

Report To

The Mississippi Legislature



The Privatization Potential of Mississippi's State Programs and Services

November 30, 1992

Required by the Budget Reform Act of 1992 (House Bill 505, 1992 Regular Session)

Over the past decade, Mississippi has experienced an increasing demand for public services, increasing operational costs for existing programs and services, and the need for new revenue sources. To solve these problems, elected officials and governmental managers must employ every available management technique to improve both the efficiency and effectiveness of state programs and services. The privatization of state government programs and services is one such management technique.

This report identifies potential candidates for privatization, gives fiscal year 1992 state costs for these candidates, and proposes a privatization program under the oversight of a new Joint Legislative Privatization Commission. The suggested potential candidate pool for privatization includes eighty-nine state programs and four sub-programs in thirty executive branch agencies with \$631,721,344 in expenditures and approximately 23,020 full-time equivalent employees, plus twenty-two selected government-wide support services (e.g., printing, facility maintenance) at a reported cost of \$314,332,656 with approximately 10,119 full-time equivalent support employees.

The PEER Committee

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The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

An extension of the Mississippi Legislature's constitutional prerogative to conduct examinations and investigations, PEER is authorized by law to review any entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

**The Privatization Potential of Mississippi's
State Programs and Services**

November 30, 1992

**The PEER Committee
Mississippi Legislature**

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PEER Committee



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November 30, 1992

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HONORABLE TIM FORD, SPEAKER OF THE HOUSE
MEMBERS OF THE MISSISSIPPI STATE LEGISLATURE

At its meeting of November 30, 1992, the PEER Committee authorized release of the report entitled **The Privatization Potential of Mississippi's State Programs and Services.**



Senator Bill Canon, Chairman

**This report does not recommend increased
funding or additional staff.**

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The Privatization Potential of Mississippi's State Programs and Services

November 30, 1992

Executive Summary

Introduction

Government has two inherent functions—to determine policy and to provide methods to implement it. In fulfilling these responsibilities, state governments have utilized the private sector to deliver services as one means of meeting increasing demand for these services while limiting costs. Mississippi uses the *privatization* management tool to some degree, but has no statutorily mandated management review program to help ensure quality and economy in the production and delivery of state programs and services.

This study is Mississippi's first legislatively mandated review of state programs and services which specifically identifies potential candidates for privatization, current state costs for these candidates, and a cost review process to help in the privatization decisionmaking process.

Overview: *In response to House Bill 505 (Reg. Sess. 1992), this report discusses the philosophy of privatization; proposes a Mississippi Privatization Program; identifies a pool of potential privatization candidates; and presents a draft bill for the proposed privatization program to the Legislature for its consideration during the 1993 Regular Session.*

Over the past decade, Mississippi has experienced increasing demand for public services, increasing operating costs for current government programs and services, and the need for new revenue sources to address these problems. These additional revenue needs have been a major problem for the state due to its consistently lowest-in-the-nation per capita income, relatively stagnant population growth since 1980 (2.1%), a majority rural population, and the existing tax burden for the state citizenry. Further, the state's financial condition went from an approximately \$88,000,000 surplus at the end of FY 1987 to an approximately \$100,000,000 deficit at the beginning of FY 1992, which necessitated state employee hiring freezes

and mandatory across-the-board budget cuts. If the state is to establish and maintain a sound financial condition, state officials and managers must employ every available management technique to improve the efficiency and effectiveness of state programs and services.

The privatization of state government and programs is one such management technique. Privatization introduces competition between the state and the private sector which, in some instances, could reduce the costs of programs or services, or increase efficiency and/or effectiveness of these programs and services at the existing cost level through delegation, divestment, or deregulation. Privatization can also produce one-time financial windfalls and recurring savings through the sale, donation, or liquidation of public assets, programs, or services. *However, privatization is not the universal answer for higher cost efficiency or increased program effectiveness in state government. It must be evaluated on either an individual program basis or statewide service basis.*

Background

PEER's Definition

Privatization has no universally accepted definition due to the large number of alternatives for private sector delivery of services to the public. PEER chose to use the following broad definition, which subdivides privatization into three major categories with multiple forms, as conceptualized by Dr. E. S. Savas, City University of New York):

Privatization is a management method of providing a portion or all of a formerly government-provided and produced program and/or its services through the private sector using one or a combination of the three major categories of privatization: delegation, divestment, or deregulation.

(Exhibit 1, page 6, describes the three privatization categories in greater detail.)

Potential Benefits

Privatization can be one way to provide flexible alternatives for state management action. It introduces competition between the state and the private sector which can eliminate a system perceived as a monopoly with no incentive to be economical or efficient. Through reevaluating its public programs and services, the state can decide to completely eliminate some existing programs and services or produce one-time financial windfalls and recurring savings through the sale, donation, or liquidation of public assets, programs, or services. It can also produce potential savings and benefits in the areas of personnel, work rule changes, a more efficient and effective mix of equipment and people, less time off with pay, and the use of working supervisors.

Criteria for Success

The critical precondition to implementing a state privatization program is that elected state officials must be open to privatizing state programs and services although it could create short-term employee morale and service delivery problems. If elected officials are willing to accept these short-term problems, then they must identify and remove any legal barriers to privatization for the functions that they want to privatize.

