Reason Foundation

Innovators in Action

Mayor
Rudolph Giuliani

Governor
Jeb Bush

Mayor
Curt Pringle

Governor
Bill Owens

Edited by Geoffrey F. Segal, Director of Privatization

Reason Foundation

Reason Foundation's mission is to advance a free society by developing, applying, and promoting libertarian principles, including individual liberty, free markets, and the rule of law. We use journalism and public policy research to influence the frameworks and actions of policymakers, journalists, and opinion leaders.

Reason Foundation's nonpartisan public policy research promotes choice, competition, and a dynamic market economy as the foundation for human dignity and progress. Reason produces rigorous, peer-reviewed research and directly engages the policy process, seeking strategies that emphasize cooperation, flexibility, local knowledge, and results. Through practical and innovative approaches to complex problems, Reason seeks to change the way people think about issues, and promote policies that allow and encourage individuals and voluntary institutions to flourish.

Reason Foundation is a tax-exempt research and education organization as defined under IRS code 501(c)(3). Reason Foundation is supported by voluntary contributions from individuals, foundations, and corporations. The views expressed in these essays are those of the individual author, not necessarily those of Reason Foundation or its trustees.

Copyright © 2007 Reason Foundation. All rights reserved.

Contents

Introduction: Innovators in Action 1
Edited By Geoffrey F. Segal

Improvement Requires Willingness to Change 3
By Governor Jeb Bush

Addressing Public Challenges with Private Partners 6
By Governor Bill Owens

Management Requires Measurement: The Key to New York City's Renaissance 8
By Mayor Rudolph Giuliani

A Bias Towards Freedom: Freedom Breeds Choice and Innovation in Anaheim 13
By Mayor Curt Pringle

Running Government More Like a Business 19
By Delegate Christopher B. Saxman

Using Competition Because Taxes Are Too High 22
By Commissioner R. Patrick DeWine

Steering Not Rowing 24
By Secretary E. Mitchell Roob Jr.

City of Charlotte's Privatization and Competition Advisory Committee 27
By David Elmore

Democrats and Public-Private Partnerships Toll Roads 31
By Robert W. Poole, Jr.

Prominent Mayors Champion School Choice 35
By Lisa Snell

Introduction: Innovators in Action

Edited By Geoffrey F. Segal

Put a candidate on the campaign trail and watch him raise the banner of reform—but once in office, elected officials quickly discover that the road to reform is congested with failed programs, entrenched special interests, and a lack of political will. However, the need for real reform is urgent, as government at all levels is faced with a triple threat of unfunded pensions, spiraling health care costs, and crumbling infrastructure. Traffic congestion continues to choke our metropolitan areas, threatening our economic competitiveness and even our way of life. Even our nation's water and wastewater systems are facing upwards of $1.2 billion in repairs—and the cost for all of this will be borne by you.

It was Shakespeare who said "what is past is prologue"—and when it comes to government reform, we can learn from what has been successfully implemented elsewhere. *Innovators in Action* showcases the efforts of visionaries who have moved policy from the theoretical to the practical. Thanks to this remarkable group of reformers, government has become more responsive, more effective and more efficient.

In the following essays by some of government's most innovative policymakers, six common themes emerge:

1. Ask questions. Sometimes meaningful change begins with a simple question. Florida Governor Jeb Bush challenged his administration to answer fundamental questions about the business of government by asking "why?" and "why not?"—and his efforts to make government more competitive saved more than $20 million in taxpayer dollars.
2. Measure performance. How can you tell success from failure if you're not measuring? Mayor Rudy Giuliani used performance measurement to manage effectively and achieve policy outcomes, not just outputs.
3. Challenge existing paradigms. Gone are the days government "goes it alone," writes former Colorado Governor Bill Owens in arguing that new paradigms are emerging in how government operates and interacts with citizens. In many ways a traditional government response will not meet the challenges of the 21st century.
4. Embrace technology. Technology has improved our lives significantly, but its

potential has not been fully embraced inside the halls of government. Indiana Family and Social Services Administration Secretary E. Mitchell Roob, Jr. is using the power of technology to refocus government programs back onto the customer while saving millions of taxpayer dollars.

5. Utilize transparency. By shining a light on wasteful spending, reformers can make a stronger case for change. Virginia Delegate Chris Saxman is showing that transparent government is more accountable, more competitive government, and will yield better services at a lower cost to taxpayers.

6. Embrace competition and market forces. In Anaheim, California, a city known best as the West Coast home of Mickey Mouse, Mayor Curt Pringle has used market forces and market-based incentives to create one of the most dynamic economies in Southern California.

Reformers like these prove that change is possible—and their ideas are taking hold in the highest echelons of government. In recent testimony to Congress, U.S. Comptroller General David Walker, stressed the urgency of the problem when he noted that "delay does not avoid action—it just makes the steps that have to be taken more dramatic and potentially harder. We owe it to our country, to our children and to our grandchildren to address this fiscal imbalance. The world will present them with new challenges—we need not bequeath them this burden too. The time for action is now."

It's time for a new way of thinking. We know that government isn't going to reform itself—but for reform to have a chance we must break down the tired constraints of government-as-usual and create new paradigms for change. Following the examples and lessons learned from the actions of these innovators will show the path to real, sustainable, effective reform.

Improvement Requires Willingness to Change

By Governor Jeb Bush

The world has changed dramatically in a short period of time. Advances in technology have revolutionized the way we live.

Thirty years ago, no one had a computer in his home. Now, many people have Blackberries in their pockets. The Internet allows inspiration and ideas to travel at warp speed across continents and oceans in seconds. Medical breakthroughs are allowing people to live longer, with a better quality of life.

The world is "flatter" and more connected than ever before. Trends that used to take years to develop, now take months to take hold. Economies are emerging every day to challenge our dominance in the global marketplace, where innovation and ideas are as commonplace as goods and services.

Yet, government, with few exceptions, still works like it did in the 1950s, with a pyramid-style, top-down bureaucracy that moves with tortoise-like speed. For America to succeed in the increasingly competitive global economy, our government needs to be able to quickly adapt to this new, changing world.

The first step is clearly defining the role of government. I believe the fundamental role of government should be to keep us safe from threats both foreign and domestic, build the infrastructure and human capital that creates opportunity and fuels our economy, and care for the truly vulnerable among us.

A government that grows significantly beyond these core responsibilities will eventually grow beyond our ability to pay for it. When government grows in scope, its size and cost grow too—often exponentially. Requiring a balanced budget, allowing the line-item veto, prohibiting earmarks, and capping the growth of government are sound fiscal measures to rein in runaway government spending.

The second step is developing a zeal for reform. Constantly challenging the status quo with questions like "why?" and, perhaps more importantly, "why not?," creates an ongoing cycle of improvement. Controlling costs is just part of the benefit. Getting better value for the taxpayers is an equally important part of the equation too.

As Governor of the great state of Florida, I spent a lot of time asking the question, "why?" and even more time asking, "why not?"

During a policy and budget briefing in the transition prior to my taking office, I learned the state owned and operated more than 100 communications towers and plans were underway to build more. The towers were the basic infrastructure needed to establish a statewide radio system that allows emergency responders and law enforcement to communicate with each other using different technology—a priority for our state's capabilities to respond to hurricanes. More than a decade had passed since the project was launched and only 15 of our 67 counties were online. The state had already spent $120 million and the price tag for completion was estimated at more than $549 million.

Changing the way government operates opens the door for entrepreneurs to offer innovative and cost-effective solutions to today's problems.

So I asked, why is government in the business of building an independent communications network? Then, why not leverage state resources to encourage investment by the private sector to accomplish the goal faster and at a lower cost to taxpayers?

In September of 2000, Florida entered into a public-private partnership with M/A-COM, a leading supplier of communications equipment, to finish the network. The state transferred our assets and provided a one-time payment of $40 million. The project was completed in 2006. An existing fee of $1 for vehicle and vessel registrations pays the $13 to $18 million needed to maintain the system and the state earns 15 percent on all third-party tenants for the life of the 20 year agreement, which is projected to generate $22 million in revenue. Today, Florida's emergency responders can communicate across jurisdictions with multiple radio systems all on the same network during good times and bad—strengthening public safety to the taxpayers.

Florida tapped numerous other opportunities to maximize the strengths of both the private and public sectors. Custodial services, security at state buildings, housekeeping at veterans nursing homes, data entry and mail delivery are among the many other services outsourced by the state of Florida. Since 1999, outsourcing reduced the government workforce by 9,570, saved more than $741 million in actual dollars and prevented an estimated $1.4 billion in additional costs.

- In 1999, toll booth operations on the Florida Turnpike were outsourced, reducing the public sector jobs by 792 and saving $30 million under the contract.
- In 2001, food services in the state's prisons were outsourced, eliminating more than 472 government jobs and saving more than $66 million through the life of the contract.
- That same year, health services in some of our state prisons were also outsourced, eliminating 478 government jobs and saving more than $49 million under the life of the contract.
- In 2003, the process of negotiating leases was consolidated within one agency and outsourced. Under the comprehensive approach, in less than four years, government reduced the amount of private leased space by 6.2 percent, secured $12.6 million in cash from landlords for tenant improvements and negotiated $86.2 million in rent reductions over the term of the leases. At the same time, the discussion of

competition and the prospect of privatization often spurred reform within an agency. The modernization of Florida's welfare system is an excellent example.

Under the traditional system, applicants for Food Stamps, Medicaid and Temporary Assistance for Needy Families had to apply at one of the many brick-and-mortar offices in the state. In 2003, we asked, why not use technology to increase access and improve efficiency? We began discussions with outside providers but ultimately "insourced" the project to the Department of Children and Families.

Outsourcing provides numerous benefits —economies of scale, greater expertise in diverse fields and much-needed flexibility in this new changing world.

That is when Florida began migrating from the storefront model to a consumer self-service model where applicants could apply for help by Internet, phone and mail. Other enhancements provided for a modern system of document management. Moving to a technology-based system expanded access, reduced errors and expedited the review process, resulting in better customer service and smaller government. By the end of fiscal year 2007, the reform eliminated the need for 3100 government jobs—a reduction of 43 percent of the workforce resulting in an estimated savings of more than $115 million.

