



**PROGRESSIVE
STATES** Network



**Privatizing in the Dark:
The Pitfalls of Privatization & Why Budget Disclosure
is Needed, with a 50-State Comparison of Privatization
Trends**

December 2007

About the Progressive States Network

The Progressive States Network was founded in 2005 to drive public policy debates and change the political landscape in the United States, by focusing on attainable, progressive state actions. The Progressive States Network advances this agenda by providing coordinated research and strategic advocacy tools to forward-thinking state policymakers, legislative staff, and non-profit organizations. We function as a meeting space for progressive legislators, activists, and citizens, and serve as a hotbed of information exchange. We track legislation in all 50 states, helping to spark change across the country. We make it easier for people to learn more about how to get good ideas passed into law—and take power into their own hands.

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Introduction

Periodically, we hear elected leaders promoting what seems like a free lunch: hand-over control of government services or government assets to private industry and services will improve at a lower cost. Like most promises of a free lunch, privatization of government services – also known as “contracting out” or “public-private partnerships” – has rarely delivered on its promises, with most studies showing little gain and often substantial losses for the public.¹ Some of these failures have been spectacular flameouts, such as the recent cancellation of a billion-dollar Texas deal with Accenture that was supposed to improve management of human services in that state but instead led to tens of thousands of children losing health coverage due to incompetent management.²

Lack of Data on Privatization and the Need for Transparency Legislation: But many other privatization failures are quieter and happen out of the public eye. There is little reliable data on the benefits or costs of privatization as most studies are anecdotal due to the overall lack of data on privatization. Reports tend to have a systematic bias since they focus on programs that for whatever political reasons have been privatized, while having little data on the comparable programs not privatized, so they usually lack a good baseline for accurate comparisons.

For governments and advocates monitoring public programs, it is a problem that state budgets do little overall tracking of their contracting programs, particularly of the percentage of state budgets going to outside contractors versus funding in-house work by government employees. Most state leaders therefore have little information on which to judge the success or failure of their contracting out programs. What is especially missing is data that allows those leaders and researchers to compare the degree of privatization in similar sectors among different states to assess best practices in providing public services. The limits of data available should encourage states to enact laws creating greater transparency over how much of their state budgets go to outside contractors and for which programs.

Trends in Privatization: The purpose of this report is to first highlight this problem of available privatization data and then, with the imperfect data available, briefly survey the broad trends in state privatization and highlight the problems many opponents see in that process. The report uses available multi-state data to note some of the comparative information we do have about state privatization programs. One striking result is that some high-profile states in the news for their privatization efforts like Texas have broad levels of privatization across multiple sectors, but so do states like New Jersey with more liberal ideological reputations.

The Pitfalls of Privatization

A few recent high profile privatization stories highlight many of the problems of the contracting out process, from lost quality to potential corruption to undermining democratic accountability over public services. While these particular examples illustrate some of the dangers of privatization to preserving social equity and democratic accountability, the reality, as will be discussed further into the report, is that most privatization efforts have been launched with little evidence that there are any real benefits to the public at all.

Lost Money and Degraded Services: There is little doubt that the poster child for the failure of privatization was Texas’ attempt to hand over management of its social services system to Accenture, the Bermuda-based consulting firm. The promise was that business expertise would put government bureaucrats to shame with their efficiency. Instead, computer systems failed, costs mounted, and 30,000

children ended up being dropped from the children's health insurance program (CHIP) because of administrative bungling.

The results were so bad that the Republican State Comptroller, Carole Keeton Strayhorn, investigated the deal and declared, "The Accenture contract appears to be the perfect storm of wasted tax dollars, reduced access to services for our most vulnerable Texans, and profiteering at the expense of our Texas taxpayers."³ Faced with the evidence, the state Health and Human Services Commissioner Albert Hawkins had to return to older procedures and the state began using state workers who were slated to be laid off to clean up the mess.

Weak Oversight and Lost Expertise: With mega-corporations running these deals, the question becomes how can the state even effectively monitor these private contractors? When ceiling panels came loose in a Boston tunnel that was part of the multi-billion dollar "Big Dig" construction project, it resulted in the death of motorist Milena Del Valle and brought to a head two decades of questions over the role and power of the Bechtel corporation, which oversaw much of the work done on the project. "State agencies and auditors were like fleas on this big giant," said State Senator Marc R. Pacheco, who convened a panel in 2003 to investigate Bechtel and whose report criticized conflicts of interest, secrecy, and weak state supervision of the Big Dig project. Attorney General Thomas F. Reilly launched a criminal investigation into the company's negligence in Ms. Del Valle's death.⁴

With so much expertise contracted out, the *Boston Globe* as far back as 1994 highlighted criticism that supervision of the project by the state was lacking due to so much control having been handed over to a private entity:

The conflict of interest, critics say, is that Bechtel is overseeing a project that it designed itself. Bechtel, as the lead firm in the joint venture responsible for managing the project, is also responsible for completing up to 40 percent of the engineering design work in some sections.⁵

Selling Off Public Assets for Short-Term Gains: When public assets are in the mix, the other worry is that sharp bargaining by private interests will mean a bad deal with long-term economic losses for the taxpayer. When Indiana agreed to hand over a 75-year lease of its toll highway to an Australian-Spanish consortium for \$3.8 billion, many analysts complained that this deal was trading up-front money for the loss of toll income for multiple generations. One estimate argued that the company would recoup the purchase price in seventeen years and then make \$21 billion in profit over the next 59 years. "That is money that could go to our children, our grandchildren and our great-grandchildren," said Indiana House Democratic leader Patrick Bauer last year, who is now Speaker partly because of protests over the deal.⁶ And the criticism is bipartisan as even a long-time conservative leader like Phyllis Schlafly made the following argument in the conservative publication *Human Events*:

State and local governments pocket the money upfront and get to spend it here and now, so politicians can cover their runaway budget deficits and enjoy the political rewards of spending for new facilities. They ignore the fact that U.S. citizens must pay tolls to foreign landlords for the next two or three or even four generations.⁷

Lost Democratic Accountability: One reason, it is argued, that privatized services can make money is that they do things that elected officials might not be able to get away with if decisions were subject to direct democratic accountability. Privatized roads can raise tolls with no political debate and private contractors can use marketing or employment practices that would be stopped in their tracks if done by

the public sector. For example, one recent study of 500 city and county governments found that private sector contracting results in full-time employees being replaced by more part-time workers.⁸

When privatization involves prisons and private police units, many analysts worry that the profiteering comes at the expense of constitutional safeguards and democratic oversight.⁹ But that's the danger of privatization – out of sight, out of mind, except on the contractor's profit sheets.

Some of the dangers to democracy are subtler but even more threatening. When local criticism of Texas toll road privatization began appearing in local newspapers, the Australian toll road giant Macquarie dealt with the problem by buying a chain of forty local newspapers to shut them up – one more example of an undemocratic tool used by private contractors unavailable to elected officials.¹⁰

Corruption of the Political Process: A significant worry is that the “revolving door” between private contractors and the government offices where those contracts are awarded creates a nexus for corruption that a strong civil service ethic among government workers was originally created to prevent.