Other criteria for a successful privatization include the presence of a competitive private sector market with sufficient service providers; defining the Most Efficient Organization (MEO) for each privatization candidate; utilizing a cost/benefit analysis process which can realistically estimate the total state cost for a function's Most Efficient Operation; establishing an aggressive contract monitoring system for delegated functions; and allowing state operations to compete with the private sector for the right to provide the program or service.

Obstacles to Successful Privatization

To develop and enact a successful privatization program, state officials must understand the natural and organized obstacles to such a program. Officials must develop strategies in the privatization process to overcome or minimize the impact of these obstacles. These barriers include philosophical, psychological and political barriers; legal and regu-

latory, market, administrative, and bureaucratic barriers; information deficiencies; competing priorities; and the response of various organized groups like state employees and the citizens who receive the services.

The Proposed Mississippi Privatization Program

This proposed program combines original ideas with elements of the existing state privatization programs in Colorado, Florida, and Texas, and the federal program as administered by the Executive Office of the President, Office of Management and Budget. Its three major objectives are:

- to ensure that the state provides services to the public with the minimum input of public resources (*cost efficiency*);
- to deliver services successfully at the required performance levels (*program effectiveness*); and,
- to ensure an annual review of the management, operations, and support functions of the state entities in order to improve agency operations, increase productivity, increase accountability, and produce more accurate operational cost figures.

The three phases of this program are Planning and Organizing, Cost/Benefits Analysis, and Reporting and Evaluating. They must be sequentially accomplished, since the successful completion of one directly depends on the successful completion of the previous phase. Exhibit 2, page 15, contains a descriptive sequential outline of this proposed program.

The Joint Legislative Privatization Commission

Since no existing state entity has responsibility for a mandatory privatization program, the Legislature should establish a permanent six-member Mississippi Joint Legislative Privatization Commission, empowered to exercise oversight responsibilities for this program. The commission's membership would be composed of three members each from the House and Senate Appropriation committees, and would be appointed by the Speaker of the House and Lieutenant Governor, respectively. The Department of Finance and Administration would provide staff support. Other action agents for

critical responsibilities in this program would include the Governor, the Legislature, and affected state entities.

Candidates for Privatization

PEER limited candidates for privatization to executive branch entities. According to the Legislative Budget Office records, the executive branch spent an estimated \$5,106,081,658 (98.57%) of the \$5,180,251,910 in FY 1992 state expenditures between July 1, 1991, and August 15, 1992.

Program Candidates

PEER identified eighty-nine executive branch programs and four sub-programs in thirty agencies as potential program candidates for privatization. In FY 1992, the state produced these programs at a cost of \$631,721,344, with approximately 23,020 full-time equivalent employees, which are approximately 12.37% and 38.10% of the estimated

\$5,106,081,658 in total executive branch expenditures and 60,427 full-time equivalent personnel positions, respectively. This candidates list excludes \$4,484,507,869 in expenditures and approximately 37,563 employee equivalents for the remaining 314 budget units which did not meet the established program candidate criteria. (See Exhibit A, page x, for program candidates.)

Support Service Candidates

PEER identified twenty-two selected professional and support services which the state currently performs in-house and which, to some degree, already are performed by the private sector. In FY 1992, the state produced these services at a reported cost of \$314,332,656, with approximately 10,119 full-time equivalent employees, which are approximately 6.16% and 16.75% of the estimated total executive branch expenditures and full-time equivalent personnel positions, respectively. (See Exhibit B, page xiii, for service candidates.)

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Exhibit A
PEER's List of Potential Privatization Candidates for Government Programs

EXHIBIT 5*	PROGRAMS	FY 1992 COST	
		Dollars	Personnel
Reference #	Program Description		
	DEPARTMENT OF AGRICULTURE & COMMERCE		
1	Agriculture Museum	\$820,945	34.00
2	Egg Marketing & Promotion	59,009	0.00
3	Farmers Market Information	290,646	12.00
4	Market Information and Reporting	579,784	13.00
5	Marketing and Promotion	550,417	27.00
	DEPARTMENT OF ARCHIVES & HISTORY		
6	Historical Museum Management	878,547	24.00
7	Historic Properties Management	591,769	24.00
	OFFICE OF AUDITOR		
8	Average Daily Attendance/Property Inventory	312,303	8.00
9	Post Audit Program	7,359,122	174.00
	CENTRAL DATA PROCESSING AUTHORITY		
10	Computer Center	4,837,629	37.00
11	Consulting	2,057,419	32.00
12	Capitol Telephone Operations	4,613,491	23.00
13	Education	519,308	3.00
	DEPARTMENT OF CORRECTIONS		
14	Central Mississippi Correctional Facility	7,159,077	320.00
15	Mississippi Penitentiary	49,602,652	1,952.00
16	South Mississippi Correctional Institution	7,475,285	344.00
17	Community Based Services	5,871,735	214.00
18	Medical Services	7,408,663	142.00
19	Prison Education Services	2,709,575	71.00
20	Prisoner Transportation (Sub-Program of Correctional Facilities)	990,074	25.00
	DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT		
21	Business Services	1,025,966	16.00
22	International Development	1,640,573	8.00
23	National Development	1,035,207	13.00
24	Port at Gulfport	3,761,967	55.00
25	Port at Yellow Creek	547,772	16.00
26	Tourism Development	832,131	11.00
27	Welcome Centers	1,262,781	42.00
	DEPARTMENT OF EDUCATION		
28	Cafeteria Management (Local School Districts)	73,093,422	5,080.00
29	Public School Building Fund Management	127,063	3.50
30	Pupil Transportation (Local School Districts)	68,831,846	4,352.00
	MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION		
31	Radio Broadcasting Management & Operations	1,165,348	27.65
32	Television Broadcasting Management & Operations	6,784,812	113.75
	DEPARTMENT OF FINANCE & ADMINISTRATION		
33	Federal Surplus Property Management	583,211	19.00
	GOVERNOR'S MANSION		
34	Management & Operations	442,801	6.00
	GRAND GULF MILITARY MONUMENT		
35	Management & Operations	121,678	4.97