New outsourcing projects can be a process of trial and error. In 2001, Florida state government outsourced its human resource departments rather than replace an antiquated computer system that tracked personnel actions at a cost of as much as $90 million. At nearly a foot high, the initial contract was so prescriptive it actually hindered the process of problem solving through the transition, leading to frustration by rank-and-file state workers who were resistant to the change from the beginning.

Overcoming the inherent fear of change within a bureaucracy is a constant challenge to the success of outsourcing, and transformational reform as a whole. As Albert Einstein wisely said, "Insanity: doing the same thing over and over again and expecting different results." To improve services and systems, we need to be willing to change.

Changing the way government operates opens the door for entrepreneurs to offer innovative and cost-effective solutions to today's problems. Outsourcing provides numerous benefits—economies of scale, greater expertise in diverse fields and much-needed flexibility in this new changing world.

The most efficient, effective and dynamic government is one composed primarily of policymakers, procurement experts and contract managers that provide quality assurance and accountability, with the private sector doing a bulk of the actual work.

Jeb Bush was the 43rd Governor of Florida and is the Founder and Chairman of the Board of the Foundation for Florida's Future, a not-for-profit organization that advocates for education reform.

Addressing Public Challenges with Private Partners

Governor Bill Owens

The world faces a challenge—infrastructure needs are outpacing the ability of government to respond through the traditional "tax and build" approach.

The evidence of the challenge is clear. While the needs are great—perhaps $40 billion unfunded liability in the U.S. alone—competing demands, such as a $1.5 trillion shortfall in pension funding, strain existing resources. And long term infrastructure is often less politically popular an expenditure than is current consumption.

If we look around the world—to Europe and Australia in particular—new synergies between the public and private sector are emerging, addressing traditional public needs through partnership. Creative solutions have been fostered utilizing the efficiencies of the private sector, disciplines of the market and the profit incentive to deliver traditional public services—better, faster and cheaper than through traditional methods.

As a legislator and governor in Colorado I understood the power and importance of a robust private sector. I saw first-hand the power of the market and the role the private sector can play in transforming how governments operate. Competition makes government work smarter, better and cheaper. It puts mission and customer satisfaction ahead of process or power.

As a state legislator, I sponsored legislation that required the Denver metropolitan area's Regional Transportation District to privatize a third of its bus routes. As governor, I signed legislation that increased that requirement so that today half of Denver's bus routes are privately managed. Customer service is as good, if not better on these routes—and the private sector is able to operate them at a 20%-30% savings to the taxpayer. Despite this success, the unions are so threatened by the efficiencies of the private sector that they are pushing to limit privatization, putting power ahead of results and performance.

I saw first-hand the power of the market and the role the private sector can play in transforming how governments operate.

Another example of private sector success is Colorado's prison system. Today about 30% of our felons are incarcerated in private prisons. Not only do private prisons

operate as safely as their public counterparts do, but they do it for less money.

Private companies invest their capital to build new facilities in Colorado—facilities that we needed but could not afford otherwise. So, we get a lower per diem cost per inmate and we didn't have to utilize scarce infrastructure dollars to build the prisons in which our inmates are housed. But perhaps the biggest benefit is that competition makes the entire system—public and private—work better.

Privatization is not just about operating services more efficiently. It's about transforming how governments operate and do business. Colorado was the fourth state in the nation to convert carpool lanes into high-occupancy toll or "HOT" lanes—a concept originally championed by Reason Foundation in a 1993 paper which first proposed that underutilized carpool lanes be opened to non-carpool vehicles willing to pay a toll to use the lanes.

This conversion was accomplished at minimal cost to the taxpayer, but allows market forces—i.e. tolls—to operate to provide more choice to the motoring public and revenue for the taxpaying public.

Despite the successful record of privatization throughout government, significant political obstacles remain. While the voting public may be largely unaware of the savings and efficiency realized through the use of market forces in government—the public sector unions certainly are, and they are fighting back. The unions are using their special privileged status within the Democratic Party to put their demands ahead of those of the taxpayer. The concentrated special interest will often drown out the overall public good in the public debate, particularly when it comes to the special interests of our government unions.

"Reason Foundation is an invaluable resource to policy makers like myself, looking for the latest ideas on making government work more efficiently and effectively."

Moving forward governments will be continually forced to innovate and adapt to meet challenges. The private sector, with its access to capital and focus on efficiencies and performance, will be an important partner. In Colorado, we repeatedly used market principles to lower costs and improve services.

Government is and always will be important, providing vital services to the public. However, gone are the days that government "goes it alone." To remain competitive in the global environment, governments will need to embrace the power and ability of the private sector, as we did in Colorado. In this effort, Reason Foundation is an invaluable resource to policy makers like myself, looking for the latest ideas on making government work more efficiently and effectively.

Bill Owens was the 40th Governor of Colorado and is Vice Chairman of RBS Greenwich Capital.

Management Requires Measurement: The Key to New York City's Renaissance

Mayor Rudolph Giuliani

I hear something very familiar when I travel the country. No matter where I go, Americans are asking, "What's wrong with Washington?" They're frustrated that the government doesn't solve problems. There's no accountability for actually making things better. From immigration and tax reform, to education and protecting Americans at home and abroad, I keep hearing people say their government just isn't working. And the reason this sounds familiar is that when I ran for Mayor, New Yorkers had just about given up on their city. They believed the city's best days were behind them. Citizens in New York came to think that city government was broken beyond repair and there was little reason to hope for a better future.

Things are different now. In fact, for millions of New Yorkers, it can be hard to remember the New York City of the late-1980s, but certain images persist: filthy streets, random violence, and graffiti-covered subways made many people believe the Big Apple was rotting. Books were written that declared the city "unmanageable." For citizens, the worst symptom of all was crime and, as Sen. Daniel Patrick Moynihan said, "defining deviancy down." In 1993, there were 1,946 murders a year and more than 11,000 major crimes per week. More than one million people were on the city's welfare rolls, which was one-in-seven New Yorkers. The city's private sector had lost more than 320,000 jobs. And according to a Time/CNN poll, 59% of all New Yorkers would have left the city if they could have.

These conditions explain why many people thought the city was unmanageable. But I ran for mayor because I believed otherwise. I believed that when people said the city could not be managed, it was an excuse used to absolve politicians of their responsibility to make things better. And that's what political leaders are supposed to do: solve problems. Although I knew the city wouldn't be easy to manage, I was confident that with clear priorities and relentless accountability the government could serve the people again.

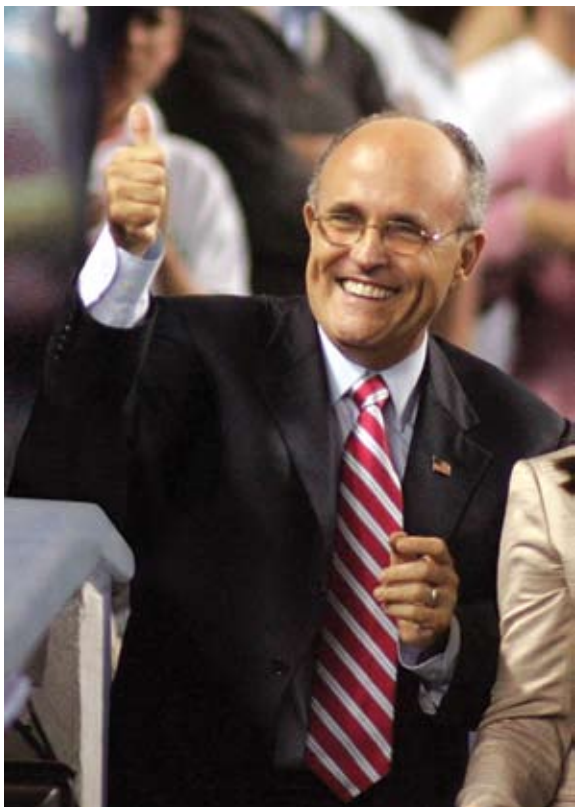
Enter CompStat

As Associate Attorney General under Ronald Reagan, one of my responsibilities was to analyze and disseminate national

crime statistics. So when I became Mayor, I used that experience to reprioritize and change the way the city measured crime. Before I took office, a police officer's success was judged by the number of arrests he made. If a police officer made more arrests than the previous year, the department believed he was doing a better job—regardless of whether or not more crime was taking place over the same period of time. And that was the problem with that analysis: the number of arrests doesn't necessarily relate to how safe the public is. And a safer city is what New Yorkers deserve.

To ensure the New York Police Department—and each of the precinct commanders who run the city's 77 precincts—could more effectively focus on crime reduction, the NYPD began recording the numbers of crimes that were happening in their precincts every day. You cannot manage what you do not measure, and we wanted to manage the NYPD and reduce crime, so we began measuring crime every single day.

Collecting real-time data was the first step to making the city safer and the beginning of a computer-driven program called CompStat, which allowed the NYPD to compare crime statistics—day to day, week to week, month to month and year to year—while also figuring out exactly where crime was taking place. The computer program tracked and mapped crimes, right down to the street corners. Using CompStat, for instance, we could see very quickly if there was an increase in burglaries in a specific neighborhood. Then we could compare the crimes and determine patterns, so when police officers and detectives were in the neighborhood, they'd be armed with



better intelligence.

The key to this crime-fighting strategy—which kept it from being a theoretical exercise and made it so effective—was the accountability of the CompStat meeting. Twice a week, half a dozen precinct commanders from around the city would come to police headquarters to meet with the Police Commissioner and NYPD leadership. The precinct commanders would stand at a podium in the front of the room with maps of their own precincts and the crime statistics projected above them. The job of the precinct commanders at these meetings was to explain what they were specifically doing to attack the crime problem in their area. The job of the NYPD leadership in the room was to make sure the strategies being used were getting results—and the precinct commanders were getting all the resources they needed to

reduce crime. If a precinct commander was having a problem ending a wave of vehicle thefts, the leaders in the room had the power to quickly deploy a unit to that area specializing in auto theft busts.

CompStat didn't just give precinct commanders in the field the responsibility of lowering crime, it gave them the resources to get the job done as well as direct access to the insight and direction of NYPD leadership. CompStat gave the NYPD a well-defined and focused system of accountability. The NYPD gave New Yorkers a much safer city. By the time I left office, murders were down 66%, from 1,946 in 1993 to 649 in 2001. Vehicle theft was down 73%. Shootings were down 70%. Burglary was down 68%. Robbery was down 67%. Overall crime throughout New York City plummeted 56% and the city that was once considered the crime capital of the nation became the safest large city in the United States according to FBI statistics.