The dance of the revolving door was particularly evident, for example, in the Texas human services deal with Accenture. Greg Phillips, who oversaw the awarding of the contracts as Deputy at the Health and Human Services Commission, had performed the same function in Mississippi – where he had handed out a major state contract and then gone to work for that firm. Phillips hired Chris Britton as a consultant for designing the bidding process, after which Britton went on to work for Accenture, the winning bidder. After Phillips himself left government service, Britton’s company joined with one founded by Phillips to land a \$670,000 state contract from the Texas government.¹¹ Similar stories of revolving door corruption pervaded analyses of what went wrong with the Accenture contract.¹²

Like the Halliburton Corporation, Bechtel has been a vanguard player in the political trend of private actors taking over supervision of government money. It was those political connections that helped Bechtel get the job back in the 1980s.¹³ Peter Berlandi, who was chief campaign fund-raiser for Massachusetts Governor William Weld in the 1990s, was hired at the same time by Bechtel. Berlandi made \$200,000 dollars working for the construction company – money that was billed to the state government. De facto, public money was being funneled to the chief fundraiser of the state Governor to help lobby the government to funnel more money to Bechtel.¹⁴ This is on top of the hundreds of thousands of dollars contributed by Bechtel executives to government officials in the state – a small price to pay for a company that, despite multiple scandals, has landed government projects that have netted its shareholders over \$18 billion in profits in 2006 alone.¹⁵

Similarly, when the Ohio political establishment melted down in corruption scandals in 2005 and 2006, the problems were linked to campaign contributors profiting from private contracts, including legal contracts with the attorneys general office and the notorious “Coingate” scandal where investment companies linked to the administration received investment contracts from the state.¹⁶

The Failure of Privatization to Save Taxpayers Money: Given all these pitfalls, it’s unsurprising that the major justification usually given for contracting out public services – saving the taxpayer money – is rarely attained. After the Texas debacle, the *Austin Statesman* noted in an editorial:

The Accenture experience has taught us important lessons that legislators should take to heart. State employees are indeed better suited for administrative functions. Another is that privatization is no guarantee that taxpayers are going to save money.¹⁷

As at least one analysis of privatization of state and local services over the last 20 years found the majority of such projects failed because of deteriorating quality of service. And in more than half the cases, the projects did not save taxpayers dollars.¹⁸ Surveying other studies, analysts have seen little difference in savings between the private and public sectors.¹⁹

A range of sector-specific studies have come to similar conclusions in the last decade. A 1996 GAO study found no real difference in costs for private prisons and generally found most studies (largely industry-funded) lacked information necessary to measure quality differences. A 1997 study by the US Attorney General also found few financial gains from prison privatization.²⁰ Yet another study released by Rand Corporation in 2007 found that privately-run schools in Philadelphia did no better in raising student test scores than did publicly-run schools.²¹

As Paul C. Light of New York University, who has long tracked the hidden contractor work force at the federal level, had argued, “We have no data to show that contractors are actually more efficient than the government.”²²

The Lack of Data on Privatization by the States

While some conservative scholars will cite their studies showing the gains from privatization,²³ the most intellectually honest statement is that, especially in analysis of privatization at the state level, there is such a lack of broad-based data on the privatization process that all studies have been narrow and nearly anecdotal due to the lack of good multi-state data to compare results.

Because researchers often select high-profile agencies going through the privatization process for their studies, some purported gains in efficiency are often seen as due to the “Hawthorne effect” – the well-documented social phenomena that efficiency improves in any workplace when greater attention is focused on it.

Distortions and Inherent Bias in Privatization Studies Due to Poor Data: Additionally privatization is most likely to involve particularly dysfunctional public agencies – the reason politics may have led to their privatization in the first place – so any gains in efficiency in a particular case may have little bearing on other agencies going through more routine contracting processes that do not start from the same baseline.²⁴ As the respected Mathematica Policy Research, Inc. argued in a review of welfare privatization studies:

Research on the quality of privatized social services is very limited, but, like that on cost savings, it appears to be mixed... However, experts note that these analyses may be somewhat biased in favor of the private sector because privatization often occurs only when public services are particularly ineffective, providing a point of comparison that might not be typical of public-sector provision.²⁵

States do not publicly report the data needed for broader, less inherently biased studies, and no research project has produced alternative data that gives any sort of comprehensive multi-state information on the degree of contracting out and its long-term effects at the granular level needed to make really useful cross-state analyses of the effectiveness of privatization. Cornell Professor Mildred Warner, a well-respected scholar on privatization, says flatly, “I am not aware of a consistent data set at the state level to make academically relevant statements on the level of contracting in the states.”²⁶

And there is really no one, conservative or liberal, pro-privatization or opponent, who can honestly contest the fact that decisions about privatization in the states are being made without the data needed to make intelligent decisions about its benefits.

The Available Data on State Privatization: The best data available comes from two multi-year broad-based studies of privatization in the states: one conducted by the Council of State Governments, whose most recent surveys were conducted in 1997 and 2002, and the other by the American State Administrators Project, an academic consortia whose most recent surveys were conducted in 1998 and 2004. Each of those studies survey budget and agency heads in the fifty states, but admit that in no states are the rates of reporting complete enough to create an accurate granular analysis of privatization in any particular state. At best they give a sense of nationwide trends in particular sectors of government.

Echoing Warner, the most recent report from the American State Administrators Project states, "Apart from selected surveys at the local (municipal) level, most public administrative experiences and research involving contracting are anecdotal, case-specific, or otherwise narrowly focused,"²⁷ while the Council on State Governments report states, "There appears to be no consensus as to the effectiveness of privatization in part due to the lack of empirical data as well as the complexity of the issue."²⁸

While the two reports elicit some self-reporting by agencies on cost savings or lack thereof from contracting out, the answers usually are based on different internal methodologies for measuring results in each agency, making any self-reporting on efficiency gains unlikely to be comparable across different states. And many states admit they have no real measurement of whether they are saving money or not from contracting out, as the Council on State Government report finds:

[A] more interesting finding from the surveys is that many agency directors could not provide estimates of cost savings from privatization. Nonetheless, state officials have continued to privatize due to the perceived efficiency the private sector might have demonstrated."²⁹

The lack of decent internal analysis of the privatization process by government agencies is not surprising, as another privatization scholar, Deborah Auger, observed in her research on privatization:

Because contracting and privatization initiatives remain so centrally driven by cost-savings considerations, contract supervision and contractor performance assessment functions are often grossly understaffed and underbudgeted by state agencies... state respondents also readily admit that the performance standards being used in their contracting processes are often poorly developed, weak, or ill conceived.³⁰

