

**THE BOTTOM LINE**

The foundation has been laid for competition in state government service delivery. Necessary rules and regulations – perhaps more complex than many competitive sourcing advocates would have desired – are in place for a competitive model that recognizes and values the experience and dedication of existing public employees.

But while competitive contracting may be a simple concept, it is not easy. Nor will it be eagerly embraced here in Washington. Public employee unions will likely continue to resist competition. And while state government managers may have the authority to consider competitive strategies, this authority is not secure beyond the next collective bargaining session.

## **Contracting: Unfulfilled Promise of Personnel Reform**

Legislation authorizing the government to contract for services traditionally provided by state employees went into effect on July 1, 2005. Business representatives opposing this bill, the Personnel Reform Act of 2002, said the new authority to contract competitively for services was “illusory,” the process adopted “burdensome and time-consuming,” and the impact on the budget “negative” (Washington State Legislature, 2002). The third leg of what became known as a three-legged stool of civil service reform in state government, contracting out – often referred to today as competitive contracting, outsourcing, competitive sourcing, or just contracting – was the part of Substitute House Bill 1268 (SHB 1268) that had few supporters.

SHB 1268 rewrote the rules of civil service and gave state workers the long-sought right to bargain collectively for pay and benefits. But allowing private businesses to compete to deliver services traditionally delivered by state government workers was anathema for labor advocates. And many business organizations opposed the bill’s collective bargaining provisions, contending that they came with no public accountability. For business, the contracting provisions were too overburdened with time-consuming process requirements and too easily bargained away in subsequent labor agreements.

### **CONTRACTING SURVIVES NEW LABOR AGREEMENT**

More than two years since the enactment of this legislation, Washington is now operating under its first collectively bargained labor agreement. Surprising to many involved, the authority for state managers to contract state services competitively survived intact, and its effective date of July 1, 2005 has come and gone.

Competitive contracting and other forms of privatization have been heralded throughout the country not only for saving money, but also for improving efficiency. The question for many Olympia watchers is, ‘What is this administration’s plan for making use of its new authority?’

This brief reviews the steps taken in implementing the Personnel Reform Act of 2002. Through literature reviews and interviews of several key participants, we also look at examples of how competition has been

## Requirements for Getting Started

The authority for state agency managers to entertain competitive bids for various aspects of state service delivery depends on the following:

1. Developing measurable performance standards for the tasks
2. Giving potentially displaced employees an opportunity to offer alternatives to purchased services
3. Allowing potentially displaced employees to form an “employee business unit” (EBU) through which to compete for the contract
4. Assuring that the competing business or organization ultimately selected for the contract considers hiring displaced state employees
5. Establishing a monitoring process that allows for canceling contracts if performance standards are not met
6. Determining that contracting can result in savings or efficiencies sufficient to risk failed performance
7. Agreeing that collectively bargained labor agreement provisions that conflict with any section of the act are only effective through the end of the expiration date of the agreement
8. Acknowledging that contracted services allowed prior to this act are not subject to the processes outlined in the act

used in other states and discuss how Washington could benefit from these new authorities.

## BACKGROUND

Business groups have encouraged contracting out government operations and services for decades. But in the past, efforts to induce competition were restricted by state civil service statutes. When Spokane Community College tried to contract custodial services for a newly constructed building, the Washington Federation of State Employees filed suit. In 1978 the Supreme Court ruled in favor of workers, arguing that “where a new need for services which have been customarily and historically provided by civil servants arises, and where there is no showing that civil servants could not provide those services, a contract for such services is unauthorized [...] regardless of the cost savings.” The legislature subsequently made the prohibition explicit and applied the ruling to all state agencies and institutions of higher education. However, with the passage of contracting legislation, many of these restrictions have been lifted.

## LITTLE INTEREST, MUCH SKEPTICISM

Competitive contracting is a new tool available to state government managers for saving tax dollars and getting greater value from public funds. However, under the legislation, competitive contracting is a mandatory subject of negotiations during collective bargaining. So, whether it continues to be an alternative

depends heavily on the political will brought to bear, especially during future labor negotiations.

