



# VIEWPOINT

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## Making Government Compete to Improve Services and Save Money

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### Summary

Competition is a powerful tool for policy makers to find the most effective and efficient means of delivering services to taxpayers. Ohio's governments need to embrace and implement managed competition in order to improve fiscal discipline, accountability and transparency in their budgeting and decision making processes.

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Competition is a powerful tool for policy makers to find the most effective and efficient means of delivering services to taxpayers. It is about delivering better services at a lower cost. It is about changing antiquated business practices and not doing things the way they've always been done.

Sadly, Ohio governments have not fully embraced this concept. Given continued budget challenges, Ohio's governments need to embrace and implement managed competition in order to bring fiscal solvency, accountability and transparency to the budgeting and decision making process, while allowing government to identify and focus on its core missions.

Managed competition has been successfully used at every level of government. The federal government has been using competition for more than 30 years. States like Florida, Virginia, and Indiana also have a long history of managed competition, as do countless local governments around the country. Now, Hamilton County can be added to the distinguished list.

As a rule of thumb, managed competition can typically lower costs 10 to 20 percent while maintaining or improving service levels, although the scope and type of service will ultimately determine possible savings. Indeed, a vast array of studies by the federal government and academic researchers suggest that managed competition has historically resulted in cost savings between 5 to 50 percent. Recently the federal government reported average savings of 28 percent while achieving a remarkable 27-to- 1 return on investment. So, for every dollar spent on preparing and holding public-private competitions the federal government saved twenty-seven.



*Taxpayers are the real winners when Ohio governments adopt managed competition policies.*

*Source: Corbis*

Last October, the Hamilton County Board of Commissioners adopted a formal policy of managed competition. They incorporated one of the most rigorous and transparent processes, using government best practices from around the country as models to develop their process. By adopting a stringent yet effective managed competition policy, Hamilton County is better suited to examine their current services and determine better, more cost effective ways of providing them.

Several services are already being studied, and savings identified. Take fire hydrants for example. Hamilton County currently has 14,000 under its watch, and replaces hundreds each year. As part of the process, fundamental questions about how the service is operated uncovered that neighboring communities were paying much less for new hydrants than the county. While savings are not dramatic, the results are indicative of what can be achieved, in large part by just asking questions.

Other initiatives under way are very promising. Telecommunications and a purchasing review have found significant savings. In addition, the county is looking at its information technology infrastructure and hopes to reduce overlap and duplication potentially savings millions. Further, fleet services are currently provided by five different agencies—the review is examining ways to consolidate and improve service quality. This effort and others including facility and printing services will result in substantial savings.

Over time results will begin to pour into Hamilton County. A government focused on results and performance will be better equipped to tackle future challenges. Perhaps most important, county officials will be able to balance budgets without relying on taxpayers for additional revenue.

Hamilton County can teach Ohio's 87 other counties and countless cities a lesson. Managed competition enables governments to carefully and systematically consider alternative means of service delivery. It actually enhances transparency and accountability within government, as agencies will document their performance relative to alternatives likely for the first time.

Moreover, the state of Ohio should also initiate its own managed competition initiative. Over the last seven years, Florida Governor Jeb Bush has overseen more than 100 initiatives in his state resulting in savings in excess of \$550 million. Over the same period Florida has maintained balanced budgets, generated record surpluses, and returned more than \$20 billion in taxes to taxpayers.

Hamilton County's elected officials should be commended for the insight and dedication to serving taxpayers in the best manner possible. There is little doubt that competition works. It is indeed a proven and powerful management tool that should be used to its fullest possible degree.

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