As noted above, contracting often outsources much of the management expertise that could even conduct good analysis of whether service quality and efficiency standards are being maintained, creating what one analyst calls "hollow states" in some agencies where the tools to monitor a contractor's performance are largely nonexistent.³¹

On the other hand, while many agency heads report an increasing use of contracting out in these varied surveys, Mildred Warner observes that often unreported is that those same agencies are usually "contracting in" previously privatized services to now be performed by government workers when privatization fails. This quiet failure of earlier contracting out efforts, and the return of those functions back to public employees, makes the measurement of the *net* increase in privatization even harder to gauge at the state level. It's instructive, though, that with the better data available at the local government level, Warner found that just about as many services get contracted back in each year as contracted out.³²

States Don't Collect Privatization Information: What is lacking is a publicly accessible accounting in each state of what percentage of each agency's budget is being spent through public employees and what percentage is going to contractors. In the course of writing this report, we contacted state budget and procurement offices in all of the states. Of those who replied, none had such data on their overall state contracting. A few sample replies we received included.³³

Utah is very active in contracting out. However, I'm sorry to report that to my knowledge the type of analysis of percentages of budgets and percent of client served by contract vs. state employees has never been undertaken in our state. Therefore, I'm unable to effectively respond to your survey.—Utah Director, Division of Purchasing & General Services

Alabama does not maintain records of budgets utilized for contracting out services. We are not budgeted that way nor do we maintain expenditure records that separate contracting...[For Professional Services budget items there] is no way I can determine if it is an outside entity involved.—Alabama State Budget Officer

I am not aware of any statewide reports that have been generated relative to your topic.—Louisiana Director of Office of Planning and Budget

The State of Wisconsin does not have an integrated statewide procurement system. We do not have access to the type of information you are asking for in our office.—Wisconsin Director, Department of Administration

We do not publish any information re subcontracting like what you're asking for. We have responded to questions posed by various legislators in the past, but those questions tend to relate to particular initiatives as opposed to a broad, statewide assessment of contracting.—Maine State Budget Officer

Virginia was one of the only states when contacted that could produce data that, with some massaging, would measure contracting out in various departments. Virginia collected this data because a commission on privatization established a few years earlier had encouraged this kind of assessment. But even Virginia does not make the data available in a clear manner for the public and almost no other states seem to even collect the information.

Just this year, Geoffrey Segal, Reason Foundation's main privatization proponent, agreed on the need for more readily accessible information on how government spends their money on government services, even if he hopes to use better data to bolster his own arguments, "It's well established that there is a need for greater transparency. Web-based information would make government more transparent by allowing taxpayers access to spending information and clarity on where their tax dollars are being spent."³⁴

The Need for Privatization Transparency Legislation

While there are a number of legislative reforms that would improve transparency in privatization decisions in our state governments, four key policies would make a tremendous difference in mitigating many of the dangers involved in present contracting policies.

- **Measuring the Costs of Privatization:** Over a decade ago, Massachusetts passed a law prohibiting private contracting of government services unless private companies prove they can perform those functions more efficiently than government workers – a reform that multiple studies have found has saved Massachusetts from the debacles suffered by other states privatizing public services under the pressure of corporate lobbying.
- **Budget Accounting for Privatization:** States operate under a number of budget disclosure rules; an important additional reform would be to require that every budget include a line item listing the percentage of each agency's budget that is going to private contractors.
- **Online Disclosure of Privatization Data:** Budget data on privatization should be disclosed in an accessible way on the Internet. Some states have been making strides in a number of areas to better disclose state budget data, and budget data on the degree of privatization in each area of government should be a core part of online disclosure.
- **Banning Pay to Play Contributions:** West Virginia, South Carolina, and Illinois have all passed laws that bar companies bidding on contracts from making campaign contributions to government officials, although New Jersey has passed the most far-reaching "pay to play" law in the wake of local contracting scandals in recent years.

Trends in Privatization

Overall, the two main multi-state surveys from the Council of State Governments (CSG) and the American State Administrators Project (ASAP) have similar general estimates of overall privatization. Budget directors responding to the 2002 survey by CSG generally estimated that a bit less than 10% of services and programs had been privatized,³⁵ while the 2004 ASAP survey of state agencies showed that over half of state agencies assign 10% or less of their budgets through contracting out. However, the ASAP study authors also noted that the one-sixth of agencies allocating 40% or more of their resources through contracts were often larger agencies, such as health, human services and transportation agencies.³⁶ Given the incomplete responses from agencies within each state and without matching up agency responses with their percentage of their overall state budgets, such data is inherently approximate.

As to whether privatization is increasing in the states, the CSG survey found that about 50% of responding state budget directors believed that it has remained the same between 1997 and 2002, while of the remainder, a slightly larger percentage (25%) believed it had increased versus those that believed it had decreased (11.5%). The agency heads responding to the CSG survey had a slightly higher percentage (36.2%) indicating increased privatization, but again not a majority. This contrasts with almost 60% of budget directors in the 1997 CSG survey who had indicated increases in privatization during the 1993 to 1997 period,³⁷ responses that fit other anecdotal evidence that the mid-1990s saw a particular upsurge in contracting out processes, partly due to implementation of new information technologies in a number of agencies and a general ideological push from privatization advocates.

While there have been a few highly publicized privatization efforts in some states in recent years, broad trends in public employment do indicate that this is happening within a context of broader stability below the surface. According to the United States Census Bureau, total state and local employment increased from 14.2 million in 1997³⁸ to 15.8 million full-time equivalent employees in 2003,³⁹ then to 16.1 million full-time equivalents in 2006,⁴⁰ showing stable growth in public employment paralleling growth in state populations.

This is actually in sharp contrast to the federal government, which has seen significant downsizing of federal employees in favor of contractors, with total civilian federal employment actually falling from 2.81 million employees in 1997⁴¹ down to 2.04 million employees in 2003.⁴² This reflects what Mildred Warner calls the increasing ideological approach to privatization as you move from the local to the federal level.⁴³ It's worth noting that a few of the states most identified with privatization in recent years have strong ideological ties to the current White House, including Florida, where President Bush's brother, Jeb Bush, began a large drive for privatization; Texas, where President Bush's successor as Texas Governor, Rick Perry, led privatization efforts; and in Indiana, where former Bush White House Budget Director, Mitch Daniels, has been strongly promoting privatization as governor. But in this ideological commitment to privatization, they seem to be in contrast to the broader trends across all the states.

As far as cost savings from contracting out, the state budget and legislative service agency directors who responded to the CSG survey generally believed that savings were less than 5% and many reported no savings. Agency heads often reported higher cost savings⁴⁴, but it is impossible to determine whether this reflected disproportionate responses to the survey by agency heads who believed they had seen cost savings or actual substantive differences between state budget heads and their individual agency heads.