So far there is little reason for optimism. Notwithstanding the Governor’s “Smart Buying Partnership” initiative, which is intended to help save \$50 million during the 2005-07 biennium by reforming state government’s purchasing practices, neither the Governor nor the Democratic-controlled legislature chose to direct agencies to find any savings in the 2005-07 biennial budget using this new authority. Wolfgang Opitz with the state Office of Financial Management (OFM) says that they could not suggest savings from competitive contracting in the Governor’s proposed budget, since agency managers could not begin studying the possible benefits and offering “honest number[s]” for their estimated savings until after the effective date of the legislation. Others familiar with the process say, “Hogwash, the legislature could have directed the administration to find some arbitrary level savings from contracting. It’s done all the time. So could the Governor” (Administrative and legislative staff, personal communication, May 2005).

## ADMINISTRATIVE PREPARATION

In Washington, competitive contracting is defined as the “process by

### Competitive Contracting Process

The competitive contracting process goes as follows:

1. At least 90 days prior to requesting competitive bids, the agency must notify potentially displaced agency employees.
2. Employees have 60 days to offer alternatives to contracting.
3. The agency must consider these alternatives before requesting bids.
4. Employees may form one or more EBU and submit a competing bid.
5. EBUs must have access to training in bid preparation and process. Training manuals and programs are being developed by the Department of Personnel with assistance from the Department of General Administration (GA) and OFM.
6. Rules must be established to assure “fair and objective” evaluation of all bids.
7. EBU bids must include fully allocated costs of the service including: salaries, benefits, space, equipment, materials, and other necessary costs. Agencies may contract with GA to conduct the bidding process.

which classified employees of a department, agency, or institution of higher education compete with businesses, individuals, nonprofit organizations, or other entities for contracts” (Washington State Department of General Administration, 2005). In preparation for this new authority, the Washington State Department of General Administration has written rules and procedures and developed training manuals. As a companion to its Competitive Contracting rules, GA has published a 135-page *Competitive Contracting Manual* for use by agency managers (Washington State Department of General Administration, 2004). The manual provides guidance, direction, checklists, and examples to aid in evaluating various steps in an agency’s service delivery model in order to gauge their appropriateness for contracting. After instruction on identification and assessment of potential services for contracting, Chapter 3 of the manual, prepared by OFM, is a guide to calculating the cost of an existing government service and comparing this calculation with ‘best available’ alternatives, with an eye not only to cost savings but to taxpayer value. The subsequent chapters of the manual provide guidance on assessing risk, reviewing employee-generated alternatives, solicitations and awards, contract management and monitoring, and agency transition planning. The sidebars on page two and three summarize the steps agency managers must follow to contract competitively for state services.

### EXAMPLES OF CONTRACTING

Outside public schools, which capture about 41 percent of the state’s 2005-07 near-general fund state (NGFS) budget,<sup>1</sup> human services is the largest area of state responsibility. Two areas of human services, corrections and child welfare, have been the subjects of much discussion around the country, as states have begun to engage the private sector to help fulfill their responsibilities.

#### Corrections

Washington State’s prison population continues to grow. From July 1995, when adult prison populations totaled 11,523 prisoners, to June 2005, with 17,584 adult inmates, the state’s prison population has grown 54 percent (Washington State Caseload Forecast Council, 2005). By 2007 this same population is expected to reach 18,291 offenders. Anticipated to cost about \$26,000 annually per prisoner, the expense to state taxpayers is budgeted at about \$1.4 billion for the 2005-07 biennium (LEAP Committee, 2005).