*For more detail on these privatization candidates, check under the appropriate reference number in Exhibit 5, page 34.
SOURCE: Participant data for the PEER survey of potential privatization program candidates, dated 9-23-92

Exhibit 4 (continued)

<i>EXHIBIT 5*</i>	<i>PROGRAMS</i>	<i>FY 1992 COST</i>	
<u>Reference #</u>	<u>Program Description</u>	<u>Dollars</u>	<u>Personnel</u>
	DEPARTMENT OF HEALTH		
36	Home Health Program	\$16,579,356	450.00
37	Vital Records' Operations & Management	1,368,191	75.86
38	WIC Program	40,608,997	285.00
	DEPARTMENT OF TRANSPORTATION		
39	All Engineering Design	9,953,512	171.00
40	Litter Prevention	698,575	32.00
41	Maintenance	75,067,514	1,238.00
42	Map Sales	39,841	1.10
43	Mowing (Sub-Program of Maintenance)	4,201,327	118.00
44	Railroad Inspection Program	189,372	6.00
45	Road Striping (Sub-Program of Maintenance)	1,396,218	13.00
46	Sign Shop	1,470,941	14.50
	DEPARTMENT OF HUMAN SERVICES		
47	Columbia Youth Training School Operation	3,619,587	125.00
48	Oakley Youth Training School Operation	3,602,433	120.80
49	Eligibility Determination	26,766,348	991.45
50	Employment & Training: Instruction	2,118,585	104.00
51	JOBS Program	8,502,894	19.00
	INSTITUTIONS OF HIGHER LEARNING		
52	Student Financial Aid - Loan Granting Operation (LBO Data)	2,778,879	8.00
53	IHL University Research Center - MARIS Operation (LBO Data)	259,121	12.05
54	IHL University Research Center - MARIS Geographic System	101,923	0.00
	MISSISSIPPI AGRICULTURAL & FORESTRY EXPERIMENTAL STATION		
55	Fish Hatcheries	0	0.00
	NOTE: Financial data is not available since staff hours are allocated to projects and employees work on multiple projects as well as teach and perform other non-related functions.		
	MISSISSIPPI COOPERATIVE EXTENSION SERVICE		
56	Art & Layout Design	280,644	6.00
57	Crop Modeling Program	187,215	3.65
58	Money Management Centers	258,433	6.00
59	Photographic Services	154,848	4.00
60	Soil Testing Lab	242,923	6.30
	MISSISSIPPI STATE UNIVERSITY		
61	Forest Product Utilization Laboratory (Research & Teaching)	2,208,725	57.20
	DEPARTMENT OF MENTAL HEALTH		
62	Boswell Regional Center (Institutional Services)	8,163,567	365.40
63	Ellisville School (Institutional Services)	25,738,934	1,244.24
64	Hudspeth Regional Center (Institutional Services)	12,301,121	1.70
65	North Mississippi Regional Center (Institutional Services)	10,829,916	416.00
66	South Mississippi Regional Center (Institutional Services)	5,504,207	230.79
67	East Mississippi Hospital (Institutional Services)	18,097,512	649.90
68	Mississippi Hospital (Institutional Services)	51,917,458	2,011.30
69	Farm Operations @ Ellisville School	315,875	4.30
	STATE PERSONNEL BOARD		
70	Test Administration	122,973	4.18
71	Training	278,892	5.00

Exhibit 4 (continued)

<i>EXHIBIT 5*</i>		<i>FY 1992 COST</i>	
<i>Reference #</i>	<i>PROGRAMS</i>	<i>Dollars</i>	<i>Personnel</i>
<i>Reference #</i>	<i>Program Description</i>	<i>Dollars</i>	<i>Personnel</i>
	PUBLIC SAFETY DEPARTMENT		
72	Forensic Analysis Crime Laboratory	\$489,380	12.00
73	Drivers License Issuance (Non-Budget Program)	3,559,936	118.00
74	Law Enforcement Training Academy - Support Services (LBO Data)	1,011,583	26.00
75	Medical Examiner	255,512	4.00
	SECRETARY OF STATE		
76	Corporations Division	597,438	13.20
77	Documents Division	1,240,757	9.16
78	Public Lands Division	622,976	4.00
	STATE FIRE ACADEMY		
79	Itinerant & Site Training Functions-Operational Support Services	1,581,030	33.00
	TREASURY DEPARTMENT		
80	Bond Servicing Function	413,426	8.00
81	Cash Management Function	293,400	6.00
	DEPARTMENT OF WILDLIFE/FISHERIES/PARKS		
82	Fish Hatcheries	277,200	6.91
83	Parks & Recreation - Management & Operations	4,693,415	403.00
84	"Mississippi Outdoors" Magazine	398,972	2.02
	FAIR & COLISEUM COMMISSION		
85	Mississippi Coliseum & Fairgrounds Complex	2,060,521	44.76
86	Dixie National Livestock Show and Rodeo	630,986	2.22
87	Livestock Shows	119,814	0.11
	FORESTRY COMMISSION		
88	Forest Resource Development	3,361,687	3.00
89	Nursery Production	1,023,613	64.00
	PUBLIC SERVICE COMMISSION		
90	Motor Carrier Inspection Safety & Compliance Program	1,659,970	44.00
	TAX COMMISSION		
91	Alcoholic Beverage Control Warehouse Operation	4,204,998	147.83
	VETERANS' HOME PURCHASE BOARD		
92	Mortgage Loan Processing & Servicing Program	461,024	11.00
	VETERANS' MEMORIAL STADIUM COMMISSION		
93	Stadium Facility - Management & Operations	892,821	11.00
	GRAND TOTAL FOR ALL PROGRAMS	<u>\$631,721,344</u>	<u>23,020.80</u>