"I'm Responsible"

I've kept a sign on my desk ever since I became Mayor with two words on it: I'm Responsible. The CompStat program forced every precinct commander in New York City to take personal responsibility for reducing crime. But many other problems were hurting the City, and when I was elected, I also faced the challenge of turning around an enormous economy and eliminating a $2.3 billion deficit.

Businesses and jobs were disappearing from the city. Nearly every industry was being hurt by high taxes. The city's Hotel Occupancy Tax was the highest in the nation.[1] It was so high that the Professional Convention Management Association urged its 35,000 meeting planner and association members to boycott New York.

When I proposed my first tax cut, it was a controversial idea. That's because in a city ruled by liberal Democrats, tax cuts were never thought of as a way to solve the city's fiscal problems. When I took office, registered Democrats outnumbered Republicans 5 to 1 throughout the city, and in the City Council, Republicans were outnumbered 44 to 7.[2] Previous administrations thought the only way to turn the city's economy around was through higher taxes and increased spending. I knew those were bad policy that undercut personal initiative and entrepreneurship.

> I believe America's brightest days are ahead. Our Federal government, though difficult to manage, can be managed—efficiently, effectively, and with accountability.

The Hotel Occupancy Tax was the first tax we cut. We cut it 29% and saved guests $161 million between 1995 and 2002. Trade groups also stopped their call for a boycott and over the course of my administration, tourism surged from 26 million visitors a year in 1993 to more than 37 million visitors in 2000. The tax cut also had the supply-side effect of increasing revenues for the city by almost 90%. So the lower tax brought in much more revenue than the higher tax, a principle still rejected by one side of the political spectrum.

During my eight years as Mayor, my administration cut or eliminated 23 different taxes—ranging from personal income tax to the sales tax on clothing purchases to taxes on commercial rents. These cuts saved taxpayers and businesses more than $9 billion. By the time I left, New Yorkers

enjoyed their lowest tax burden in decades. The economy expanded, creating more than 430,000 new private-sector jobs; personal income increased 50%; and the $2.3 billion budget deficit I inherited when I came into office became a $2.9 billion surplus.

The key to limited government and fiscal conservatism isn't just cutting taxes. To energize an economy, government also has to control spending. That's why I required all department and agency heads to present 5 to 10% cuts in their budgets every year. When an agency wanted money for a new project or program, I told them if they could find half the money by trimming their own budget or making the agency more efficient, then I would work with them to provide the other half of their request.

We also looked for government-owned properties that the private sector could better manage. You might be shocked to find out that when I became mayor, the city owned a radio station, a television station, parking lots and a number of other endeavors that weren't within the sphere of the government's proper role. So I did what any good capitalist would do: I sold them off. This privatization effort included:

- Selling WNYC radio for $20 million;
- Selling WNYC-TV for $207 million
- Selling the 54th Street Municipal Garage for $14 million;
- Divesting the United Nations Plaza hotel for $85 million;
- Selling the New York Coliseum to private developers for $345 million, creating the Time-Warner Center and spurring the revitalization of Columbus Circle;
- Overseeing a 70% drop in the number of housing units managed by the Department of Housing Preservation and Development; and
- Contracting out city services from building inspections to bail processing to save taxpayers money and create more private-sector jobs.

The New York Renaissance

New York's turnaround did not go unnoticed. More people visited and more businesses created more jobs in New York. CompStat was awarded the 1996 Innovations in American Government Award from Harvard University's Kennedy School of Government and the Ford Foundation. And George Kelling and William Sousa of the Manhattan Institute called it, "The single most important organizational/administrative innovation in policing during the latter half of the 20th century."[3]

New York City's Department of Correction was quick to create its own program based on the principles of CompStat. The initiative, called "TEAMS," the Total Efficiency Accountability Management System, helped reduce violence among prisoners by 95 percent and was nominated as a finalist for the Innovation in Government Award in 2001.

CompStat became the foundation for innovation and accountability in just about every aspect of city government, as agencies adopted similar systems of internal analysis to ensure good government. One of the greatest success stories came from how CompStat transformed welfare. Before my administration, welfare offices and case workers of the city's Human Resources Administration were judged by the number of people they had on welfare: the more, the better. So it was no surprise that one in seven New Yorkers was on welfare. The

office had every incentive to get as many people on welfare as possible. But I believe good government should provide a safety net, not a hammock. Instead of putting generations of people onto welfare, which the system had been doing, government should do everything it can to help people find jobs and become productive, taxpaying members of society.

We changed the mission of the case workers: It was now their job to find jobs for people on welfare. And by the end of my administration, we removed 640,000 people from the city's welfare rolls—making it the lowest level since 1966. In 2001 alone, our Job Centers placed more than 151,000 people into jobs. Our first step was to change the name of our welfare office to "Job Centers." There were actually lawsuits against the city that tried to stop us from changing the name, but in the end, we won, and all of the City's welfare offices are now "Job Centers."

Washington's Culture of Spending

My former Director of the Mayor's Office of Management and Budget (O.M.B.), lived by the motto of putting the "M" in "O.M.B." We need the same kind of thinking to change the culture of spending in Washington. CompStat was the key to transforming New York and it could offer profound lessons in management for every part of the Federal Government.

For instance, according to the Congressional Budget Office, 42% of the Federal workforce will reach the age of retirement over the next 10 years. This provides a tremendous opportunity to cut the number of civilian employees. If we only replace half of them, we can reduce the number of full-time federal employees by 300,000. This might seem like a daunting task, but in New York City we cut the number of full-time city jobs by nearly 20%—excluding cops on the street and teachers in the classroom. Applying CompStat principles of accountability would help the government find ineffective programs and target them for elimination. Elsewhere, technology can be used to replace retiring workers and save taxpayers considerable money. Using the 2005 average compensation of $70,000 for the federal workforce, a 20% reduction would save taxpayers over $21 billion per year beginning in 2017—and this does not include the costs saved in healthcare and other benefits.

I understand the frustration I hear from Americans. I know what it's like to be faced with a government that most people do not think is competent. But I believe America's brightest days are ahead. Our Federal government, though difficult to manage, can be managed—efficiently, effectively, and with accountability. We know what works, now we need strong leadership that can achieve results. And I believe we can make Washington work again.

Endnotes

[1] Kirk Johnson, "What Saved The Hotels? Not Just Tax Cuts," *New York Times*, July 30, 1997.

[2] Steven Lee Meyers, "Dog and Elephant Days: Giuliani Woos G.O.P.," *The New York Times*, August 4, 1994.

[3] Manhattan Institute Civic Report, ""Do Police Matter? An Analysis of the Impact of New York City's Police Reforms," December 2001.

Rudolph W. Giuliani was the 107th Mayor of New York.

A Bias Towards Freedom: Freedom Breeds Choice and Innovation in Anaheim

By Mayor Curt Pringle

After years of public service in state government, I was intrigued by the opportunity to impact real change at the local level and decided to run for mayor of the City of Anaheim. When I was elected in 2002, I did so with a clear intent to pursue a market-oriented, freedom-friendly agenda that would create an atmosphere of creativity and competition; putting our city at the forefront of innovation and efficiency.

I am proud that Anaheim has earned a reputation as a "freedom friendly" city because of policies we've created that are orientated towards giving our residents and businesses greater choices, greater opportunities to succeed, and a greater ability to define and create their own slice of the American Dream.

Too often, those of us in public service believe that more government programs are the answer to all issues facing a community or state, when, in fact, too often government efforts just get in the way. As mayor, I've worked with private enterprise to bring more freedom and choice to the residents of our city in a variety of areas, including planning, technology and transportation.

Platinum Triangle

One of the greatest challenges that American urban mayors face is creating a dynamic urban core that attracts people, jobs and housing. Anaheim is no different than many American cities; we wanted to create an attractive area that encouraged job growth, attracted new residents and gave our tourists another reason to spend more time in our city.

As we studied the city, we realized that the best opportunity for such a community was the area around Anaheim's Angels Stadium, which we believed could be turned into a new, vibrant neighborhood with housing, retail shops and restaurants that would both benefit from and support the stadium and the Honda Center, where the NHL's Anaheim Ducks play.

When many local governments decide to embark on such a redevelopment project, they often try to accomplish their goal by using eminent domain, or the government's legal power to seize private property for a purportedly public purpose, even over the objections of the property owner. When I became mayor, I called on my city council

colleagues early on to reject the use of eminent domain in our efforts to create new economic life in the stadium neighborhood, which we call the Platinum Triangle, or any redevelopment project in our city. As a result, the city council approved severe restrictions on the city's right to use eminent domain, restrictions that were recently placed into our city charter by a vote of the people.

Instead, the city council approved a plan for redevelopment that embraced the freedom-friendly standards we have become famous for:

- Development within the Platinum Triangle would be driven by private property owners. There would be no subsidies or other public incentives to achieve development goals.
- The mixed-use development opportunities could not turn existing properties into non-conforming uses or buildings. Property owners would still retain the rights to develop and use property pursuant to the underlying/existing zoning.
- Recognizing that the area was composed of dozens of individually owned parcels, the private sector would have to assemble parcels if larger sites were to be developed; the city would not use eminent domain to acquire property.
- Incentives would be created through market forces for those developers and land-owners who acquired property to break ground and build, not just continually flip the land for paper real estate profits.

Working with these broad goals, the city then took steps to streamline the development process and implement market-driven incentives, making the area even more attractive to developers. In some cases, property values more than quadrupled within 18 months after the new zoning was in place (in other words, the City rezoned in order to meet market demands).

What we saw happen in our city was amazing. After the city passed its new flexible zoning requirements in August 2004, development plans by private firms were in place for nearly three-fourths of the 9,500 available residential units within fifteen months. Eleven separate developers sought city approval, purchased land from private property owners and began their planning and development of the area within the first year.

Lennar Communities, a private developer, has the largest presence in the Platinum Triangle. They have two separate projects, with one project accounting for more than 2,600 new residential units and more than 229,000 square feet of commercial/retail space. Prior to the creation of the overlay zone, Lennar owned no property in the city. Upon the establishment of the zone, they purchased approximately 30 properties (over 50 acres), all from private property owners, at market price, without government involvement.

With the flexibility the city provided, the area is blossoming with more economic activity than ever imagined. In fact, with the new housing and retail activities planned, there has been an increased demand for high-end office space.