Over the past 20 years, the country has seen the emergence of privately owned and operated prisons. By the mid-1990s, 47 privately managed prisons housing nearly 33,400 beds were either built or on the drawing

<sup>1</sup> Near-General State Fund budget includes state general funds, as well as several specific operating funds like the Health Care Account, the Student Achievement Account, the Water Quality Account and several other general revenue sources.

boards in states including Arizona, Colorado, California, New Mexico, Utah, Texas, Florida, Kentucky, Louisiana, Mississippi, Tennessee, and Virginia (US GAO, 1996). Other states like Michigan, Minnesota, and Wisconsin have written contracts for private operations of juvenile corrections facilities as well as medical and food services. And, even in strong labor states like Washington and Wisconsin, prison overcrowding and economic necessity have caused corrections departments to send prisoners out of state to rented beds in private prisons.

Today, Corrections Corporation of America (CCA) alone owns or manages 69,000 beds in 63 prisons located in 19 states and the District of Columbia, making it the sixth largest prison system in the country (CCA, 2005a). More than 75 percent of CCA's facilities are accredited by the independent accrediting organization American Correctional Association (CCA, 2005b).

***Comparing Public and Private Operations.*** Claims of cost savings and service quality improvements have begun to flow into national and state policy debates. Numerous policy studies have attempted to compare public and private prison systems around the country.

Analysts with the Reason Public Policy Institute, a long-time advocate for privatization, reviewed 28 such studies, citing 22 studies that found "significant savings from privatization." Based on their review, RPPI concluded that, "privatization saves money without reducing quality." At the time of their research, the American Correctional Association had accredited 44 percent of privately managed prisons, compared to only 10 percent of government-managed prisons (Segal & Moore, 2002).

In 1996, the U.S. General Accounting Office (GAO) evaluated several government-sponsored studies comparing public and private corrections facilities and identified challenges that must be considered when making comparisons. Chief among these challenges are economic and demographic differences between facilities. For example, cost of living and labor rate differences can result in skewed operational costs. Likewise, inmate demographics like gender, age and offender-type can pose different housing and oversight cost challenges. And, the age and design of the physical facility can affect staffing levels.

***Private vs. Public in Washington.*** Washington's Legislative Budget Committee (LBC) conducted one of the studies evaluated by GAO. It compared Washington State's Airway Heights facility – described by one analyst as the "gold standard" of operational efficiency – to similar private prison facilities in Tennessee and Louisiana (1996).

The LBC study controlled for differences in the cost of living between states and for inmate demographics. Then, after eliminating medical expenses, overhead, and debt services, it compared daily costs of a 1,424-bed prison in the three states. According to the results, Washington's daily labor costs were 36 percent higher than in Tennessee and 77 percent higher than in Louisiana. Labor costs accounted for about two-thirds of total cost difference when comparing with Louisiana and more than 100 percent of the difference when compared with Tennessee. And, because LBC analysts used the Seattle CPI to adjust for the cost-of-living differences, they note in their report that the cost disparities were likely *understated* in favor of Washington (1996).

Labor cost differences resulted mainly from the Washington Corrections department (LBC, 1996):

- Hiring more staff
- Paying higher salaries
- Paying higher benefits, and
- Employing workers with more longevity

Washington's staffing was heavier than Louisiana and Tennessee's in:

- Administration and business
- Classification and records
- Maintenance
- Food service
- General counseling, and
- Recreation and library

On the non-labor side, Washington spent more than facilities in Louisiana on:

- Education
- Food, and
- Utilities

***GAO conclusions ignore primary virtue of competition.*** According to the GAO report, correctional philosophies and changing operational performance make comparisons between facilities difficult. Some states are more punitive than others, favoring higher security to counselors and educators. And, first year private prison operation might have higher staff training expenses or it might hold first year billings down. Conversely, a public operation might become more efficient in the face of private competition.

However, GAO disregards the primary virtue of competitive sourcing, which is to encourage competing models and approaches in addressing the same or similar problems.

LBC's analysis in 1996 concluded that savings "directly related to privatization could come from two sources: The ability of a private company to operate outside of state rules and procedures, collective bargaining agreements and the employee compensation system; and from competition between private and public facilities within the same prison system."