ANALYSIS COMMENTS: Some reported costs in this exhibit include the total services cost in Exhibit 6, page 72.

Exhibit B

***FY 1992 Support Services' Costs and FTE Personnel Data for
Selected State-Produced and Delivered Services***

<u>Services Number</u>	<u>Reporting Entities</u>	<u>Service Type</u>	<u>Reported Expenditures</u>	<u>Reported FTE's</u>
1	5	Aircraft Operations	\$2,530,706	12.22
2	5	Architectural Services	305,560	9.26
3	16	Bookstores	17,449,671	142.71
4	46	Custodial	18,459,307	1,177.82
5	53	Data Processing	29,069,682	652.77
6	16	Dormitory Management	19,120,123	434.91
7	15	Employee Training	2,531,805	86.19
8	15	Engineering Services	51,131,822	1,686.69
9	51	Facility Maintenance (Building-Equipment-Grounds)	48,617,098	1,486.30
10	19	Food Service	27,325,031	934.76
11	8	Laundry & Dry Cleaning	3,268,567	200.78
12	1	Lifeguards	341,529	29.24
13	38	Mailroom Services	3,536,905	94.03
14	3	Motor Pools	311,907	1.69
15	28	Printing Centers	7,651,203	185.34
16	35	Security Services	48,772,315	2,340.60
17	7	Student Medical Services	3,693,558	74.23
18	6	Technical Consulting	4,278,426	104.63
19	29	Telecommunications	10,038,247	174.41
20	12	Transportation Services	2,316,215	83.67
21	25	Vehicle Maintenance	13,302,100	183.02
22	2	Vending Machines	280,879	23.42
GRAND TOTAL			<u><u>\$314,332,656</u></u>	<u><u>10,118.69</u></u>

ANALYSIS COMMENTS: Some reported costs in this exhibit are included in the total program costs in Exhibit 4, page 30. It also includes personnel data only for state entities which did not receive the PEER Survey of Potential Privatization Program Candidates, dated 9-23-92.

SOURCE: Participant Responses to Two PEER Surveys

The Privatization Potential of Mississippi's State Programs and Services

Introduction

Government has two inherent functions--to determine policy and to provide methods to implement it. In fulfilling these responsibilities, state governments have utilized the private sector to deliver services as one means of meeting increasing demand for these services while limiting costs. Mississippi uses the *privatization* management tool to some degree, but has no statutorily mandated management review program to help ensure quality and economy. It purchased \$173,457,372 in contractual services and commodities from the private sector in FY 1992.

This study is the first legislatively mandated review of Mississippi state programs and services which specifically identifies potential candidates for privatization, current state costs for these candidates, and a cost review process to help in the privatization decisionmaking process.

Authority

Section 5 (2), House Bill 505 (1992 Regular Session) requires the PEER Committee to prepare and submit a study on the privatization of government programs and services to the Legislature and the Governor by December 15, 1992.

Scope

This legislation stated two overall objectives for the PEER study. First, PEER's study was to identify state programs and services that could be performed by the private sector at lower cost or increased efficiency. The PEER identification process for these functions was to include privatization ideas from the private sector. Secondly, the study was to determine and compare the performance costs between the private and public sectors for these programs and services.

Four significant factors limited the Committee's ability to accomplish these study objectives completely:

- the *size of state government*--In FY 1992, the executive, judicial, and legislative branches spent a total of \$5,180,251,910 in general, federal, and other funds. The total number of budgeted entities were ninety-two agencies, authorities, boards, commissions, community and junior colleges, institutions of higher learning, and other entities with a total of 414 budgeted programs, according to the Legislative Budget Office's records for FY 1992;

- the *statewide budgeting and accounting system*, which does not measure total operational costs (direct and indirect expenditures) and these resource inputs against the delivered outputs of the state programs and services;
- the *available project time* of six months (privatization studies by federal agencies and other state governments have taken twelve to eighteen months to review a single program or service); and,
- *no record or single information source* on documented savings from other states' privatization actions.