With the large amount of redevelopment going on in this area of our city, I am often asked if any of the existing property owners in this Platinum Triangle area will continue to own their property and businesses after the area is built out. While many of the owners did decide to sell their properties, there are still building owners and businesses within the area that have been there for many, many

years. One business owner, who chose not to sell his property, will remain in the area and will soon have 20-story residential buildings nearby. That's just fine. In our view, it is the building owner's decision—not the City's—whether the business stays in the Platinum Triangle area over the long term or not.

What Anaheim's experience in the Platinum Triangle can teach is that redevelopment can happen without trampling on people's private property rights. Local government's desire to create new jobs and more economic activity should not come at the expense of those rights.

Technology

This era in which we live, in contrast to the past Industrial Age, is known as the Information Age. The economic leaders are not necessarily those with the factories that make everything, but those who can process and deliver ever more bytes of information. The economy is changing, but in many ways the government approach to information services is still rooted in 20th century models.

We wanted to change that in Anaheim. From wireless internet services, to cable television to cellular phone services, we're taking steps to make our city one of the most aggressive municipalities when it comes to ensuring our residents are connected. But we are not using the traditional command-and-control government approach to these services. We are looking to the private sector to help bring our residents the freedom and choice they want.

1. The nation's first large, municipal Wi-Fi network

We started with municipal Wi-Fi, all the rage with many government planners. At a time when many cities around the nation were pursuing government-run models of municipal Wi-Fi systems, Anaheim decided to take a different path. Instead of a government-run system, we simply leveraged our city assets, such as streetlights and utility poles, and asked for proposals from providers to invest their capital and expertise in creating a citywide wireless network. In the end, the city signed an agreement with EarthLink to create a citywide wireless system for our residents and visitors. The city is not running the system, we don't own it, and we did not spend taxpayers' resources to establish it. Like any business in our city, we hope it succeeds.

In other areas, city officials are spending a lot of time wringing their hands about the digital divide. In some cities, the arguments about who will have access to a municipal Wi-Fi system at what cost are actively slowing down the progress towards total wireless coverage. They call Internet access a "right" and mandate providers offer free or reduced price service to certain income levels.

Again, Anaheim took a different path. We let EarthLink set the price at market rates, with no mandates. However, through private charity, we created the "Mayor's Tech Scholar" program which will annually award laptop computers to deserving high school students in our community. In last year's program, corporate partners such EarthLink and others awarded 45 students—chosen based on a combination of merit and need—a free laptop computer, plus two years of free wireless internet service.

2. A new look at video franchise agreements

Anaheim's next step in our effort to create more freedom and choice for our residents was to evaluate our cable franchise system. Since 1979, the city of Anaheim has had an exclusive franchise agreement with various cable service providers, the

most recent of which is with Time-Warner Communications.

Now as far as I am concerned, whether it is through cable, satellites, or new concepts on delivering television services, most notably through telephone lines, the more choices the consumer has, the better. Let private sector companies compete in price, quality and quantity, and let consumers decide.

But standing in the way of this vision are franchise agreements and other restrictive policies from the 20th century in which government guarantees monopolies on content delivery within their city. When it came time for Anaheim to renew its cable franchise agreement last year, I had to ask the question: in this day and age, what exactly is the purpose of a cable franchise agreement?

Historically, of course, they had their purpose. Cities wanted to encourage cable companies to build out their networks in cities. The cable companies wanted to have their investment in infrastructure protected. So cities guaranteed the companies exclusive rights to provide these services in the city.

Of course, any government program usually comes with a tax. City franchise agreements always involve a franchise fee (tax) that the city charges and the company passes on to the consumer. But long after the initial investments in the cable build out were paid off, cities and cable companies maintained exclusive rights of the franchise agreement and, of course, the franchise fees.

So as we negotiated the renewal of our cable franchise, we looked to bring more competition to Anaheim through an agreement with AT&T, our area phone company, to provide video contact and to eliminate the franchise tax for both providers.

At the same time we were looking at changing the structure of our franchise agreement, the state and federal government were also looking at opening up the delivery of video product. In 2006, the California Legislature passed legislation, which the governor signed, to allow phone companies to create statewide franchising mechanisms, eliminating the need for these companies to enter into individual municipal agreements to deliver video services in the state. At the federal level, the House of Representatives passed a bill to create a national franchising structure, but it was not approved by the Senate.

Also, the Federal Communications Commission was considering video franchising reform and the city of Anaheim weighed in with a rare municipal perspective that competition has been stifled in the world of video services due to government regulations. In our comments, we wrote, "To the extent that government needs to be involved in the marketplace in order to be responsible stewards of the public interest, government leaders at all levels should be working to create a regulatory environment that can nimbly respond to market changes that result from some new exciting technological breakthrough." We asked that the FCC implement reforms that allow the American consumer to benefit from increased competition in the marketplace, enjoying new delivery methods and potentially lower costs for those services.

As a result of these changes and our desire to give Anaheim residents the benefit of increased competition, we decided to invite Time Warner, AT&T, Direct TV, Dish Network, and any other willing provider, to operate and compete for our citizens' business.

The City enacted an agreement with AT&T, the year before the statewide

franchise legislation was established for the delivery of Internet Protocol Television (IPTV) to Anaheim residents. We believe this agreement is a model that shows the kind of local flexibility that an updated regulatory climate would further foster.

As part of the agreement, AT&T agreed to offset the city's cost of impact on local infrastructure, as would any private enterprise wanting to lay fiber or make any other investment that involved digging up city streets. However, AT&T will not be required to pay a city franchise fee, nor will the company be promised, either in writing on in effect, an exclusive right to provide Anaheim residents with IPTV. By the end of this year, nearly 100 Anaheim neighborhoods will begin to receive service from this new technology.

3. Can you hear me now?

Continuing our effort to encourage competition and improve technology services for our residents and visitors, I recently announced a citywide wireless service coverage initiative to ensure all major cellular phone companies are able to provide full coverage through Anaheim's 50 square miles.

I have asked city staff to work with the major cellular phone service providers to determine where coverage areas may be lacking and identify ways the City may be able to help expand their services within the City limits. Too often, cities stand in the way of cellular carriers building towers and deploying their networks with restrictive zoning and siting processes. Anaheim takes just the opposite tactic.

We have already employed some unique tools in providing access. We have established a model agreement for cell providers to put antennas on sport field light poles in city parks. We have a model agreement to allow cell providers to establish small cell antennae on city streetlights in challenging areas. And we have streamlined the processing of cell tower permits.

My goal is ensure complete and total coverage with all major providers by the end of 2007.

4. Anaheim residents are the winners

In today's world, people want to be able to complete a thought on their cell phone without having their call dropped. They want to open their laptop computers in a park or coffee shop and check their e-mail. They want to decide which video service provider—and which product—they use to bring content into their home.

Government's role in this new world is to ensure that the infrastructure these companies need is up-to-date and that government rules and regulations are not slowing or preventing technological advancements. Of course, it is appropriate for government to ask the private sector to pay a share of or, in some cases, all of the public costs for infrastructure improvements necessary to provide modern technology. But government should not be tacking on an ongoing fee simply because they have the opportunity to do so. In the end, private sector companies should compete in price, quality and quantity, and consumers decide what serves their needs the best.

Transportation

Like other Southern California cities, traffic is one of Anaheim's biggest headaches. But we have had the foresight to join with our neighbors and invest local dollars in transportation projects that have had major local benefits, such as the

widening of major freeways, like the I-5. There is no doubt that our commitment to improving our infrastructure has been a big part of our growth. And it will continue to be so in our future.

That is why Anaheim is moving forward with its own 21st century version of Grand Central Station—the Anaheim Regional Transportation Intermodal Center (ARTIC). This future-looking concept will bring together multiple modes of transportation in one location near the Platinum Triangle. Offices, residential units, hotels, and entertainment venues will be bustling around this transportation center, making it truly a hub for the entire Southern California region.

One of the exciting innovations we envision for ARTIC is an actual remote terminal to the Ontario International Airport here in Anaheim. At this remote terminal, a passenger could check their bags, clear security, and take a 15 minute high-speed rail trip that disembarks within the secure area of the terminal, ready to board their flight.

We envision an expanded Metrolink service, running 18 hours a day up and back through Orange County; a high speed connection taking only 20 minutes to Union Station in Los Angeles; a county-wide bus rapid transit system and even a new internal circulator, perhaps a monorail system, which connects key stops in Anaheim.

While Anaheim is ready to move with our plans on this project—this past year our transportation authority purchased land from the county for the future site of ARTIC—we have never received the funding we have needed from the federal government.

Well, we are tired of waiting. We believe that this project can be made a reality through a partnership with the private sector. This year, Anaheim will issue a Request for Proposal in the fall of 2007 which will serve as a challenge to any and all developers, private equity financiers, and other interested parties. The RFP will ask developers and others to finance the construction of the ARTIC in exchange for development rights for a complex of offices, commercial, entertainment, hotel and other uses in and around the ARTIC. Rather than dictate their vision for this 17-acre piece of land, the RFP will ask interested parties for creative ideas on how to make it work.

Conclusion

Americans have long had a love-hate relationship with their government. Government can be most effective when it keeps the interest of the people first and foremost and aims to operate as efficiently as possible. These goals can be accomplished when our leaders are dedicated to keeping government regulation as streamlined as possible and recognize the value of putting free market processes to work instead of heavy-handed government regulatory programs.

That is what we have tried to do here in Anaheim. Our city was founded by innovators and dreamers who created a dynamic community that continues to grow and change. Our city government is dedicated to helping keep our economy strong, our streets safe and our neighborhoods vibrant through programs and policies that value freedom and innovation.

Curt Pringle is the mayor of Anaheim, the 10th largest city in California, and the former Speaker of the California Assembly.

Running Government More Like a Business

By Delegate Christopher B. Saxman

I am often asked whether government can operate like a business. Growing up in a family business of just under 50 employees, I became accustomed to the demands of hard work, no vacations, responding at all hours to customers and employees and hawking accounts receivables, all in an ever-changing market. Government is, to say the least, just a little different.

Government is government, not a business. The incentives and motivations are tremendously different; so no, government cannot be run like a business. However, it can and should be run more like a business.

