



Th Jefferson

LEGISLATIVE POLICY BRIEF

HB 1043/ Competitive Government Act: Creating a Process for Better Service and Saving Money

Issue:

How does the state government create a coherent process to identify state commercial activities that could be done better by the private sector at less cost to the taxpayer?

Background:

Since 1955 it has been federal policy to utilize the private sector to deliver commercial services. Congress furthered this policy in 1998 with the Federal Activities Inventory Reform Act, requiring agencies to annually inventory commercial activities. In 1995, the Virginia General Assembly passed the Government Competition Act, and in 1998 added the definition of commercial activity – largely defined off the federal model. Several states have (or have legislation pending) initiated similar reviews, including Texas, Florida, and California.

Bill Provisions:

- Requires that state agencies conduct an inventory of commercial activities that are not core functions of government, including the number of state employees necessary to perform the activity based on productive hours of work.
- Requires a cost comparison to be completed for each activity in the inventory. Where the cost of the activity performed by state government is within five percent of the cost as performed by the private sector, it would continue to be performed by government.
- The Governor shall review the findings and identify those state activities that, in the discretion of the Governor, should be provided by the private sector. The Governor shall publish the findings along with his specific recommendations for contracting out the qualifying activities.

Rationale:

- The Commonwealth Competition Council last completed a similar survey in 1999, finding that nearly 38,000 state Full Time Equivalent employees were providing services that could be provided by the private sector.
- Research by the US General Accounting Office, the Center for Naval Analysis and many other sources, show typical savings from competition are around 30 percent.
- This is not privatization legislation. It seeks to introduce competition into the provision of state services and to create a coherent method for analyzing where such competition would be appropriate, using widely accepted practices including the federal model.
- Competition of state commercial activities improves the performance of agencies, reduces costs to taxpayers, and gives workers a fair opportunity to show they can deliver results. Competition creates an incentive to improve service and reduce cost.

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