Methodology

During this review, PEER:

- conducted extensive research of privatization literature;
- analyzed privatization studies conducted by the federal government, other state governments, and the private sector;
- interviewed general government and privatization experts throughout the United States, the Chairman of the Mississippi State Auditor's Task Force for Privatization, representatives of the State Auditor's offices of Colorado and Texas, and other personnel involved in states' privatization efforts;
- collected privatization ideas from the private and public sectors through a statewide media release, state agency surveys, participation in a radio talk show, and a survey of PEER staff;
- analyzed FY 1992 state expenditures by agency, budget category, program, and treasury fund; and,
- analyzed program legislation and/or regulations from the federal government and other states' privatization efforts.

Overview

Over the past decade, Mississippi has experienced increasing demand for public services, increasing operating costs for current government programs and services, and the need for new revenue sources to address these problems. These additional revenue needs have been a major problem for the state due to its consistently lowest-in-the-nation per capita income, relatively stagnant population growth since 1980 (2.1%), a majority rural population, and the existing tax burden for the state citizenry. Further, the state's financial condition went from an approximately \$88,000,000 surplus at the end of FY 1987 to an

approximately \$100,000,000 deficit at the beginning of FY 1992, which necessitated state employee hiring freezes and mandatory across-the-board budget cuts. If the state is to establish and maintain a sound financial condition, state officials and managers must employ every available management technique to improve both the efficiency and effectiveness of state programs and services.

The privatization of state government and programs is one such management technique. Privatization introduces competition between the state and the private sector which, in some instances, could reduce the costs of programs or services, or increase efficiency and/or effectiveness of these programs and services at the existing cost level through delegation, divestment, or deregulation. Privatization can also produce one-time financial windfalls and recurring savings through the sale, donation, or liquidation of public assets, programs, or services. However, privatization is not the universal answer for higher cost efficiency or increased program effectiveness in state government. It must be evaluated on either an individual program basis or statewide service basis.

This report provides the following:

- background information on privatization;
- proposal for a Mississippi Privatization Program, which would be under the administrative control and oversight of a six-member Joint Legislative Privatization Commission, hereafter referred to as the commission. The State Department of Finance and Administration would provide staff support to the commission;
- an initial pool of potential privatization candidates for cost/benefits analysis. The privatization program candidates include ninety-three programs in thirty state entities with \$631,721,344 in total expenditures and 23,020 full-time equivalent employees. The support service candidates include twenty-two services at a total cost of \$314,332,656 and 10,119 full-time equivalent employees; and,
- proposed legislation to create this statewide program.

Background

The term "*privatization*" means providing some traditional governmental programs and services through the private sector. This method was especially prevalent prior to the late nineteenth century, when citizens begin to demand more public services and became concerned with the private sector's corruption. As a result, governments at all levels began expanding public services and adding personnel to deliver those services.

Current Trends

During the decade of the 1980s, state and local governments again turned to privatization for meeting citizens' demands for increasing public services while limiting the cost of government and its growth. In the report of the New York State Senate Advisory Commission on Privatization, *Privatization for New York: Competing for A Better Future* (January 1992), Dr. E. S. Savas, Chairman, Department of Management, City University of New York/Baruch College stated:

Privatization in America is not new: Christopher Columbus was a private contractor hired by the Spanish government. What is new is using privatization broadly and deliberately as a major policy tool to improve government performance. . . The case for privatization is overwhelming. It is clearly an idea whose time has come. In fact, it is long overdue. [PEER emphasis]

This new emphasis on the privatization of state programs and services is the product of three popular trends: increased private sector interest in new markets; unfavorable public attitudes about government; and favorable public attitudes about the private sector.

Unfavorable public attitudes result from the government's budgetary problems, the perception that government expenditures continue to exceed increasing government revenues, the poor condition and maintenance and repair costs of the government's infrastructure assets, and the perception that the government workforce is inefficient, ineffective, and excessive.

Conversely, the prevailing public views the private sector's provision and/or production of public programs and services as very economical (lower cost than state); efficient (the highest ratio of effectiveness at the minimum cost) and effective (successful delivery at the required performance standards).

PEER Study Concept

Privatization has no universally accepted definition due to the large number of alternatives for private sector delivery of services to the public. Definitions range from "the state divests itself of the ownership, control, financial responsibilities, regulation, and delivery to the private sector" to "the state can use a combination of the numerous alternatives for the private sector to deliver the services while maintaining some or total ownership, control, financial responsibilities, regulation, and delivery capability."

PEER chose to use the following broad definition, which subdivides privatization into three major categories with multiple forms, as conceptualized by Dr. E. S. Savas:

Privatization is a management method of providing a portion or all of a formerly government-provided and produced program and/or its services through the private sector using one or a combination of the three major categories of privatization: delegation, divestment, or deregulation.

(Exhibit 1, page 6, describes the three privatization categories in greater detail.)

This broader, more valid definition of privatization includes alternatives ranging from total divestment to government-controlled services delivered by private business.

Potential Benefits of Privatization

The Legislature requested PEER to identify ways to achieve the ultimate goal of "lower cost efficiency or increased program effectiveness" of programs and services. Privatization can be one way to provide flexible alternatives for state management action. It introduces competition between the state and the private sector which could eliminate a system perceived as a monopoly with no incentive to be economical or efficient. Through reevaluating public programs and services, the state could decide to completely eliminate some existing programs and services. Privatization could produce one-time financial windfalls and recurring savings through the sale, donation, or liquidation of public assets, programs, or services.