As a marketplace of different operational models and philosophies develops, policy analysts and decision makers gain an ability to see the respective pros and cons of each. Washington's higher staffing, salaries and benefits may produce better results in prison outcomes (like better offender reintegration into the community upon release, lower recidivism, or fewer escapes). But, if they do not have any measurable benefit beyond those achieved by less costly models, then there are likely numerous other areas of human service and state government operations that could use the resources. Regardless, the cost-to-value results cannot be readily measured, compared, and verified outside of a competitive environment.

***Corrections Competition in Washington.*** A transition to corrections competition in Washington would not be easy. The 1996 LBC study urged that, "statute should direct DOC to contract out. The union could not then argue that contracting out is negotiable." Under the Personnel Reform Act

**Table 1. Corrections Officer Pay Comparison, 2004**

Jurisdiction	Number of Employees	Entry-Level Salary	Maximum Salary	Rank Bottom Range	Rank Top Range
Lynnwood	11	\$41,580	\$46,908	1	10
Kent	18	\$39,000	\$47,460	2	8
Pierce County	260	\$38,616	\$51,288	3	3
Auburn	11	\$38,364	\$47,328	4	9
Snohomish County	144	\$37,680	\$49,992	5	4
Clark County	116	\$37,515	\$51,590	6	2
King County	485	\$37,392	\$53,880	7	1
Benton County	107	\$36,444	\$46,082	8	11
Renton	11	\$36,144	\$49,596	9	5
Kitsap County	81	\$35,916	\$48,132	10	6
Thurston County	59	\$35,784	\$47,952	11	7
Spokane County	143	\$33,864	\$43,476	12	12
Chelan County	44	\$32,496	\$37,620	13	13
State of Washington	2,529	\$28,956	\$36,708	14	14
CCA-Idaho	Unknown	\$22,006	n/a	15	n/a

Source: Washington legislative staff

of 2002, however, competitive contracting is a mandatory subject of collective bargaining.

But, even if labor unions fail to eliminate the threat of competitive sourcing in future negotiations, relatively high public sector salaries in Washington would thwart a smooth transition. A legislative staff review compared salaries in 2004 paid to city, county and state correctional officers in Washington and by CCA to officers at its private Idaho facility. CCA and the state of Washington pay the lowest entry-level salaries. In fact,

the state's maximum salary, according to this comparison, was less than the entry-level salaries of seven local jails. See Table 1.

According to the Corrections Department, lower salaries, when there are employers within the general labor market area paying substantially more, have contributed to "recruitment and retention problems," as the lower paying state facilities serve as the labor training pool from which the higher-paying local government employers attract their workers (House Appropriations Committee Member, personal communication, 2004). High turnover can result in deficiencies in experienced, trained staff – a problem cited as a contributing factor to recent riots at CCA's Colorado prison facility (CCA, 2004).

Still, competition in Washington State correctional facilities is not likely anytime soon. "We're very aware of [competitive contracting]," says Denise Doty with the Department of Corrections, but she's "not aware of any specific plans" to use it in Washington.

## Child Welfare

Child protection services have expanded over the last 30 years as knowledge of child abuse and neglect has increased and fatalities and cases of extreme abuse have shocked the public. Use of private providers has also increased, as state resources became too limited or too inflexible to respond adequately (Nightingale, 1997).

Child welfare policy involves striking a difficult balance between protecting children (by removing them immediately and decisively from threatening or potentially threatening situations) and supporting families and parental rights (by working with parents and extended families to build healthy environments for children). If either of these extremes were appropriate, and neither is in all situations, both have significant and very different implications for social service policy. Which areas of service are most conducive to successful competitive contracting and how contracts should be designed, bid, written, monitored, and executed raise issues as complex

as they are key to success in the life of any individual child.