A Comparison of Privatization & Deregulation in the 50 States

The remaining part of this report will provide as strong an assessment of privatization in the states as is possible with the existing data available and use a few select measures of privatization that are available across the fifty states to create some measures, however imperfect, to allow some better comparisons among the states of the degree of privatization in which they are engaged. Given the lack of clear state budget disclosure of privatization in each state and the incomplete data at the granular level by existing surveys, the goal is to use a few 50-state measures that are available and can at least indicate the varied use of contracting out between the states – and often within individual states themselves. This comparison adds in a few measures about the progress of energy and telecom deregulation in the states, since many of those pushing those deregulation policies reflect the same ideological underpinnings of those promoting privatization.

Table 1 shows a color-coded chart showing the comparative degree of privatization or deregulation in each state, with white showing states with the least amount up to red indicating states with the most. One thing that does stand out is that states with strong tendencies to use contracting out do not fall into simple geographic or ideological groupings, since while Texas makes large use of contracting out, so to does New Jersey. And many states may rank strong in privatization in one area, while being far lower-ranked in another sector.

The following identifies the measures used to generate data for the chart. Additional pages will go more in-depth into how those measures were generated for each issue area.

Column B: Education Privatization- Measure of school privatization by state, using data from Mackinac Center data on the percentage of National School Lunch Program (NSLP) districts contracting out for food services.

Column B: Human Services Privatization- Measure of Health & Human Service privatization by state, using the percentages of TANF contracts as a percent of FY2000 (excluding basic assistance).

Column D: Health Care Privatization- Measure of health care privatization by state, using the percentage of enrollment in managed care plans under Medicaid, using data from Kaiser State Health Facts.

Column E: Prison Privatization- Measure of prison inmates in privatized facilities, as a percentage of the total prison population, 2006, from data from the U.S. Department of Justice.

Column F: Transportation Privatization- Measure based on various published reports of privatization of transportation assets.

Column G: Electricity Deregulation- Status of retail electricity deregulation (active, restricted or suspended) by state derived from published reports.

Column H: Telecom Deregulation- Measure on whether a state has passed either or both of two kinds of legislation restricting government regulation of telecom companies, either preempting the ability of municipal governments to provide telecom services directly to their community members or enacting “state video franchise” legislation that preempts local regulation of video/cable services.

Privatization & Deregulation By State

State	Education	Human Services	Health Care	Prisons	Transit	Electricity Dereg.	Telecom Dereg.
Alabama							
Alaska							
Arizona							
Arkansas							
California							
Colorado							
Connecticut							
Delaware							
Florida							
Georgia							
Hawaii							
Idaho							
Illinois							
Indiana							
Iowa							
Kansas							
Kentucky							
Louisiana							
Maine							
Maryland							
Massachusetts							
Michigan							
Minnesota							
Mississippi							
Missouri							
Montana							
Nebraska							
Nevada							
New Hampshire							
New Jersey							
New Mexico							
New York							
North Carolina							
North Dakota							
Ohio							
Oklahoma							
Oregon							
Pennsylvania							
Rhode Island							
South Carolina							
South Dakota							
Tennessee							
Texas							
Utah							
Vermont							
Virginia							
Washington							
West Virginia							
Wisconsin							
Wyoming							

Degree of Contracting Out/Deregulation

Little	Lower	Higher	Highest
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Education Privatization

To give some sense of privatization occurring in the various states, Education Privatization by State uses the percentage of school districts contracting out food services for their school lunch program, data available because of reporting requirements to the federal government.

The source data on school lunch program privatization appears in *A School Privatization Primer for Michigan School Officials, Media and Residents* (2007), produced by the Mackinac Center for Public Policy and written by Michael LeFaive. The Mackinac Center conducted a telephone survey of 50 state education departments, who keep these records as part of compliance with the federal national school lunch program.

Methodology:

Under the **NSLP Districts Contracting Food Services** measure, states were:

- Coded with a white bar if less than 1% of districts contracted out food services
- Coded with a yellow bar if 1% to less than 10% of districts contracted out food services
- Coded with an orange bar if 10% to less than 20% of districts contracted out food services
- Coded with a red bar if 20% or more of districts contracted out food services

The chart also provides data on the percentage of children in charter schools in each state. The data comes from the *Annual Survey of America's Charter Schools* by the Center for Education Reform (April 2007) and written by Alison Consoletti and Jeanne Allen. The Center regularly updates a database of information on charter schools around the country.

Notably, multi-state measures of other forms of public school privatization are not widely available, but this table lists a few data points from states where studies of school transport privatization have been done (cited from the Mackinac study) and a listing of Edison Schools available from the company's website.

Education Privatization By State

State	Percentage of NSLP Districts Contracting Food Services	% of Children in Charter Schools	School Transport (scattered reports cited in Mackinac survey)	Edison Schools
Alabama	0.80	0.00	0.08	
Alaska	10.00	3.48		
Arizona	22.20	9.61	0.07	Tungsten
Arkansas	0.00	0.81		
California	0.20	3.15		5 academies, 2 partner + Newton
Colorado	6.20	5.65		3 charter, 1 partner
Connecticut	23.70	0.57	0.91	
Delaware	0.00	5.60		
Florida	9.00	3.30	0.05	
Georgia	0.60	1.57		3 public charter 1 academy + Newton
Hawaii	0.00	2.64		13 schools
Idaho	3.70	3.49		1 school
Illinois	18.30	0.91		5 schools + Tungsten & Newton
Indiana	4.80	0.71		2 schools + Tungsten
Iowa	2.30	0.25		
Kansas	1.40	0.52		
Kentucky	0.00	0.00		
Louisiana	1.40	2.06		
Maine	0.90	0.00		
Maryland	4.20	0.48		1 school, 2 public schools + Tungsten
Massachusetts	15.70	2.06	0.91	
Michigan	28.80	5.11	0.04	3 schools + Newton
Minnesota	12.40	2.58		2 schools
Mississippi	0.50	0.07		
Missouri	18.50	1.10		5 schools + T + N
Montana	1.80	0.00		
Nebraska	6.70	0.00		
Nevada	5.90	1.38		6 schools
New Hampshire	5.40	0.17		
New Jersey	64.40	0.98	0.62	
New Mexico	13.50	2.80		
New York	21.90	0.72		2 schools + T + N
North Carolina	3.50	1.91		
North Dakota	0.00	0.00		
Ohio	8.20	4.26	0.02	2 schools in Ohio
Oklahoma	2.80	0.75		
Oregon	16.30	1.61		
Pennsylvania	36.70	2.63		21 schools
Rhode Island	86.10	1.49		Newton
South Carolina	9.50	0.79		12 schools + N+ T
South Dakota	12.90	0.00		
Tennessee	0.70	0.19		
Texas	9.10	2.13		
Utah	5.00	3.74		
Vermont	15.00	0.00		
Virginia	5.30	0.02		
Washington	0.00	0.00		
West Virginia	18.10	0.00		
Wisconsin	14.70	3.37		1 school
Wyoming	6.30	0.27		

Human Services Privatization

The score for the Human Services Privatization table is generated from a General Accounting Office report, *Welfare Reform: Federal Oversight of State and Local Contracting Can Be Strengthened*, published in 2002, which conducted a national survey of all 50 states to determine what percentage of Temporary Assistance for Needy Families (TANF) funds were going to contractors. While the chart data dates back to the early part of the decade, a GAO study in 2006 confirmed that roughly the same amount of TANF money was going to contractors in 2005 (12% of TANF funds) as back in 2000 (13% of TANF funds).