Additional savings and benefits which can result from privatization include:

- personnel savings, primarily the fringe benefits of vacation, retirement, and insurance programs (life, medical, and workers' compensation);

Exhibit 1

Categories of Privatization

Franchise--The state awards a private organization the right in a given geographical area to provide and to sell a service or product to the public for a fee, according to regulatory guidelines. Private sector provider becomes the only producer and deliverer of the affected public services; usually pays the government a fee for this right.
Examples: leasing of state-owned parks, licensing of public transportation and utilities, or vehicle towing.

Contract--The state pays a private organization (profit or nonprofit) through a mutually signed written agreement to provide a function or service, while maintaining responsibility for producing and overseeing the private provider's results; commonly used when the public entity does not have the needed in-house expertise or when the service can readily be obtained at a lower cost from competitive private organizations.
Examples: building maintenance, computer programming.

Delegation--part or all of a function or service is assigned to the private sector, while the state retains responsibility of overseeing production and/or delivery.

Grant--The state subsidizes the private sector to reduce costs of public services provided to citizens. Facilitates private-sector assumption of a governmental function or service responsibility. *Examples: adult literacy programs, price supports for agricultural goods.*

Voucher--The state issues coupons or tickets to eligible consumers to purchase products or services from the private sector. Requires the private sector to provide the products or services and in turn redeem the vouchers.
Examples: food stamps, Medicaid.

Direct Payment--The state pays eligible consumers to purchase products or services from the private sector.
Examples: welfare assistance payments, clothing purchases for wards of the state.

Exhibit 1 (continued)

Liquidation--The state can divest itself of a poorly performing enterprise by selling its assets when either no buyer can be found for it or the prospects are bleak for achieving profitability or significantly reducing operational costs.

Example: closure and sale of assets of the state's charity hospitals.

Divestment--The state turns over the ownership, control, financial responsibilities, and delivery of a public service to the private sector. Since the private organizations become the only producer and deliverer of the affected public services, the government no longer has any responsibility for carrying out this activity, except that it may possibly retain a regulatory role and/or limited delivery service capability.

Sale--The state shifts its function and ownership of a public service by selling its assets to a single buyer in a negotiated sale; to the public; to the managers; to the employees; or to its users.

Examples: federal government's sale of CONRAIL stock, rural electric cooperatives.

Donation--This method of privatization involves the government giving away the enterprise to its employees, users, customers, or the public at large. By so doing, the government realizes recurring savings to the extent that it no longer makes annual appropriations for the public entity's continued operation.

Example: giving of the English Channel Hovercraft Ferry Service to its management and workforce.

Deregulation--The state replaces its regulatory requirements for a public service with either private sector regulation or no regulation of the service. The private sector controls, produces, and provides a service with no government involvement, with an end result of a demand-driven, market-based arrangement to satisfy unmet public needs.

Examples: airline industry, private postal services.

- work rule changes;
- a more efficient and effective mix of equipment and people;
- less time off with pay; and,
- the use of working supervisors--i.e., an individual who has both direct supervisory duties for other work shift personnel and direct work-related duties.

A discussion of proponents' and opponents' views on privatization is given on pages 10 and 11.

Criteria for Success

The critical precondition to implementing a state privatization program is that elected state officials must be open to privatizing state programs and services although it could create short-term employee morale and service delivery problems. If elected officials are willing to accept these short-term problems, then they must identify and remove any legal barriers to privatization for the functions that they want to privatize. Such barriers can either be prohibitions or the lack of authority in the state and federal constitutions, statutes, and program regulations. Without removing legal barriers, a state cannot implement a comprehensive privatization program. (See **Obstacles to Successful Privatization**, page 9.)

Once this precondition has been satisfied, the success of privatization will depend on at least six other factors:

- Services should be available through a multitude of private sector providers.
- The state must develop an accurate estimate of its total operational cost of the present operations (direct and indirect).
- The state must develop and use the most efficient and effective organization (MEO) for the program and service as its basis for state and private sector competition.
- The state must monitor the management and operations of the privatized programs and services thorough a comprehensive quality assurance system with performance standards.
- The existing state operation should be allowed to compete with the private sector for the right to provide the program or service in order to encourage state employee cooperation. The state should recognize that employees in the existing state operation

might be more economical, efficient, and/or effective if allowed to be creative.

- Elected officials must be open to privatizing state programs and services although it could create short-term employee morale and service delivery problems.

Obstacles to Successful Privatization

To develop and enact a successful privatization program, state officials must understand the natural and organized obstacles to such a program. Officials must develop strategies in the privatization process to overcome or minimize the impact of these obstacles.

One group of natural barriers includes the beliefs and perceptions of citizens and state officials concerning the private and public sectors. Several state entities listed *philosophical and psychological barriers* as explicit or implicit disadvantages to privatization in their responses to PEER's second privatization survey. They included:

- the perception that the profit motive leads to cutting corners in service delivery;
- resistance to making reasonable quality adjustments to achieve cost savings;
- confusion over the extent to which the service provider's role takes priority over other perceived operational goals, such as the perception that the state should employ personnel if no private sector jobs are available;
- concerns about the private sector providing certain services;
- fear of change; and,
- state employees' pride about their job performance.

The second group of natural barriers includes critical management and/or operational considerations for any proposed privatization program:

- *political barriers*--impact on the state employees and elected officials' beliefs, perceptions, and philosophy about the government's role.
- *legal and regulatory barriers*--constitutional and statutory prohibitions; cost recovery provisions of some state and federal grant programs; and wage requirements for state programs and

service delivery which could substantially reduce privatization savings. (See **Criteria for Success**, page 8.)