Four broad functions help to define the challenges of child welfare (CPPP, 2005). These are:

1. Investigations and assessments
2. Case management, including decision-making, coordination, and legal prosecution
3. Services to children and families, and
4. Foster care and adoption services for children

Nationally, state agencies have largely retained the investigation and case management functions due to the complex legal work necessary in the event parental rights are terminated. More commonly privatized are direct services to children and families, such as parenting classes and other family support services, as well as foster care and adoption placement services.

In Washington, foster care and adoption placement services continue to be provided largely by state employees. Elsewhere around the country, however, significant steps are being taken to test alternative models for service delivery.

***Kansas experience drastic, not recommended.*** Kansas offers perhaps the most drastic example of child protection service reform. Under legislation passed in 1996, private contractors were given only four months to organize themselves to provide family preservation, foster care, and adoption services using a managed care model. The “Kansas attitude,” says a 1998 report from Kansas Action for Children, seemed to be “transition now and work out the details later” (Kansas Action for Children, 1998; Governing Magazine, 2000).

Shortly after shifting to private providers, reports from the Kansas Department of Social and Rehabilitation Services (SRS) documented important-sounding successes (SRS, 1997). For example:

- Of the 138 children leaving state guardianship for adoptive homes in the first three months, over 40 percent were non-white and over half were age six or older, typically more difficult placements
- 97 percent of the 723 families referred to family preservation went through a treatment process
- 98 percent of families had no subsequent report of abuse or neglect
- 90 percent of families had no out-of-home placements, and
- Because private contractors are handling adoption, family preservation and foster care, SRS social workers were able to concentrate on intake, assessment and case management

But, since there was little reliable performance measurement prior to reform, direct comparisons with Kansas’s new private model are impossible. “The problem for us in setting the outcomes was that there [were] no data,” says Terry Markowitz, former Kansas family services commissioner.

Adding to the comparison difficulty, reforms included more than just con-

tracting with private providers. Incentive systems were altered, outcome-based performance measures were imposed, more money was allocated, and staff training programs were refined. As a result, it is unclear which changes were responsible for success, leaving in question whether portions of the new system might possibly be contributing to new or continuing difficulties.

Some of the private providers have recently reported cost overruns and two reputable non-profits declared bankruptcy (Goldsmith & Eggers, 2004). In addition, many state workers, who most reformers assumed would work for the new private service providers, left the social work profession, leaving sensitive tasks necessary to serving clients and developing credible case plans to twenty-somethings fresh out of college (Governing Magazine, 2000).

Still, seven years later, Kansas is counting successes, including consistently meeting important safety standards. No one, though, is suggesting that this disruptive and chaotic reform process should be duplicated.

As the dust settles, lessons are emerging on the importance of reliable comparative data in assessing system performance, the importance of ongoing professional relationships built on trust, and – since orders to terminate parental rights must ultimately pass legal muster – the need to include the court system in the process of change. The system is necessarily evolving. Flat managed care fees have been abandoned, more money has been budgeted, and more resources are going to prevention and early intervention. As of January 2005, in order to improve case management system continuity, foster care and adoption services began being provided to a particular client family by the contractor receiving the initial referral (SRS, 2005).

***Florida piloting community-based program.*** Florida, too, has had documented successes. In 1996, it initiated the Sarasota County pilot program to privatize child protection services. Under this program, foster care stays have been cut from about 20 months to 13 months; adoptions have doubled from 20 to 40; and the number of cases for which social workers are responsible have halved.

In Sarasota County, twelve private social service organizations combined their resources to form a coalition, with the YWCA acting as the lead agency. The state passes to the coalition the same amount of money it budgeted for these services before functions were privatized, but the funds available to coalition members from Medicaid and private donations are now used to achieve a common set of objectives and are helping to pay for more employees and increased contact with clients. In a report published by the Reason Public Policy Institute, Sarasota's local district administrator Fran Gibbons said a reason for their success was, "We didn't resist the idea... We just started learning how to do it" (Snell, 2000).