The chart also provides information on the percentage of money going to for-profit contractors, an important measure since many of the strongest worries about corruption and the undermining of democratic accountability are strongest.

Under the **TANF contracts as a % of FY2000** measure, states were:

- Coded with a white bar if less than 5% of TANF funds went to contractors
- Coded with a yellow bar if 5% to less than 10% of TANF funds went to contractors
- Coded with an orange bar if 10% to less than 20% of TANF funds went to contractors
- Coded with a red bar if 20% or more of TANF funds went to contractors

With knowledge that a few states, notably Florida, Indiana and Texas, have engaged in large-scale contracting out of human services functions since the data was collected, each of those states were assigned an asterisk and also coded as red.

The chart also includes some self-reported data from various states to the 2003 Council on State Governments report on other areas where they had engaged in contracting out, although the data is obviously incomplete for many of the states.

Human Services Privatization

State	GAO Study 2002				Council of State Governments 2003		
	TANF contracts as a % of FY2000	Percent of contracted funds with for-profit entities for FY2000	Percent of Funds going to for-profit entities FY2000	Mental Health	Child Welfare	Substance Abuse	Child Support
Alabama	5	8	0.4				
Alaska	4	0	0	•		•	
Arizona	9	23	2.07	•			
Arkansas	11	37	4.07		•	•	
California	7	36	2.52				
Colorado	11	2	0.22				
Connecticut	4	6	0.24				
Delaware	15	6	0.9	•		•	
Florida	4	70	2.8			•	
Georgia	10	43	4.3	•	•		•
Hawaii	3	100	3				
Idaho	43	17	7.31	•			•
Illinois	18	4	0.72				
Indiana	9	5	0.45				
Iowa	2	0	0				
Kansas	2	42	0.84				
Kentucky	3	48	1.44				
Louisiana	20	20	4				
Maine	9	17	1.53				
Maryland	8	46	3.68	•			
Massachusetts	19	2	0.38				
Michigan	6	2	0.12				
Minnesota	21	0	0				
Mississippi	71	25	17.75				
Missouri	7	23	1.61		•		
Montana	32	0	0				
Nebraska	20	50	10				•
Nevada	11	57	6.27				
New Hampshire	9	0	0				
New Jersey	42	0	0			•	
New Mexico	1		0		•		•
New York	9	25	2.25				
North Carolina	2	25	0.5				
North Dakota	7	0	0		•	•	
Ohio	16	10	1.6				•
Oklahoma	4	21	0.84	•	•		•
Oregon	1		0				
Pennsylvania	39	3	1.17	•	•	•	
Rhode Island	8	14	1.12				
South Carolina	16	3	0.48				
South Dakota	0	0	0				
Tennessee	31	0	0				
Texas	8	27	2.16				
Utah	8	75	6	•	•		
Vermont	29	0	0				
Virginia	6	7	0.42				
Washington	20	18	3.6				
West Virginia	13	48	6.24	•			
Wisconsin	34	18	6.12				
Wyoming	3	0	0				

Health Care Privatization

The score for the Health Care Privatization table is generated using the percentage of Medicaid dollars going to managed care programs, specifically in “capitated” plans (fixed dollar allocations to managed care firms) reflecting the movement from direct state-supervised pay-for-service plans to privately managed health care plans. Such plans include both commercial managed care plans, serving both Medicaid and non-Medicaid clients, along with special Medicaid-only managed care plans. Not included in our measure of commercial managed care are Primary Care Case Management Program (PCCM) plans, where traditional fee-based Medicaid payments are combined with a doctor or group practices that manages referrals to specialists.

For the **Enrollment in “Capitated” Medicaid Managed Care** measure, states were:

- Coded with a white bar if less than 10% of Medicaid recipients were in capitated managed care plans
- Coded with a yellow bar if 10% to less than 40% of Medicaid recipients were in capitated managed care plans
- Coded with an orange bar if 40% to less than 60% of Medicaid recipients were in capitated managed care plans
- Coded with a red bar if 60% or more of Medicaid recipients were in capitated managed care plans

The chart breaks down which kinds of managed care plans different states use, from Medicaid-only plans to including Medicaid patients as part of existing commercial managed care plans to state-run non-capitated “PCCM” (Primary Care Case Management) systems.

The charts also include and the percentage of all in-patient hospital days (including Medicaid and non-Medicaid patients) that are in for-profit hospitals. This measure helps identify which states have allowed the privatization of both public and non-profit hospitals in their states in favor of for-profit medicine.

Both data sources come from the American Hospital Association *Annual Survey* (2005) via Kaiser Health Care Facts.

Health Care Privatization

State	Inpatient Hospital Days/1K in For-Profit Hospital	Percentage of Medicaid enrollees in capped-cost managed care plans	Medicaid Managed Care		
			Commercial Managed Care	Medicaid-Only Managed Care	Not in Capitated Managed Care
Alabama	22.10	0.00	0%	0%	100%
Alaska	9.80	0.00	0%	0%	100%
Arizona	18.20	90.00	0%	90%	10%
Arkansas	18.60	82.00	0%	0%	100%
California	16.20	50.00	41%	9%	50%
Colorado	19.20	31.00	0%	21%	79%
Connecticut	0.70	76.00	53%	23%	24%
Delaware	0.00	68.00	0%	68%	32%
Florida	12.10	63.00	24%	9%	67%
Georgia	0.00	82.00	0%	44%	56%
Hawaii	12.80	80.00	55%	25%	21%
Idaho	2.20	81.00	0%	0%	100%
Illinois	13.00	7.00	4%	3%	93%
Indiana	0.00	72.00	0%	64%	36%
Iowa	15.20	44.00	2%	0%	98%
Kansas	9.30	57.00	0%	28%	72%
Kentucky	24.60	63.00	0%	20%	80%
Louisiana	2.00	71.00	0%	0%	100%
Maine	2.60	67.00	0%	0%	100%
Maryland	7.30	70.00	0%	70%	30%
Massachusetts	0.30	61.00	12%	23%	66%
Michigan	0.10	61.00	17%	44%	39%
Minnesota	18.50	64.00	59%	5%	36%
Mississippi	13.60	0.00	0%	0%	100%
Missouri	0.00	43.00	12%	31%	57%
Montana	4.30	67.00	0%	0%	100%
Nebraska	54.00	33.00	15%	0%	85%
Nevada	13.60	46.00	46%	0%	54%
New Hampshire	3.00	0.00	0%	0%	100%
New Jersey	38.90	69.00	25%	44%	31%
New Mexico	0.40	60.00	46%	14%	39%
New York	3.70	59.00	18%	41%	40%
North Carolina	0.00	64.00	1%	0%	99%
North Dakota	1.40	55.00	0%	1%	98%
Ohio	27.90	40.00	0%	40%	60%
Oklahoma	2.50	1.00	0%	0%	100%
Oregon	7.50	70.00	7%	61%	32%
Pennsylvania	0.00	77.00	61%	0%	39%
Rhode Island	23.40	65.00	26%	39%	34%
South Carolina	2.50	19.00	0%	12%	88%
South Dakota	21.00	74.00	0%	0%	100%
Tennessee	32.80	100.00	33%	67%	0%
Texas	27.00	65.00	19%	12%	69%
Utah	0.00	22.00	0%	0%	100%
Vermont	22.60	65.00	0%	65%	35%
Virginia	2.90	64.00	38%	17%	46%
Washington	17.10	49.00	47%	2%	51%
West Virginia	1.30	53.00	46%	0%	53%
Wisconsin	4.30	47.00	35%	12%	53%
Wyoming	1.30	0.00	0%	0%	100%

