's 23rd *Annual Privatization Report* details the latest trends and examples of how public officials are reducing costs and improving service delivery through public-private partnerships, outsourcing, and performance-based government.

"Governments are swimming in red ink and realizing the effects of the recession will be felt long after the economy recovers," said Leonard Gilroy, editor of the report and director of government reform at Reason Foundation. "Interest in privatization is sky-high and rightly so. Now more than ever, policymakers need to study their priorities, re-examine what are really core government functions, and then tap the private sector's expertise in all of the areas where they can save taxpayer money and improve the quality of services."

The *Annual Privatization Report* highlights developments across the country, including:

- Florida's Council on Efficient Government identified 511 outsourced projects in 2008. A review of 21 potential privatization projects forecast \$94 million in savings for taxpayers.
- Louisiana Gov. Bobby Jindal established a Commission on Streamlining Government that is using privatization to help reduce the size and cost of state government.
- California Gov. Arnold Schwarzenegger signed a public-private partnership law that enables and encourages the private sector to fund and manage road, prison and courthouse projects.
- New York Gov. David Paterson created a Commission on State Asset Maximization to identify areas where public-private partnerships can save the state money.

- New Jersey policymakers are achieving a major environmental goal by privatizing the cleanup of nearly 20,000 contaminated properties in the state.

At the local level, Chicago continues to be the leader in privatization efforts. In December 2008, Mayor Richard Daley agreed to a 75-year lease of the city's parking meters in exchange for a \$1.15 billion upfront payment. "This is not a core business of the city of Chicago," Daley stated.

The *Annual Privatization Report* examines the operational issues and political challenges that have arisen in Chicago since the deal took place. Los Angeles, Pittsburgh and several other cities are closely monitoring Chicago's situation as they consider similar parking meter deals.

The report also highlights the growing number of taxpayers choosing to opt-out of deficit-riddled local governments that are wasting taxpayer money and not delivering quality services. The report says, "Over 80 percent of 37,000 residents of the north DeKalb County community voted in July 2008 to incorporate the new city of Dunwoody." Dunwoody became Georgia's fifth "contract" city. Following the lead of Sandy Springs, Georgia taxpayers are ditching bloated county bureaucracies and creating local governments focused on their priorities. In Dunwoody, safety is a main concern so 40 percent of the budget is directed towards law enforcement. To keep costs low, private businesses, not government agencies, provide nearly all non-safety-related services.

The *Annual Privatization Report* also examines privatization's progress in transportation, education, corrections, water and wastewater services and telecommunications.

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