For starters, government never or rarely asks fundamental business questions like "why do we do it this way" or "if we weren't doing this yesterday should we be doing it today?" Taking this farther, business is dynamic and responds to markets and demands whereas governments do not. Expecting government to act truly like a business is probably a bit much to ask, however, as citizens and taxpayers we should expect our government to function efficiently and effectively—we generally don't care who or how public services are provided so long as they are.

In my first campaign for office, I was amazed at how many people thought that my experience in business was exactly what government needed. I realize that most people instinctively know that government is not efficient, it is not driven by customer service and frankly wastes too much money. Most people want government to be as responsive to the customer as their local Wal-Mart. Again, without incentives we can't expect governments to change and act likes businesses that seemingly change at the speed of light, while government seems to change at the speed of drying paint.

So, how do we make government run more like a business while trying to get re-elected? For those of us who have to run for re-election every two years, this is something that is constantly in the back of our minds as we go about our work of serving our constituents.

First, don't worry about getting re-elected; this is no time to take the path most taken. As I said before, most voters instinctively know that government is inefficient. They want and demand change. They want to see action and results. So, give

it to them! It amazes me how legislators first run on a platform of change and then for re-election on a platform largely centered on justifying expenditures.

Second, focus on transparency. We need to communicate better to our constituents in meaningful ways. We have to use our office to shed some light on how good or bad government operates. For example, from my first day in office, my colleagues and I were told that the budget is the most important piece of legislation we would have to consider. I will not debate that premise here, but let us agree that it is, in fact, very important. The problem my freshman class faced was that the budget document that was placed on our desks was so useless that the only real purpose it served was showing the lobbyists and reporters that money was actually being spent. The budget document said absolutely nothing about what was actually happening with my constituents' taxes. It wasn't even a good summary. We decided that the people deserved a budget that was more transparent and we set about creating one with the executive branch.

Third, resist the temptation to, as I like to say, "put scalps on the wall". It does the taxpayer very little good if you focus on the little projects that make for great stumps speeches but lousy public policy. For instance, going after a $5,000 arts project might get the local party breakfast fired up, but we could have delivered $500 million in savings by focusing on large enterprise-wide expenditures like energy use, communications, real estate and health care. Central to focusing on the long term is that you get the executive branch agencies and departments working with you rather than against you. This is vitally important because the executive branch employees must embrace any change or else it simply will not occur.

Shortly after my election in 2001, I joined a group of outside-the-box thinkers known as the Cost Cutting Caucus—a bi-partisan, bi-cameral group of legislators that work on legislation together that can bring efficiency, transparency and higher performance to Virginia state government. Even though we had little seniority, we joined the front-lines in the fight for a transparent budget document (2003 HB 1838) and the creation of the Council for Virginia's Future (2002—HB 252). We established the Council to set the goals and direction for the Commonwealth and the new budget document set up the funding towards those goals with objectives and measurable goals. What was unique about these landmark pieces of legislation was that everyone seemed to agree on the need to pass them—they both passed unanimously and were signed into law. Problem solved right?

Not exactly.

The executive branch still has to carry out the legislation. One of the most interesting meetings that I have had in my time in the legislature was when members of the Cost Cutting Caucus and some of our think tank allies met with the executive branch to see what the hold up was on the implementation of the transparent budget. We were told that there just was not enough money, and that they were not going to go forward with the legislation—that they had signed into law. However, at the end of 2005 after two years, the budget document had an accompanying transparent document that was widely hailed for its openness.

Undeterred, the Cost Cutting Caucus pressed on with other initiatives designed

to reform government so that, in the end, it would be more transparent, accountable and competitive or more like a business would run it. We passed legislation like the Competitive Government Act that requires the state to conduct an inventory of functions to see where competition can be applied throughout state government. The legislation is similar to the federal government's competition program that has saved billions over the last few years, while improving services too.

We also have advocated for congestion pricing, reform of our Department of Transportation, school choice and most recently we have worked with the executive branch to create Operational Review Teams that look at horizontal spending in Virginia government. Rather than attacking a bureaucratically controlled silo, we are focusing on issues that impact all agencies and departments—energy, water usage, real estate, communications and employee benefits. This is what a business would do and we think we are going to realize significant long term savings for our constituents.

How have we done it? We are bipartisan and bicameral. We seek ideas from all corners of the legislature. We work with the executive branch not against it. We extend the hand of trust and expect it to be extended back. We are not naïve to political reality but we also do not let it get in our way. We ask the public to work with us and fortunately we've been able to forge strategic partnerships with leading public policy research organizations like Reason Foundation.

In essence, the Cost Cutting Caucus runs like a business. We seek better products and services at a lower price to the customer. We are trying to create value for the consumer. We recognize that government did not get in this position overnight, so it will take some time to turn it around. But has the question "Why?" been answered? Not yet.

Simply put, if government does not continually try to provide better services at a lower price, it will never keep up with the demands placed upon it via voter action. We have excruciatingly huge liabilities at the federal level that will suffocate the future of our nation if we do not get a hold of them now. One must recognize that the federal legislature and executive branch do not have the political will to deal with the problems for fear of losing their jobs.

The states must once again be the laboratories of reform so that the federal government can see that not only is getting the fiscal health of our government necessary, it is politically popular to do so.

Oh, and we do this without a budget!

Delegate Christopher B. Saxman represents the 20th District of Virginia in the Virginia House of Delegates and is the Chairman of the Virginia General Assembly's Cost Cutting Caucus.

Photo by Karl E. Steinbrenner

Using Competition Because Taxes Are Too High

By Commissioner R. Patrick DeWine

Two and a half years ago, I defeated a 14 year incumbent to win election as Hamilton County (Ohio) Commissioner. Our campaign theme was simple, "because our taxes are too high." They were. In fact, over a 15 year period before I took office, county property taxes—and county spending—had increased by over twice the rate of inflation. Our tax rates—and per capita spending—were much higher than our competitor counties. And while the surrounding counties were gaining population and jobs, we were losing both.

Together with one of my fellow Commissioners (a majority of our 3-member Board of Commissioners), we pledged to keep taxes and spending at or below the rate of inflation. Our challenge was how to change the culture of spending and taxation without sacrificing services. One of the first steps we decided to take was to implement a systematic effort to bring managed competition to county government.

We were fortunate to hook up with Reason Foundation early in the process. Geoffrey Segal helped us examine best practices throughout the country and develop a process for Hamilton County. We created a private-sector led Competition and Efficiency Committee to guide the effort. The Committee drew upon private-sector expertise. Local corporations, like Proctor and Gamble, made executives with experience in competitive contracting available to assist in the process. The Committee developed guidelines to identify services as possible candidates for competition and to evaluate competing proposals.

It was not an easy task to undertake. We had to navigate our way through layers of entrenched bureaucracy, and a sometimes systemic reluctance to reform. Our task was complicated because in Ohio, county government in large part consists of independent fiefdoms—the sheriff, prosecutor, judges, recorder, auditor, coroner, and clerk of courts are all independently elected with the statutory authority to manage their own offices. With the assistance of Reason Foundation, however, we were able to effectively communicate our message to key players and bring them in to the process as active participants.

We are seeing real results in Hamilton County. The first service we examined was fire hydrant maintenance. I'm proud to say

that our county employees were able to keep the service in-house. Further, our reviews revealed that the county was providing the service at a much lower cost than some of the other local governments within the county. We were able to merge some of these services into the county operation saving the local jurisdictions money and allowing the county to spread its fixed costs over a larger base.

Another service we have examined is fleet maintenance. When we started taking a look at fleet maintenance we were shocked to find glaring inefficiencies. For instance, there was no countywide fleet maintenance tracking system, and no uniform performance standards. The county operated, through various departments, five separate auto maintenance shops, with three of those shops located within a mile and a half of each other. The system was so fragmented, in fact, that nobody could even answer the simple question of how many automobiles the county owned. We continue to meet stiff resistance from some independently elected officials about consolidating the county's vehicle maintenance operation. But we have already identified numerous ways to improve fleet maintenance and ultimately reduce costs. If we can get the other elected officials to take part, there is no question that we can obtain significant savings and improved services by putting the maintenance of the county's 905 vehicle fleet out to bid.

The process hasn't been effortless. In addition to resistance from other local elected officials and foot-dragging by county bureaucrats, my colleague on the Board of Commissioners, who shared my commitment to reform and competition, lost reelection last fall (for reasons unrelated to the competition effort) and was replaced by a Commissioner whose commitment to the effort is not nearly as strong. Nevertheless, we have persisted in the effort and the procedures that Reason Foundation helped us develop have become a structural part of county government.

We are currently working on reviews of information technology, printing services, and facilities management among others. These service reviews will undoubtedly produce significant taxpayer savings and improved service quality. Managed competition has already produced dividends. This year the county passed a budget that was over $7 million less than the county budget the year I took office. More importantly though, through the continued work of the Competition and Efficiency Committee, we are creating an ongoing culture of efficiency within the county that strives for continuous improvement and effectiveness. That lasting culture of efficiency is the real victory for both government and taxpayers.

R. Patrick DeWine is a Hamilton County Commissioner and former Cincinnati City Councilmember.

Steering Not Rowing

By Secretary E. Mitchell Roob Jr.

When a large corporation faces a challenge, it should go back to its core values, which should be reflected in its mission statement, and evaluate whether or not they are fulfilling their mission, and if there are functions of their organization that aren't vital or even relevant to their mission. Government should be no different.

To drive the culture of a $6 billion agency, you have to understand the basic difference between steering and rowing. For years Indiana's Family and Social Services Administration had spent its time "rowing" our programs. We were so consumed with the day-to-day responsibility of providing our services that we didn't have the resources available to "steer" our organization into the 21st century. As technology was advancing in many of the areas in which we operate, our ability to utilize this technology was being so marginalized by our singularity of vision that if you fell asleep in one of our county offices in 1994 and woke up in 2006, you would swear you had just taken a short nap.

We had over 100 offices throughout the State, but didn't have the adequate personnel, technology, or processes in place to support those offices. We lacked a central accounting system, leaving administrators and financial officers without an effective way to track and communicate budgetary information. As a result of our inefficiencies, our neediest citizens were suffering due to long waiting lists, complicated and cumbersome eligibility determination processes, and a lack of caseworker oversight due to massive caseloads.