***Washington contracts 60 percent of services.*** The main functions that Washington State contracts to private providers are the Alternative Response System, Family Preservation Services, and Family Reconciliation Services. According to Ross Dawson, with the Children's Administration, "we have a lot of contracts now." He says that more than 60 percent of his agency's service dollars – amounting to several hundred million dollars – go to private providers in Washington. But "before putting more [money] out there, we want to measure our performance and [the] effectiveness of

[our current way of doing things.]”

Dawson explained that, “a lot of how we do things depends on our funding arrangements.” In the late 1990s, for example, the federal government gave special waivers to the state, allowing it to account more easily for children served in group settings. But, according to Wolfgang Opitz, Medicaid auditors subsequently disallowed the waivers, eventually costing Washington around \$28 million (W. Opitz, personal communication, 2005). The issue of federal funding requirements, as well as new foster care and adoption requirements prompted by the Braam lawsuit,<sup>2</sup> both serve to dictate and constrain how the state performs (Washington State DSHS, 2004).

Nonetheless, there could be considerable savings from spending the additional front-end money required to move children from state-supported foster care into adoptive homes, says Barbara Pearson, head of Northwest Adoption Exchange (an organization that helps recruit families willing to adopt children in Washington, Oregon, Alaska and Idaho).

According to Pearson, once a family has been identified, the state handles most of the adoption. “There is considerable social work in preparing families for adoption. It requires a very complex set of skills and functions.” Private providers are very successful in finding adoptive homes, even for the older, harder-to-place children, because “it is our sole responsibility to find a permanent place for that kid.” On the other hand, the primary mandate for state workers is protecting children from imminent harm so safety always takes precedence over permanence. “They have more on their plate,” says Pearson, “our mission is cleaner, more focused.”

Pearson’s organization has a contract with the state to place 34 children in permanent homes each year. For infants, she says, adoptive homes are plentiful and adopting families are willing to spend generously to cover the expenses of fulfilling all the requirements. But with older children the challenge to find homes is greater, the work more expensive, and the funding less adequate. Families adopting older children don’t pay, says Pearson. In fact, the reverse can be true, for example in cases where on-going medical problems are anticipated. Nonetheless, a permanent adoptive home is nearly always going to be less expensive for the state in the long run and more stable for the child, she says. “We need a stronger public-private partnership. If the funding were there, private capacity would develop.”

## COMPETITIVE SOURCING ACROSS THE COUNTRY

Privatization and competition are changing the fundamentals in other areas of state responsibility as well. Education vouchers, charter schools, and private education management companies are being used in states like

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<sup>2</sup> In Braam v. DSHS lawsuit, filed in August 1998, attorneys representing a class of foster children who had three or more placements while in foster care alleged that Department of Social and Health Services (DSHS) does not provide constitutionally required care to foster children. In December 2001, a Whatcom County jury agreed with the plaintiffs, and in May of 2002 the trial judge issued an injunction requiring several changes in the foster care system. That order was put on hold while the state appealed. In December 2003 the Washington Supreme Court reversed the injunction but sent the case back to trial. That trial was scheduled to commence on September 13, 2004 but DSHS and plaintiffs agreed in August 2004 to use the department’s Kids Come First Phase II, Safe Kids in Healthy Families, as the basis for comprehensive improvements in Washington’s child welfare system. The agreement resolves the lawsuit, but did not include court oversight of the child welfare system.

Wisconsin, Florida, California and Maryland (Beales & O'Leary, 1994). Florida's Governor Jeb Bush has implemented well over 130 private initiatives, including private janitorial services for state buildings, food service at state prisons, online professional licensing systems, private collection of state highway tolls, and private Medicaid billing systems. Indiana's Governor Mitch Daniels has privatized prisons, commerce, and janitorial duties and is proposing to sell a 99-year lease for the east-west highway that crosses Indiana from Ohio to Illinois. And Texas Governor Perry's trans-Texas corridors will eventually double the miles of private toll roads in the United States, says Reason Public Policy Institute's Geoffrey Segal. In the first phase of TTC-35 a Spanish toll road developer/operator has pledged to invest \$7.2 billion to build 316 miles of four-lane toll road that will eventually run from the Mexican border to Oklahoma (Poole, 2005). At the same time, Texas has privatized portions of its human resources and its Medicaid back office. And, according to Segal, the privatization experience overseas is even more dramatic (G. Segal, personal communication, November 18, 2005).