Prison Privatization

The score for the Prison Privatization table is generated using from statistics from the Department of Justice based on the percentage of prisoners nationwide in privately-run facilities. The source is Harrison, *Prison and Jail Inmates at Midyear 2005-2006*, produced by Paige M. Harrison and Alan J. Beck at the U.S. Department of Justice Bureau of Justice Statistics (2006).

Methodology:

Under **Privatized inmates as % of prison pop. 2006**, states were coded as follows based on the percentage of inmates in private facilities:

- Coded with a white bar if less than 4% of prisoners were in private facilities
- Coded with a yellow bar if more than 4% and less than 10% of prisoners were in private facilities
- Coded with an orange bar if 10% to less than 20% of prisoners were in private facilities
- Coded with a red bar if 20% or more of prisoners were in private facilities

Additional columns contain information gleaned from the websites of a few of the large private companies on the number of facilities that they run in each state. The companies include Corrections Corporation of America (CCA), Cornell, GEO Group (formerly Wackenhut) and the Emerald Companies.

	Privatized inmates as % of prison pop. 2006	CCA	CORNELL	GEO	EMERALD
Alabama	1.1				
Alaska	26.4				
Arizona	15.3	5			
Arkansas	0		6	3	
California	1.7	2	16	6	
Colorado	19.7	4		2	
Connecticut	0				
Delaware	0		1		
Florida	6.9	7		4	
Georgia	10.1	4		1	
Hawaii	30.3				
Idaho	25.1	1			
Illinois	0	1	8	1	
Indiana	5.3			1	
Iowa	0				
Kansas	0	1	1		
Kentucky	12.3	2			
Louisiana	8.1	1		1	21
Maine	0				
Maryland	0.6				
Massachusetts	0				
Michigan	0				
Minnesota	9.6	1			
Mississippi	23.1	3			
Missouri	0		1	2	
Montana	27.2	1			
Nebraska	0				
Nevada	0		1		
New Hampshire	0				
New Jersey	9.2	1			
New Mexico	43	4	2	2	
New York	0			3	
North Carolina	0.6			1	
North Dakota	1.3				
Ohio	4.4	1	1		
Oklahoma	24.8	4		1	
Oregon	0				
Pennsylvania	1.7		12	1	
Rhode Island	0		1		
South Carolina	0.1				
South Dakota	0.3				
Tennessee	19.8	9			
Texas	10.5	12	10	18	1
Utah	0		1		
Vermont	21.6				
Virginia	4.4			1	
Washington	5.8			1	
West Virginia	0				
Wisconsin	0				
Wyoming	38.3				

Transportation Privatization

While many states contract out many areas of building and maintaining highways and other public works, this is also an area where through prevailing wage laws and other measures, states have the longest history of imposing additional measures to assure accountability. For that reason, the Transportation Table uses a measure of actual sale or long-term lease of government-owned transportation assets as the most relevant measure distinguishing states in comparing privatization efforts. Indiana's Toll Road sale was the third largest transit privatization deal in the world since January 2005, but was the only US transaction in top ten list of global asset sales, although a number of states are discussing even larger transportation deals.

Data for the transportation privatization measure came from a number of published sources highlighting the sale or long-term lease of key transportation assets, including the Urban Land Institute's *Infrastructure 2007: A Global Perspective* (2007) produced by Jonathan Miller (see p. 53). The chart also used data from the U.S. Department of Transportation's Public-Private Partnerships Case studies web page located at http://www.fhwa.dot.gov/PPP/case_studies.htm.

Methodology:



States were coded based on whether they had had a major transportation asset sale/long-term lease in the last few years. The states were coded based on the following criteria:

- Coded orange if the asset was leased on terms of less than twenty years
- Coded red if the asset was leased on terms of more than twenty years

Additional chart data is provided from the Council on State Governments report on states that self-reported contracting out of various transportation functions in their transportation departments.

Transportation Privatization

State	Active Asset Privatization	Council on State Governments Survey				
		Design	Const/ maint.	Inspections	Mowing	Rest area
Alabama						
Alaska						
Arizona						
Arkansas				•	•	
California						
Colorado		•				
Connecticut		•	•	•		
Delaware		•		•	•	
Florida						
Georgia						
Hawaii		•	•			
Idaho						
Illinois						
Indiana						•
Iowa			•			
Kansas		•	•	•		
Kentucky						
Louisiana		•			•	•
Maine						
Maryland						
Massachusetts						
Michigan			•			
Minnesota		•		•		•
Mississippi		•	•	•	•	
Missouri						
Montana		•	•		•	•
Nebraska		•	•			
Nevada						
New Hampshire						
New Jersey			•			
New Mexico						
New York						
North Carolina		•	•			
North Dakota						
Ohio						
Oklahoma		•	•	•		
Oregon		•	•			
Pennsylvania		•	•			
Rhode Island				•		
South Carolina					•	•
South Dakota						
Tennessee		•	•			
Texas		•				
Utah						
Vermont		•			•	
Virginia						
Washington			•			
West Virginia						
Wisconsin		•	•			•
Wyoming		•				•

 Full sale or generational lease of assets
 Long-term lease/operation

Electricity Deregulation

Like the movement promoting privatization of public services, the passage of electricity deregulation laws starting in the 1990s reflected a disparagement of the power of government to manage public needs in favor of allowing market conditions manage those needs. In the case of electricity deregulation, a number of states have regretted that decision as many have faced steep price increases and even blackouts due to manipulation of the energy market.

Source of the data for this measure comes from published reports, including Kenneth Rose and Karl Meeusen. "2006 Performance Review Of Electric Power Markets," August 27, 2006.⁴⁵ Mark Clayton. "In Deregulation of Electric Markets, a Consumer Pinch." *Christian Science Monitor*. April 25, 2006.