Our system of determining eligibility for TANF, Medicaid, and food stamps was almost completely paper-based. Last year we spent more money on file cabinets than we did on computers. Our county offices were typically open only during regular office hours, creating difficulties for applicants with work commitments and child responsibilities. Clients often had to make multiple trips to their county offices to become eligible for benefits, and there was little consistency across all 92 counties in interpreting certain eligibility guidelines. Due to these deficiencies, Indiana had unacceptable error rates that resulted in over $100 million in misspent funds every year.

We knew we had to change our way of doing business; government as usual wasn't

working and it was our citizens that were paying the price. In order to confront this problem we had to ask the "what" and "why" of our system of operation, and since it was obvious that our "what", meaning our eligibility determination process, was failing, our "why" or reason for doing things this way came into question.

As a general rule, I have always operated from the theory that if you can open the yellow pages and find someone in the private sector doing a service that mirrors what the government is doing, chances are the private company is doing it at a much higher quality and a much lower cost. Applying this rule to our data processing system for eligibility determination we found that there were many private sector vendors that had much more expertise than we did, so the question in my mind was "Why are we making a product that we should be buying?"

We considered making the reforms ourselves, buying the computers and restructuring the workforce, much in the way other states, like Florida, have done to update their systems. What we found, however, when we looked closer at the Florida model was that in order for them to afford this process they had to fire a large portion of their workforce upfront and move very slowly, only making the changes their budget could afford.

What we also found was that Florida implemented their changes during the time the technology was being developed. This made it less cumbersome on their populace because their slow pace closely mirrored the development of relevant technology. In 2007, however, the technology had already been developed and was effectively being used so there was no need for us to reinvent the wheel.

We had a choice to either find a quicker and more cost-efficient way to implement the modernization process, or institute a slow, gradual process that would leave many of our employees unemployed, and inflict more hardship on needy Hoosiers whose lives are already hard enough. This was not an option. We needed a solution that would be good for the taxpayers and good for the citizens we serve. The obvious solution was to form a public-private partnership in order to serve our needs and those of needy Hoosiers.

State governments operate on a cash basis. We can only spend the money we have, we cannot afford to make long-term investments and see the savings later. Our choices are usually limited to providing for the programs that need funding now. Private companies, on the other hand, readily make investments for greater efficiency, better quality, and lower cost. They do this in order to survive in a market that requires them to constantly provide better products at lower prices.

By partnering with a private company, the state can take advantage of the initial investment our partner would make to our infrastructure, benefit from the expert resources they possess, and save the taxpayers' money by bidding the contract for less than it currently costs the state to operate the same system. Now, you might wonder, why would a company ever accept such an agreement? Because they know, like we all do, that efficiency leads to cost savings, and by getting to efficiency faster than the state can they will benefit from long-term savings that would be impossible for the state to obtain.

This led to our contracting with an IBM-led coalition to provide data processing for our eligibility determination process for Medicaid, TANF, and Food Stamps.

In this partnership, we found the correct balance by allowing IBM to use its immense resources to collect the data, improve our technology, and create an application process that would make applying for benefits easier for Hoosiers, but ensuring that final determinations would only be made by state employees. In removing the cumbersome task of data collection, we are allowing our caseworkers to do their jobs, and by giving the data collection role to IBM, we are benefiting from their expertise and experience.

Change in any form will be viewed at first with fear and skepticism, and in Indiana this is no different. Naysayers have predicted catastrophe after catastrophe. The first was that our employees wouldn't go along with this idea and they would refuse to transfer over to the private vendor. When we gave them a choice of transferring to the private sector or remaining state employees, over 99% of them chose to transfer to the private vendor. The second prediction was that the changeover was going to be filled with logistical and operational problems. Despite their dire prediction, on March 19 the employees officially transferred and with the exception of a rainstorm and some minor clerical issues, it went off without a hitch.

There are many more milestones to come and we are working diligently to prove to our opponents, our supporters, our staff, and all Hoosiers that government's number one priority should be to offer services the best way possible. In order to do that, partnership with a private company can sometimes be the best way to deliver quality services at lower prices for the taxpayer.

E. Mitchell Roob Jr. is the Secretary of the Indiana Family and Social Services Administration. Marcus J. Barlow, the FSSA Deputy Communications Director, assisted with this writing.

City of Charlotte's Privatization and Competition Advisory Committee

By David Elmore

As the demand for City services increases, the City of Charlotte is constantly looking at new ways of providing quality services at the lowest cost. Charlotte's population is growing at a dramatic pace. Population increased from 396,000 in 1990 to 541,000 in 2000 and an estimated 651,000 in 2006; an increase of 64% in a sixteen year period. The trend for growth in Charlotte and greater demands for government services are expected to continue. According to recent data, the population of Charlotte is expected to grow to 980,000 by 2030.

Some examples of the dramatic service level changes driven by population increases in Charlotte are listed below:

Service Level Changes	1972	2000	2007
Miles of Water/Sewer Pipe	2,300	5,700	6,961
Street Lights	20,000	51,000	79,000
Signalized Intersections	250	550	675
Miles of Streets	756	1,963	2,300

In the early 1990s, City of Charlotte leaders saw the impact of innovations in service delivery in cities like Phoenix and Indianapolis and suspected that similar opportunities could be possible in Charlotte. The City had already partnered with Mecklenburg County to eliminate duplicative services resulting in Charlotte assuming responsibility for Police, Planning, Water, Purchasing, Customer Service Center, Insurance and Risk Management, and Animal Control. Mecklenburg County assumed responsibility for Board of Elections, Parks and Recreation, Tax Administration/Collections, Building Standards, Library, and Solid Waste Disposal.

In addition to these significant organizational changes, City leaders decided to explore privatization and managed competition. Privatization is the outsourcing of traditional government services to the private sector and managed competition allows government employees to compete directly with private sector companies to provide services for the City.

This led to the City Council creating the Privatization and Competition Advisory Committee (PCAC) in 1993 to assist the City with managed competition projects and provide oversight for asset management. The design of the PCAC is to focus on the larger

issue of who should provide the services (public or private workers), while issues associated with efficiency improvement and day-to-day management of employees are the responsibility of the City Manager.

The PCAC consists of eleven citizens; eight members are appointed by City Council, three members including the Chair are appointed by the Mayor. The membership of the PCAC currently consists of three technology professionals, two bankers, two small business owners, two real estate professionals, one attorney, and one purchasing professional. City staff support for the PCAC is provided by an Assistant City Manager, the Director of Charlotte-Mecklenburg Utilities, and the Business Process Improvement Manager all devoting a portion of their time to the committee. Internal Audit staff also spends a significant amount of their time working on competition-related activities.

The full committee meets once a month and sub-committees meet as needed throughout the year. PCAC sub-committees are assigned oversight responsibilities for specific key business units (departments) with the City's organization. This allows committee members to become familiar with the services provided by the Key Business Units (KBU) through presentations, reports and interacting with KBU staff.

The City's privatization and managed competition process is a component of the City's strategic operating plan process. Each year, every City KBU submits a five-year competition plan for review by the City Manager as a part of its strategic operating plan. To include a service in the competition plan the City uses a cost of service guideline of approximately $500,000 as sufficient size to begin a managed competition effort. Smaller services may be bundled together to achieve a project of sufficient size for consideration. The competition plan outlines KBU participation in the competition and privatization program for the next five years and lists the service description, service budget, number of employees, and type of participation planned (benchmark, outsource, optimization, or competition). The City Manager reviews the plan from each KBU and may identify additional services for consideration.

The five-year competition plan is then reviewed by the PCAC and its City support staff. The purpose of this review is for the PCAC to analyze the plans and make suggestions on the KBU competition plans that may include additional services that should be considered for the competition plan and/or the type of competition process (benchmarking, outsourcing, optimization, or managed competition) to use. The PCAC then monitors each project listed on the competition plan and are involved in each stage of the process. The PCAC monitoring efforts are supported by City staff through reports such as the progress of benchmark activities, status of internal Memorandum of Understanding (MOU), costing methodology for optimization, production standards, development and evaluation competition Request for Proposals (RFP) and final selection service providers.

When a KBU is selected as the winner of a service competitive proposal, the services contract takes the form of a Memorandum of Understanding (MOU) between the KBU and the City Manager. The PCAC is responsible for reviewing KBU performance reports prepared by the City's Internal Audit Division (either quarterly or semi-annually). These reports help PCAC to assess the KBU financial and service performance

against the criteria established in the MOU. Services under an MOU that perform better than expectations have the ability to earn gainsharing dollars as bonuses to employees. Services that perform below expectations must comply with the City's Procedure for Cure. PCAC members are copied on all competition-related Internal Audit reports and routinely discuss their implications on service delivery.

The selection process in a managed competition project may not lead to selecting the lowest cost proposal. Many other factors are taken into consideration including past performance, financial stability, proposed staffing levels, contract language exceptions and a variety of other considerations. When a private company is selected as the winner of a managed competition project, a contract establishes the agreement between the City and the company selected. Typically, the contract language is included with the RFP which helps to keep negotiations down to key points and exceptions taken during the solicitation process. The City attempts to take substantial risk out of each solicitation if possible, allowing City employees and private sector firms not to inflate their proposals with extra costs for risk. Known variables appropriate for each solicitation such as electricity usage for wastewater plants, fuel pricing for solid waste collection, asphalt pricing for road construction and other uncontrollable or unusual costs are often treated as pass through costs or have escalation/de-escalation clauses in the contract language.

With more than 60 managed competition projects and over 100 privatization projects completed, Charlotte's managed competition and privatization program can be considered mature, with well-defined structure, audit processes, program guidelines and credibility with the private sector vendors. The working relationship between the PCAC and City staff is positive and continues to have an impact on the provision of City services.

When Charlotte employees began competing with private sector companies, the City's infrastructure resources had to undergo changes. Over the years, investments in resources for Internal Audit, Legal, Procurement and department specific staff; activity-based-costing tools, internal Service Level Agreements (SLA), business process reengineering, and employee training were necessary to be successful. The payoff of those investments is being realized today through:

- RFPs, contracts and MOUs that clearly define our expectations for private companies and City employees. Performance-based contracting is used whenever possible, providing incentives for superior performance as well as liquidated damages to improve performance,
- Use of the Internet and the automated North Carolina Interactive Purchasing System www.ips.state.nc.us to notify new vendors from around the country and the world to participate in managed competition RFPs,
- Creation of activity-based-costing reports to give timely and accurate information to managers so they can recognize trends and make adjustments to stop cost overruns,
- Measurable goals and realistic expectations communicated clearly from management to employees,
- Production standards based on industry best practices and local conditions,

- SLAs between support departments and operating departments to define roles and expectations for internal support services such as vehicle maintenance and technology; and
- The right mix of temporary and full-time employees, to provide services in the most efficient manner.