- *market barriers*--possibility of an insufficient number of private sector suppliers to generate the necessary competition; use of unreliable private sector firms due to political pressure; and potential for private sector corruption of public sector officials.
- *administrative barriers*--complexity of the contracting process; identifying actual costs for services; implementation problems; state delays in the contract administration process; content and length of a contractual arrangement; and establishment of effective quality assurance monitoring.
- *bureaucratic barriers*--effect of the seniority system on state employees who may be laid off as a result of privatization; state officials' concerns about their anticipated inability to respond quickly to policymakers' demands and to control crisis situations; subtle sabotage by state officials; and informal pressures from other operationally related state entities.
- *information deficiencies*--the public sector's lack of knowledge about the private sector suppliers of various services and about the contracting process and its procedures.
- *competing priorities*--priority given to other agency demands which may or may not be more important.

The third major group of barriers is the response of organized groups which would be directly impacted by the privatization of public service delivery. These groups include the state employees and the citizens who receive the services.

The Proponents' View: A Panacea for State Financial Woes

Proponents present privatization as a panacea for reducing the cost of government while providing the same quality and quantity of services to the public. They base this assertion on perceived ideological and practical claims; *actual experience demonstrates that privatization is a management tool that is the answer only in some instances.*

Proponents proclaim the ideology that privatization reduces the size of state government and thus lowers taxes and stimulates the economy. They also claim that the private sector is more economical, efficient, and effective due to the profit motive and more effective managers, who have incentive to perform. Proponents further claim that state managers operate in a monopolistic environment which provides no incentive to accomplish the objectives, since government managers are more concerned

about the political outputs than the economic, efficiency and effectiveness of the programs and services. They claim, too, that competition produces more efficient and effective government operations. Dr. Savas emphasized this assertion in the New York report when he stated:

The means may vary, but at its core, privatization works because it introduces competition into bureaucratic government activities that are run as monopolies.

Based on this ideology and privatization efforts which have been successful, proponents maintain that privatization produces a significant number of practical advantages for government. Private sector companies can provide reduced project completion times and more flexible and timely services since they do not have to follow restrictive state procedures and purchasing regulations. Proponents claim that private companies can also share management and operational risks with the state, such as cost overruns, and fill needs for short-term projects when the state would have to hire full-time state employees for part-time jobs. Private companies also provide new state options for financing expensive infrastructure construction and maintenance projects and offer the potential for experimental or temporary programs, increasing the number of private sector jobs by allowing the opportunity for business expansion. Finally, proponents assert that the private sector offers a source for either new or unavailable state expertise, resources, and/or services.

The Opponents' View : Loss of Accountability and Control

Opponents suggest that privatization reduces state accountability to state citizens and lessens control over the program and/or service delivery, resulting in loss of quality at higher cost. Opponents foresee other negative results of privatization:

- higher probability of service interruption due to decline in profits and labor strikes;
- reduced ability to provide emergency or more services without additional state costs;
- increased chances of fraud and corruption in the public sector;
- possibility of irrevocably lost services due to the service cost to the private sector or the extreme difficulty of reinstituting a state operation after its privatization;
- career disruption or job loss for state employees and reduced productivity due to poor morale;
- weakened civil service policies, including affirmative action;

- lost benefits of owning equipment and facilities; and,
- potential for a private sector monopoly whose only concern is the profit motive at any cost.

The Proposed Mississippi Privatization Program

Mississippi has experienced a growing demand for programs and services, increased operating costs, and the need for new revenue sources in the last decade. When the state went from an approximately \$88,000,000 surplus at the end of FY 1987 to an approximately \$100,000,000 deficit at the start of FY 1992, state employee hiring freezes and mandatory across-the-board budget cuts were put in place.

If the state is to establish and maintain a sound financial condition again, state officials and managers must employ every available management technique to improve the efficiency and effectiveness of programs and services. *This proposed privatization review program would be an appropriate management tool if it can generate at least a ten percent program and service cost savings through privatization actions.*

Origin and Summary of Program

This proposed program combines original ideas with elements of the existing state privatization programs in Colorado, Florida, and Texas, and the federal program as administered by the Executive Office of the President, Office of Management and Budget. Its three major objectives are to:

- ensure that the state provides services to the public with the minimum input of public resources (efficiency);
- deliver services successfully at the required performance levels (effectiveness); and,
- ensure an annual review of the management, operations, and support functions of the state entities in order to achieve the prudent management goals of improved agency operations, increased productivity, increased accountability, and more accurate operational cost figures.

The three stages of this program must be sequentially accomplished, since the successful completion of one directly depends on the successful completion of the previous phase:

1. Planning and Organizing;
2. Cost/Benefits Analysis; and,
3. Reporting and Evaluating.

Exhibit 2, page 15, contains a descriptive sequential outline of this proposed program.

I. Planning and Organizing

The first phase of the proposed privatization program should fulfill administrative, legal, and management responsibilities to accomplish the program's objectives. Since no existing state entity has responsibility for a mandatory privatization program, the Legislature should establish a permanent six-member Joint Legislative Privatization Commission with three members each from the House of Representatives and Senate Appropriations Committees, empowered to exercise oversight responsibilities. (For all references to proposed legislation, see Appendix, page 73.) The commission's membership would be appointed by the Lieutenant Governor and Speaker of the House, and receive staff support from the Department of Finance and Administration. The commission could also contract with private sector consultants for unavailable department expertise. Other action agents for critical responsibilities should include the Governor and the Legislature.