Methodology

States were coded based on whether electricity deregulation was implemented and how much it was then restricted. States were coded:

- With a white bar if they had no electricity deregulation law in place
- With a yellow bar if the electricity deregulation law has been suspended
- With an orange bar if the electricity deregulation rules have been restricted
- With a red bar if the electricity deregulation rules are still in place

Electricity Deregulation

State	Retail Electricity Deregulation
Alabama	
Alaska	
Arizona	Suspended
Arkansas	Suspended
California	Restricted
Colorado	
Connecticut	Active
Delaware	Active
Florida	
Georgia	
Hawaii	
Idaho	
Illinois	Active
Indiana	
Iowa	
Kansas	
Kentucky	
Louisiana	
Maine	Active
Maryland	Active
Massachusetts	Active
Michigan	Active
Minnesota	
Mississippi	
Missouri	
Montana	Restricted
Nebraska	
Nevada	Suspended
New Hampshire	Active
New Jersey	Active
New Mexico	Suspended
New York	Active
North Carolina	
North Dakota	
Ohio	Restricted
Oklahoma	Suspended
Oregon	Suspended
Pennsylvania	Restricted
Rhode Island	Active
South Carolina	
South Dakota	
Tennessee	
Texas	Active
Utah	
Vermont	
Virginia	Suspended
Washington	
West Virginia	Suspended
Wisconsin	
Wyoming	

Telecom Deregulation

A number of states in the last few years have begun deregulating their telecommunication rules, particularly the video franchise rules that are still under the control of state regulators. A number of states have also passed laws to restrict or eliminate the ability of local governments to build municipal telecom utilities to serve local needs where they feel private industry is failing to do so.

Data for the Telecom Deregulation measure derives from whether states passed legislation either preempting the ability of municipal governments to provide broadband Internet services directly to their community members or enacted what is known as “state video franchise” legislation that preempts local regulation of video/cable services and largely suspends state regulation as well. The source for this information comes from Free Press’s State Policy Tracker at <http://www.freepress.net/statetracker/>

Methodology:

States were coded as follows:

- With a white bar if they had passed neither kind of legislation
- With a yellow bar if they had passed only partial restrictions on local Internet Broadband
- With an orange bar if they enacted one or the other kind of legislation
- With a red bar if they enacted both kinds of legislation

Telecom Deregulation

State	State Video Franchise Laws	Restricting Municipal Broadband	Combined Rating
Alabama			
Alaska	Passed		One
Arizona			
Arkansas		Prohibits	One
California	Passed		One
Colorado		Restricts	Partial
Connecticut	Passed		One
Delaware			
Florida	Passed	Restricts	Double
Georgia	Passed		One
Hawaii	Passed		One
Idaho			
Illinois	Passed		One
Indiana	Passed		One
Iowa	Passed		One
Kansas	Passed		One
Kentucky			
Louisiana		Restricts	Partial
Maine			
Maryland			
Massachusetts			
Michigan	Passed		One
Minnesota		Restricts	Partial
Mississippi			
Missouri	Passed	Prohibits	Double
Montana			
Nebraska		Prohibits	One
Nevada	Passed	Prohibits	One
New Hampshire			
New Jersey	Passed		One
New Mexico			
New York			
North Carolina	Passed		One
North Dakota			
Ohio	Passed		One
Oklahoma			
Oregon			
Pennsylvania		Prohibits- Philly exception	Partial
Rhode Island			
South Carolina	Passed	Restricts	Double
South Dakota	Passed		One
Tennessee		Restricts	Partial
Texas	Passed	Prohibits	Double
Utah		Prohibits	One
Vermont			
Virginia	Passed	Restricts	Double
Washington		Prohibits	One
West Virginia			
Wisconsin	Passed	Restricts	Double
Wyoming		Restricts	Partial

¹ “[I]n practice, privatization has failed more than it has succeeded, says Mildred Warner, a privatization expert at Cornell University. In an analysis of privatization of state and local services over the last 20 years, Warner concluded that the majority of projects failed because of deteriorating quality of service. And in more than half the cases, the projects did not save taxpayer dollars, she said.” Christine Vestal, “States stumble privatizing social services,” *Stateline.org*, August 4, 2006;

<http://www.stateline.org/live/ViewPage.action?siteNodeId=137&languageId=1&contentId=131960>

² Amy Smith, “Strayhorn to Investigate Accenture,” *Austin Chronicle*, May 19, 2006,

<http://www.austinchronicle.com/gyrobase/Issue/story?oid=oid%3A366360>.

³ *Ibid.*

⁴ Christopher Rowland, “Probes may test Bechtel's clout: Responsibility on bolts at issue,” *Boston Globe*, July 24, 2006, http://www.boston.com/news/traffic/bigdig/articles/2006/07/24/probes_may_test_bechtels_clout/.

⁵ Charles M. Sennott, “Project poses a test for privatization: Critics see conflict in Bechtel's overseeing its own artery/tunnel design work,” *Boston Globe*, September 12, 1994,

http://www.boston.com/news/traffic/bigdig/articles/1994/09/12/project_poses_a_test_for_privatization/.

⁶ “Indiana Highway's Tolls May Land Down Under,” *The Associated Press*, February 5, 2006,

<http://www.nytimes.com/2006/02/05/national/05toll.html?ex=1170824400&en=a4eda8686a61d3e4&ei=5070>.

⁷ Daniel Schulman with James Ridgeway, “The Highwaymen,” *Mother Jones*, January/February 2007,

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⁸ “Study: Outsourcing in local governments leads to fewer full-time employees and more part-timers,” Indian University, January 23, 2007, <http://newsinfo.iu.edu/news/page/normal/4720.html>.

⁹ Amy Goldstein, “The Private Arm of the Law: Some Question the Granting of Police Power to Security Firms,” *Washington Post*, January 2, 2007; [http://www.washingtonpost.com/wp-](http://www.washingtonpost.com/wp-dyn/content/article/2007/01/01/AR2007010100665.html)

[dyn/content/article/2007/01/01/AR2007010100665.html](http://www.washingtonpost.com/wp-dyn/content/article/2007/01/01/AR2007010100665.html).

¹⁰ “Toll Road Giant Buys Newspapers to Silence Critics,” *TheNewspaper.com*, Jan. 26, 2007,

<http://www.thenewspaper.com/news/15/1570.asp>.

¹¹ R.G. Ratcliffe, “Human services deputy stood to gain from changes,” *Houston Chronicle*, January 4, 2005,

<http://web.archive.org/web/20060103233337/http://www.cleantexaspolitics.com/node/view/340>

¹² Michelle M. Martinez, “State officials looking into how Accenture won huge Health and Human Services contract,” *Austin Chronicle*, March 17, 2005,

<http://web.archive.org/web/20051219165052/http://www.cleantexaspolitics.com/node/view/479>

¹³ Raphael Lewis and Sean P. Murphy, “Lobbying translates into clout,” *Boston Globe*, May 28, 2003,

http://www.boston.com/news/specials/bechtel/part_3/.