A major challenge for the PCAC and its support staff in recent years has been finding enough private sector firms to participate in competitive solicitations. The City has been so successful in certain areas (Solid Waste Collection and Water Treatment) that finding vendors to participate in subsequent competitions has proved to be difficult.

Because managed competition requires substantial cultural and operational change, obstacles to implementation have to be dealt with expeditiously. Overcoming employee resistance to change and fears of lay-offs; acquiring the technical expertise to establish fully allocated costs for services; establishing credible evaluation, auditing and monitoring process; and dedicating enough time to successfully compete are some other examples of challenges that Charlotte has faced and addressed.

The committee is currently looking beyond managed competition and has begun to focus on asset management. The City owns over 1,500 parcels of real property, which the PCAC is reviewing to analyze the location, tax value, acreage, and reason acquired to determine if alternative recommendations might increase the value of these assets to the City.

Innovative programs such as bid-to-goal are also currently being examined by the PCAC and City staff to evaluate if they have a place in our competition program. While traditional managed competition has worked well for Charlotte, we realize that it may not be the solution for every service. This evaluation of alternate methods is part of a comprehensive review of all the PCAC policies and guidelines taking place for the first time since 1993.

Managed competition and privatization has resulted in real dollar savings of over $10,000,000 for Charlotte. The current five-year competition plan lists 31 projects (competition, outsourcing, optimization, and benchmarking) from 10 of the City's 14 KBUs, involving 848 employees, and $87,000,000 in services. The managed competition program and the PCAC have provided countless other savings by improving business processes, increasing employee morale, and enhancing communication between employees and management.

David Elmore is the Business Process Improvement Manager for the City of Charlotte.

Democrats and Public-Private Partnerships Toll Roads

By Robert W. Poole, Jr.

At the federal level, some of the harshest criticisms of toll road privatization have come from the Democrat who heads the House Highways & Transit Subcommittee, Rep. Peter DeFazio (D, OR). But at the state level, where governors and legislators are coping with fiscal crises and especially transportation funding shortfalls, privatization (or public-private partnerships, PPPs) has been embraced by Democratic governors and mayors, as well as Republican ones.

A May 10, 2007 letter to all 50 governors and state DOT heads from DeFazio and Transportation & Infrastructure Committee Chair James Oberstar (D, MN) urged states not to enter into PPP agreements that did not comport with DeFazio's and Oberstar's understanding of the public interest, and threatened to "undo" such agreements. In response, on June 15th the National Governors Association sent a strong reply defending PPPs as a legitimate "tool for transportation improvements." The NGA letter was signed by NGA Chair Gov. Janet Napolitano (D, AZ), Vice-chair Gov. Tim Pawlenty (R, MN), Gov. Dave Heineman (R, NE), and Gov. Jennifer Granholm (D, MI).

Although toll road PPPs are being championed by Republican governors like Mitch Daniels (IN), Arnold Schwarzenegger (CA), and Rick Perry (TX), Democrats like Chicago Mayor Richard Daley and Pennsylvania Gov. Ed Rendell have been among the concept's strongest advocates.

Mayor Daley and the Chicago Skyway

Mayor Daley may not have originated the idea of leasing the Chicago Skyway, but he was in office when the idea was first proposed. Back in 1993 Tom Morsch, the former head of the Illinois Tollway, attempted to put together a buyout of the underperforming (and once bankrupt) 8-mile long, city-owned toll road. Although Mayor Daley had begun outsourcing various city public services in those days, the Skyway buyout did not catch on.

But the idea was reborn in 2002, when the mayor's office became aware of the successful 99-year lease of Highway 407 in Toronto, which produced a billion-dollar windfall for the Ontario government. Mayor Daley contracted with law firm Mayer, Brown, Rowe, & Maw to research the

possibilities. Based on the initial positive assessment, they got legislation enacted that summer to exempt any lessee of the Skyway from having to pay property taxes on the leasehold. Realizing the complexity and the magnitude of the possible lease transaction, the city also contracted with Goldman Sachs to be its financial advisor in structuring the privatization process.

After considerable study and planning, the city issued a request for qualifications early in 2004, and short-listed five of the 10 interested teams. The city ended up receiving three bids, and picked the one offering the most: Cintra/Macquarie, which offered $1.83 billion (paid up-front) for the 99-year lease. With the winning bid in hand, the City Council voted unanimously on Oct. 27, 2004 to approve the deal. The deal actually closed the following January, when the money was paid and control transferred to the lessee.

Mayor Daley achieved all the city's objectives: extracting value from a non-core city asset, ensuring high customer service via the detailed requirements of the several-hundred page concession agreement, and using the proceeds to pay off the Skyway's bonds, retire other city debt, and create a rainy-day reserve fund. "I'm sure that some people will be demanding that we use all of the Skyway proceeds to eliminate any budget shortfall, maybe even begin some new spending programs," Daley told the Chicago Tribune. "If we squander this money now, we'll face serious problems. But if we use the funds wisely, we can protect our taxpayers and our city's financial situation for both the short term and the long term."

After the deal closed, Standard & Poor's revised its rating outlook for the city's general obligation bonds from "stable" to "positive."

Gov. Ed Rendell and the Pennsylvania Turnpike

The lease of the Chicago Skyway was followed in 2006 by the lease of the Indiana Toll Road, pushed through the legislature by Republican Gov. Mitch Daniels and yielding $3.8 billion. Those two leases directly inspired Pennsylvania Gov. Ed Rendell to consider leasing the Pennsylvania Turnpike. Like Indiana, Pennsylvania was facing a large-scale shortfall in transportation funding, but there was little likelihood of the legislature agreeing to a large increase in fuel taxes. Responding to criticisms of the Indiana lease, Rendell offered to consider several modifications. Instead of a 75-year term, the proposed term might be as short as 30 years. Instead of using the lease proceeds for near-term (but currently unfunded) transportation projects, he proposed creation of a transportation endowment fund, with only the annual income dedicated to transportation capital spending. A subsequent study by Morgan Stanley estimated that a 30-year lease could yield between $2.3 and $3.6 billion, while a 99-year lease could produce up to $19.8 billion. The latter, set aside as an endowment fund, would generate $1.4 to $1.8 billion per year for transportation investment.

Rendell and Daniels appeared together at a White House conference on PPPs in transportation in February 2007, and both defended the concept at a National

Governors Association event that same day. Still, the politically powerful Pennsylvania Turnpike Commission felt threatened by the lease proposal, and came up with an alternative that involved increasing tolls on the Turnpike itself, imposing tolls on the parallel I-80, and charging a new transit-specific toll on Turnpike exits in Philadelphia and Pittsburgh. A group of Republican legislators countered with a plan to put tolls on not just I-80 but also I-78, I-79, I-81, and I-95. However, neither of those plans is consistent with federal law, which forbids the imposition of tolls on existing non-tolled Interstates. The only exception is a federal pilot program under which three states could each reconstruct one Interstate, but all toll revenues would have to be used for reconstruction-related costs—meaning the proceeds could not be used for transportation projects statewide.

At press time, the outcome was undecided. Gov. Rendell announced in June 2007 that if the legislators don't come up with a viable plan for resolving the transportation funding shortfall, he would call them back into a summer session to pursue his Turnpike lease plan.

Virginia's PPTA, a Bipartisan Commitment

In 1995, during the governorship of George Allen, a Republican, the Democratic-majority Virginia legislature enacted the Public-Private Transportation Act. It authorized the Virginia DOT (VDOT) to enter into various kinds of public-private partnerships for transportation infrastructure. The PPTA has been amended several times to broaden and strengthen its provisions, most recently to permit the state and local government entities to enter into long-term concession agreements. These efforts have been supported by governors of both parties.

Under the current Democratic governor, Tim Kaine, VDOT negotiated a 99-year lease to rescue the ailing Pocahontas Parkway toll road in Richmond, whose traffic and revenue were so far below projections as to make a default on its toll revenue bonds likely. VDOT responded to an unsolicited proposal from Transurban to lease the toll road, pay off the existing bonds, and add a needed direct link to the Richmond airport. VDOT is also in the final stages of negotiating two high-occupancy toll (HOT) lanes proposals to offer new options for commuters to Washington, DC in northern Virginia. One billion-dollar project would have the private sector finance, build, and operate two new HOT lanes in each direction on the Beltway (I-495). The other would convert the existing two-lane reversible HOV lanes on I-95 and I-395 to a three-lane HOT lane facility.

A number of other proposals for new PPP toll projects are under way in Virginia under the PPTA, generally with bipartisan support. Virginia is considered one of the leading states in making use of PPPs for transportation infrastructure.

Other Democratic Governors

In Delaware, Gov. Ruth Ann Minner has authorized that state's DOT to study the possibility of using a long-term concession to develop the $590 million U.S. 301 bypass as a toll road. Facing a $1.5 billion transportation funding shortfall over the next six years, Delaware does not have the funds

to build this new highway. Delaware already has the needed PPP-enabling legislation, but thus far has not done any projects. The idea of leasing existing Delaware toll roads was raised by the state's transportation funding task force in November 2005, and in her 2006 state of the state speech, Gov. Minner said the state would explore "the possibility of a private-public partnership or other innovative financing plans for critical needs." The existing toll roads are the 11.3 mile Delaware Turnpike (I-95) and the 51-mile Del. 1.

The largest toll revenues in any state are generated by the three major toll roads in New Jersey. Gov. Jon Corzine, facing a $22 billion transportation funding shortfall over the next decade, has proposed leasing or otherwise "monetizing" a long list of state-owned assets, including the New Jersey Turnpike, Garden State Parkway, and Atlantic City Expressway. As the former CEO of Goldman Sachs, Corzine is probably the most financially knowledgeable governor in America. Little legislative support for toll road leasing has emerged, however, and in spring 2007 Corzine announced that his people are researching the creation of a new state agency to tap the value of the toll roads without leasing them.

In Illinois, the idea of leasing the Illinois Tollway system originated with a Democratic state senator, Jeff Schoenberg. At his urging, the legislature commissioned a study by Credit Suisse in 2006, which found that a 75-year lease could yield between $5.8 and $8.4 billion, if tolls were increased annually in line with inflation. Democratic Gov. Rod Blagojevich, while not opposing the idea, has put it on the back burner while pursuing a lease of the state lottery system.