The challenge, then, is not identifying appropriate areas of state service or even finding cost savings and efficiencies. The issue is one of leadership. "Ultimately," says Segal, in all these examples, "there are several key factors [...] most important [of which] is political leadership." Getting legislative authority on the books is important, but leadership from the governor is crucial. "The legislature doesn't execute anything. Until the administration is actively supportive, [competitive contracting] won't happen."

## THE FOUNDATION HAS BEEN LAID

The foundation has been laid for competition in state government service delivery in Washington. Necessary rules and regulations—perhaps more complex than many competitive sourcing advocates would have desired—are in place for a competitive model that recognizes and values the experience and dedication of existing public employees.

But while competitive contracting may be a simple concept, it is not easy. Nor will it be eagerly embraced here in Washington. Public employee unions will likely continue to resist competition. And while state government managers may have the authority to consider competitive strategies, this authority is not secure beyond the next collective bargaining session.

Currently, Washington uses competitive contracting for much of its service delivery, particularly in social services and transportation. Yet, because of the longstanding prohibition on contracting services historically provided by public employees, there has been little competitive innovation in most government services and the boundaries dividing public and private services have hardened. Efforts to inject market competition into traditional areas of service—we look at corrections and child protection services, but the list goes on—will require both bold leadership and careful planning.

Several people we interviewed expressed little confidence that a Democratic legislature and executive would embrace competitive contracting. But this view may be too pessimistic. In the last 20 years, the greatest strides toward introducing new models of public administration have come under Democrats, including the "reinventing government" initiatives undertaken by the Clinton-Gore administration. (Under Vice President Gore's leadership, the National Performance Review called for increased competition

and consumer choice as a way of increasing performance and empowering public workers.)

Both Governor Gary Locke, under whom the civil service reform package passed, and Governor Christine Gregoire have pioneered efforts to increase accountability and maximize the effectiveness and efficiency of state government. Recent efforts include Governor Locke's Priorities of Government budget process – a system continued and enhanced by the Gregoire administration's Government Management Accountability and Performance (GMAP) program. Along with the state's new performance auditing capacity, these three systems create an environment within which competitive sourcing can be objectively implemented.

Still, the administration has thus far chosen to move cautiously. Antonio Ginatta, the governor's executive assistant for general administration and procurement, says "We're letting the legislation settle in. We don't anticipate any action from the Governor" to direct agencies to use the new authority in the next session.

Perhaps caution is warranted this early in the process. Yet, an administration eager to demonstrate accountability and enhance performance will want to consider competitive sourcing developments in other states and search out best practices. While there is no need to rush into uncharted territory – and even the most enthusiastic advocates of competitive contracting acknowledge that there have been failures – there is similarly no reason not to use this new authority to increase performance and reduce costs.

Successful pilot programs are documenting savings and efficiencies from competitive initiatives. As they do, advocates of resource-starved programs should become proponents of change, looking to competitive reforms throughout state government to free up money, reorganize priorities, and re-deploy public resources.

Potential areas for future competitive contracting by institutions such as higher education and correctional facilities may include building and ground maintenance, landscaping, laundry services, and cafeterias.

For now, legislation calls for a performance audit by the Joint Legislation Accountability and Review Committee (JLARC). JLARC plans to release its findings in January 2007. Advocates for reform should be preparing their questions now.

If you are aware of successful competitive contracting programs either in Washington or in other states, please contact a WashACE member: the Association of Washington Business, the Washington Research Council, or the Washington Roundtable.

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