¹⁴ Pratap Chatterjee, “Bechtel's Friends in High Places,” *Corpwatch*, April 24th, 2003,

<http://www.corpwatch.org/article.php?id=6548>.

¹⁵ David R. Baker, “Big Dig tragedy could stain Bechtel's name: Delays, cost overruns, leaks and now a death in Boston puts spotlight on S.F. construction giant -- and some of its other mammoth projects,” *San Francisco Chronicle*, July 19, 2006, <http://www.sfgate.com/cgi-bin/article.cgi?f=c/a/2006/07/19/BUGEHK1AKO1.DTL>.

¹⁶ Steve Eder and James Drew, “Lawyers who gave to GOP got state work: \$170M in legal fees went to contributors,” *Toledo Blade*, March 26, 2006,

<http://toledoblade.com/apps/pbcs.dll/article?AID=/20060326/NEWS24/603260335>; Daniel Tokaji, “Ohio's

“Coingate” Scandal: How It Exposes the Flaws of Our Campaign Finance System,” *Findlaw*, Jul. 07, 2005, http://writ.news.findlaw.com/commentary/20050707_tokaji.html.

¹⁷ Editorial. *Austin Statesman*. December 29, 2006.

¹⁸ Christine Vestal, “States stumble privatizing social services,” *Stateline*, August 04, 2006,

<http://www.stateline.org/live/ViewPage.action?siteNodeId=137&languageId=1&contentId=131960>.

¹⁹ Sergio Fernandez, Ross Fabricant, “Methodological Pitfalls in Privatization Research: Two Cases from Florida's Child Support Enforcement Program,” *Public Performance & Management Review*, Vol. 24, No. 2. (Dec., 2000), pp. 133-144. Cites Graeme Hodge. *Privatization: An International Review of Performance*. Westview Press.1999, which conducted a meta-analysis of multiple international studies of privatization to come to the conclusion that there were no significant gains for taxpayers from privatization.

²⁰ Philip Mattera and Mafuza Khan, Good Jobs First. “Corrections Corporation of America: A Critical Look at its First Twenty Years.” Good Jobs First, 2003,

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²¹ Brian Gill, Ron Zimmer, Jolley Christman, Suzanne Blanc, "State Takeover, School Restructuring, Private Management, and Student Achievement in Philadelphia," Rand Corporation, 2007.

²² Scott Shane and Ron Nixon, "In Washington, Contractors Take On Biggest Role Ever," *The New York Times*, February 4, 2007,

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²³ The Reason Foundation has done the most work in promoting privatization, including highlighting studies that argue for gains in cost efficiency and quality from privatization. See Geoffrey F. Segal and Adrian T. Moore, *Weighing the Watchmen: Evaluating the Costs and Benefits of Outsourcing Correctional Services- Part 2: Reviewing the Literature on Cost and Quality Comparisons*, Reason Foundation (2002); Francois Melese, *Privatizing Public Hospitals: A Win-Win for Taxpayers and the Poor*, Reason Foundation (Nov. 2005). Other related conservative policy outfits have produced similar pro-privatization analyses, including Paul Guppy, *Private Prisons and the Public Interest: Improving Quality and Reducing Cost through Competition*, Washington Policy Center (Feb 2003); Michael LaFaive, *A School Privatization Primer*, Mackinac Center for Public Policy (2007); a scholar often cited by pro-privatization advocates is E.J. Savas, whose *Privatization and Public-Private Partnerships* (1999) is a book length pro-privatization analysis, which matches Savas's broader corpus of work on the subject.

²⁴ Fernandez and Fabricant, *Ibid*; also

²⁵ Pamela Winston, Andrew Burwick, Sheena McConnell, and Richard Roper, *Privatization Welfare Services: A Review of the Literature*, Mathematica Policy Research, Inc. (May 2002)

²⁶ Interview with Mildred Warner, June 22, 2007. According to Warner, there is better data at the municipal level because of standards of professionalism and data sharing stemming from the tradition of less political city managers in many local governments.

²⁷ Chung-Lae Cho, Yoo-Sung Choi, Deil S. Wright, Jeffrey L. Brudney, *Contracting for Service Delivery by American State Administrative Agencies: A Performance-Oriented Analysis of Third-Party Outsourcing for Public Services, 1998 and 2004*, Paper prepared for presentation at the 17th Annual Conference of the Association for Budgeting and Financial Management (American Society for Public Administration), November 10-12, 2005, p. 4; <http://www.cviog.uga.edu/services/research/abfm/Cho,%20Choi,%20Wright,%20Brudney%20-%20Contracting.pdf>.

²⁸ Keon S. Chi, Kelley A. Arnold and Heather M. Perkins, "Privatization in State Government: Trends and Issues" *Spectrum: the Journal of State Government*. Council on State Govts.. 2003, p. 12; http://www.csg.org/pubs/Documents/spec_fa03Privatization.pdf

²⁹ Chi et al., p. 20.

³⁰ Auger, Deborah A. 1999. "Privatization, Contracting, and the States: Lessons From State Government Experience." *Public Productivity and Management Review*, Vol. 22(4): 435-454.

³¹ Trevor Brown, Matt Potoski, and David Van Slyke. 2005. "Managing the Tools of Government: Contracting and Contract Management in the New Millennium." Paper presented at the 8th Public Management Research Conference, University of Southern California, Los Angeles, CA; p. 10.

³² Mildred E. Warner, Michael J. Ballard and Amir Hefetz, "Contracting Back In: When Privatization Fails," *Municipal YearBook 2003*, International City/County Management Association, 2003.

³³ Responses collected based on email questionnaires sent to all fifty state budget officers and procurement officers in June 2007.

³⁴ Geoffrey Segal, "Google Government Brings Accountability," *Reason Foundation Commentary* (Aug. 1, 2007).

³⁵ Chi et al., *Ibid*.

³⁶ Cho, Choi, Wright & Brudney, 2005, p. 8-9.

³⁷ Chi et al., *Ibid*.

³⁸ US Census Bureau, *State And Local Government Employment Data: March 1997*, <http://ftp2.census.gov/govs/apes/97stlus.txt>.

³⁹ US Census Bureau, *2003 Public Employment Data: State and Local Governments*, <http://ftp2.census.gov/govs/apes/03stlus.txt>

⁴⁰ US Census Bureau, *2006 Public Employment Data: State and Local Governments*, <http://ftp2.census.gov/govs/apes/06stlus.txt>

⁴¹ US Census, *1997 Census of Governments*, Table1, <http://www.census.gov/prod/gc97/gc973-2.pdf>

⁴² US Census, *All Governments--Employment and Payroll, by Function, 2003*,
<http://www.census.gov/compendia/statab/2006/tables/06s0452.xlw>

⁴³ Warner interview.

⁴⁴ Chi et al., *Ibid.*

⁴⁵ http://www.scc.virginia.gov/caseinfo/reports/2006_rose_1.pdf