New York's Gov. Eliot Spitzer has not yet taken a public position on transportation PPPs. Former (Republican) Gov. George Pataki twice attempted to get PPP-enabling legislation enacted, to no avail. The most likely near-term transportation PPP project is replacement of the Tappan Zee Bridge across the Hudson River. Industry scuttlebutt suggests that Gov. Spitzer is receptive to the idea of a PPP approach to this project.

Conclusion

Public-private partnerships for toll roads is still an unfamiliar concept in much of America. Although it has aroused ideological hostility among some congressional Democrats, in the laboratory of the 50 states, the idea has been embraced by governors and legislative leaders of both parties. With nearly all states (especially fast-growing ones) faced with large-scale shortfalls in transportation funding, toll finance has taken on new importance. In addition, the availability of world-class expertise via long-term PPP toll projects makes such projects appealing to elected officials and state DOT leadership, regardless of party.

Prominent Mayors Champion School Choice

By Lisa Snell

In many urban school districts in the United States, Democratic mayors have been leading the charge for meaningful school reform that embraces more choices for families and real accountability. In 2007, these mayors' education reform policies have helped develop a new school reform organization, Democrats for Education Reform. Democrats for Ed Reform have an education platform that differs significantly from the traditional positions of the Democratic party on school reform.

More specifically, in their own words Democrats for Ed Reform support:

- Mechanisms that allow parents to select schools for their children, and that enable education dollars to follow each child to his school.
- Governance structures which hold leaders responsible, while giving them the tools to effectuate change, empowering mayors to lead urban school districts so that they can be held accountable by the electorate.
- Policies that allow school principals and their school communities to select their teams of educators, holding them accountable for student performance but allowing them flexibility to exercise sound, professional judgment.
- Clearly articulated national standards and expectations for core subject areas, while allowing states and local districts to determine how best to make sure that all students are reaching those standards.

One independent and two prominent Democratic mayors are working to uphold these principles. While these mayors are acting independently of specific political groups such as Democrats for Ed Reform, they embody a newer, more innovative and choice-based attitude toward school reform within the Democratic party.

Mayor Bart Peterson: Charter School Champion

Indianapolis Mayor Bart Peterson has authorized 16 charter schools since 2002, serving 4,000 children. Peterson's model received Harvard's Innovation in American Government award in 2006 for its transparency and accountability.

In Indianapolis, charters have enrolled some of the most disadvantaged students

in the city. These students enrolled in charters are far behind their peers in district-run public schools. On average 22 percent of new charter students passed the state assessment in reading and math, compared with 44 percent of students in the Indianapolis school district. Yet, these same students have made strong gains in charter schools over time. On average, charter schools have improved pass rates on the Indiana state assessment by 22 points between 2003 and 2005.

Mayor Peterson has partnered with some of the city's most prominent community organizations. He created the SEED Initiative, which recruits charter applicants with proven school models. He has an extremely rigorous application process with very high standards. He also has a comprehensive accountability package that continuously holds charter schools accountable.

In the summer 2007 issue of *Education Next*, aptly titled "The Peyton Manning of Charter Schools," David Skinner offers a comprehensive picture of why Peterson's charter school model is the best in the nation. He explains that it is the self-policing and thorough monitoring system Peterson has developed that accounts for much of the success of the charter schools. Skinner writes that:

> *Peterson is currently the only mayor in the nation running a charter school authorizer out of his office and has proven himself willing to be judged by the results. The charter school office issues an annual report on its schools that, in its candor and analytical sophistication, rivals just about any report out there. But what makes the mayor's experiment far more interesting than, say, improvements in the city's bus service, is that his charter schools are achieving results—in some cases, great results—with seriously disadvantaged kids. The Indianapolis experience shows that government, when ably led, can adapt and usher in its own set of reforms.*

Mayor Michael Bloomberg: Weighted-Student Financing and Choice

Mayor Bloomberg's latest call for sweeping reforms to New York City's public schools will give more power and control to school principals, allow money to follow students into schools, and give families more choices among public schools.

Bloomberg's plan adopts a funding mechanism that gives local schools more control over resources and leads to increases in student achievement. The funding structure, known as the "weighted-student formula" allows individual schools to compete for students and allows principals to control their budgets and tailor their schools to the needs of their specific school populations. In each case, schools are given responsibility for managing their own budgets in key areas such as personnel, school maintenance or learning materials.

School districts use student characteristics to determine per-pupil funding levels and better match costs with actual student needs. This funding follows each child to his school and is based on the

characteristics of the individual child. Therefore, schools have an incentive to improve academic programs and help at-risk and low-income students.

In a piece in the *New York Times* entitled "Local Rule," UCLA management professor William Ouchi describes how the plan will work in New York City:

> *The proposals involve extending to all public schools three core elements: equity, empowerment and choice. Essentially this means that money will be assigned to each student—with financial adjustments for those who come from low-income families, who don't speak English, who need special-education services and the like—that will follow him to the school he attends. Principals will have greater autonomy in determining how best to spend their school's money. And parents or caregivers will continue to have choices in where to send their children.*

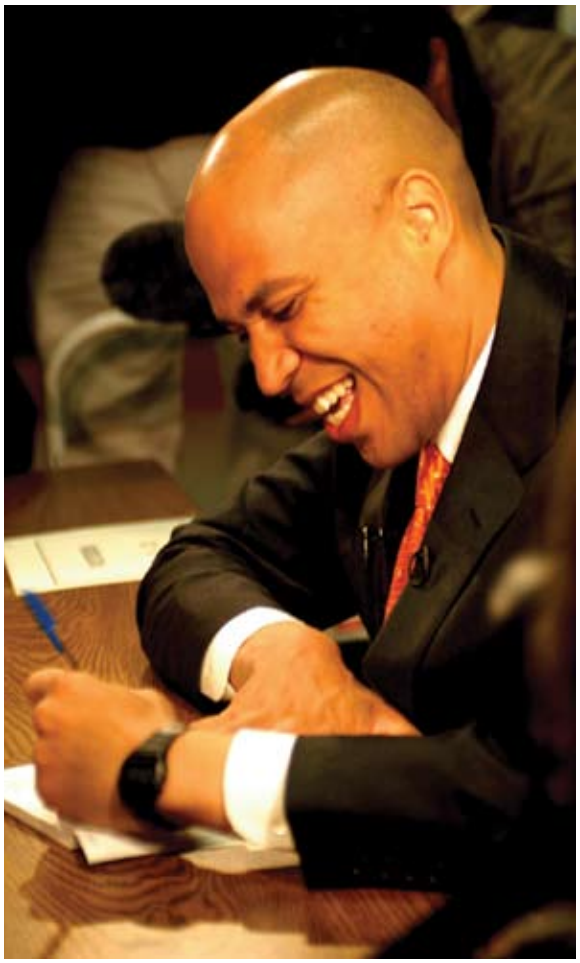
Beginning with the 2007-2008 year, each New York City student will be assigned a dollar value depending on grade level—from $3,788 to $3,902—and then extra money depending on special needs like poverty, special education, academic achievement and ability to speak English. For example, an English learner in middle school would get an extra 0.5 weight, worth $1,894. Special education students would be assigned weights intended to maintain the level of services they currently receive, which are mostly mandated by law. In this way, schools have an incentive to serve students who need special services. Another incentive built into the system is a flat $2,000 bonus per child whenever a well-performing school accepts a student transferring from a failing school under the federal No Child Left Behind Law.

If the results from school districts like San Francisco and Oakland are any indication, Bloomberg's plan for money to follow the children into the public school of their choice should lead to rapid improvements in student achievement and the quality of education in New York City schools.

Mayor Cory Booker: Embracing School Choice

In 2006 Newark Mayor Cory Booker won his election for mayor by openly embracing school choice. In May 2006 he explained to *Reason* magazine why he supported school choice:

> *Poor families in Newark don't have the same options that middle-class or wealthy people have. This is a country that has two different systems—one for the privileged that gives the best opportunities, and another one that sticks kids in failed institutions.*
>
> *We're just a mile away from South Orange, where people are so desperate for options for their*



kids that they give the suburban public schools sham addresses from other suburban towns. They have people who follow around minority children, forcibly remove them from school, and bill them for tuition. That's not the America I believe in.

Since his election in 2006, Booker has been working to help change the make-up of the school legislature to make a school choice win in the state legislature more plausible.

In the June 2007 New Jersey primary race a slate of six candidates backed by Mayor Cory Booker campaigned on a school choice message. Democrats for Ed Reform worked with Newark Mayor Cory Booker to support six pro-reform challengers to incumbent legislators—four Assemblymen and two Senators. Historically, incumbents in New Jersey are considered invulnerable, especially in their primaries. When the votes were in, Booker's slate had won five of the six seats, some by only a few votes. This is an unprecedented result, and it means that Cory Booker and education reform have an important block of support in the state legislature.

This support will be crucial for Mayor Booker's plan to take over Newark schools and implement a school reform plan that includes vouchers, merit-pay, more charters, and a weighted-student formula plan that gives principals autonomy over their school budgets. In addition to Newark-specific school reform, the changes to the state legislature should help move legislation forward that would offer scholarships through tax credits to any low-income student in New Jersey.

The proposal would encourage businesses to donate money to private scholarship-granting organizations, which in turn would provide tuition assistance to low-income families. Newark Mayor Cory Booker, who sent a letter to state legislators urging them to support it, now believes his new slate of candidates will make it more possible to pass tax credit legislation in the next legislative session.

Mayors Peterson, Bloomberg, and Booker offer new hope to urban children languishing in low-performing schools. More importantly, they offer a vision of reform for both political parties that embraces parental choice and local control of resources held accountable by student performance and the right of exit to higher performing schools.

Reason's archive of privatization and government reform research and commentary is available at www.reason.org/privatization

For the best monthly analysis of developments in outsourcing and privatization, subscribe to *Privatization Watch*: www.reason.org/pw.shtml.

And for daily privatization commentary, please visit Reason's weblog, Out of Control: www.reason.org/outofcontrol

Reason Foundation

Mayor
Rudolph Giuliani

Governor
Jeb Bush

Mayor
Curt Pringle

Governor
Bill Owens