During the 1993 Regular Session, the Legislature should enact a permanent privatization program under the guidance of the commission. This law should clearly establish and define:

- the requirement for the Department of Finance and Administration to provide administrative and operational staff support to the commission;
- the state's privatization policy;
- the commission's responsibility, authority, funding source, and membership size and qualifications;
- the state entities' responsibility and authority;
- any state entity and/or programs or services excluded from the privatization program;
- a mandatory annual reporting and evaluation system to the Legislature and the Governor;
- authority for the Legislature at its next regular session, after issuance of a recommendation by the commission, to reject such recommendation; and,
- the requirement for a report with draft legislation from the commission to the Governor and Legislature by October 1 of each year.

Exhibit 2

Sequential Outline for Mississippi Privatization Program

PLANNING AND ORGANIZING PROCESS

<u>Tasks</u>	<u>Responsible Agent</u>
1. Legislate Program	Legislature/Governor
2. Appoint Commission Members	Speaker & Lt. Governor
3. Accomplish Planning and Organizing Responsibilities	The Commission
4. Identify General Legal Barriers to Privatization	The Commission
5. Submit Organizational Report and Specific Privatization Program Legislation	The Commission
6. Enact Specific Privatization Legislation with Any Exemptions	Legislature/Governor

COST BENEFITS ANALYSIS PROCESS

7. Conduct Program and Service Evaluations To Determine Privatization Candidates	The Commission and State Entities
8. Prepare State Activity Cost Benefit Analysis Plan	State Entities and The Commission
9. Conduct The Cost Benefit Analysis for All Scheduled Programs and Services	State Entities
10. Conduct Independent Review and Certification of State Entities' Cost Benefit Analysis	The Commission
11. Issue Privatization Recommendations for Programs and Services	The Commission
12. Seek Funding for Current Mode of Operation (optional)	Any State Entity
13. Determine Privatization Decision Through The Appropriations Process	Legislature

REPORTING AND EVALUATION PROCESS

14. Monitor Contractors' Performance	State Entity Staff
15. Reduce Budget Appropriation and Spending Authority for Privatization Savings Amount	Legislature/Governor
16. Conduct Annual Review of Privatization Program Cost Savings	The Commission and Legislative Budget Office
17. Provide An Annual Report to The Legislature and Governor	The Commission

SOURCE: PEER Staff

The enabling act should protect the legal authority and decisionmaking prerogatives of the state entities. However, the commission must have authority and responsibilities sufficient to ensure an effective and efficient statewide program. The commission should have the following authority and responsibilities:

- advocate or develop a privatization program for state entities which creates private-sector competition for the provision and/or production of state government programs and services;
- develop goals and objectives outlining expected cost savings, performance improvements, and productivity from privatization;
- establish essential analytical, approval, authorizing, implementing, planning, and reporting processes and regulations for the privatization program;
- determine, in concert with other state entities, which state programs, functions, and services shall compose the pool of potential state privatization program and service candidates. The pool should **not** include activities which would have significant impact on:
 - governing responsibilities provided at top policy levels of the executive and legislative branches;
 - public health or safety; and,
 - establishment of criteria for monetary and service entitlement decisions of the state government.
- require all state entities to:
 - evaluate the privatization potential of their potential privatization candidates; and,
 - conduct a cost/benefits analysis comparing the state's and private sector's program and service delivery costs.
- approve all cost/benefit analyses and recommended privatization decisions;
- provide technical advice to state entities during the evaluations at each phase of the cost/benefit analysis;
- issue privatization recommendations for activities which meet statutory and commission privatization criteria. These

recommendations may be rejected by the Legislature if it sees fit; and,

- conduct, in conjunction with the Legislative Budget Office, an annual review of the costs for privatized programs and services for the previous fiscal year. The objective of this review would be to determine if privatization saved the state ten percent or more of the in-house state operational cost in its last fiscal year, as adjusted for inflation.

After determining the pool of programs and services which are potential privatization candidates, the commission should then identify legal and regulatory barriers to privatization. This information should be included in the commission's mandated report and should be considered in the commission's privatization program legislation presented to the Legislature and the Governor by October 1, 1993.

II. Cost/Benefits Analysis

The commission and affected state entities are the action agents for the four major steps in this critical phase of the proposed privatization program. The objective of this phase of the program is to accomplish the critical task of performing cost analysis and comparing the results to total costs of service delivery. The cost/benefits analysis phase should improve the quality of available decision-making information to achieve the state's goals and objectives. This process should establish productivity measures; fix unit costs; establish cost responsibility (the extent to which users pay or should pay); and evaluate alternative methods of service delivery.

1. *The commission and the state entity should jointly evaluate the program/service.*

The commission and affected state entities should determine the programs and services which the state could delegate to the private sector or eliminate through divestment or deregulation. During this process, the two parties, in concert, should produce a document which includes an analysis of the activities considered and the final decision with supporting rationale. The evaluation criteria should include:

- potential recurring annual savings for the state;
- potential market for the activities;
- potential one-time windfall from the sale of state-owned facilities and/or equipment;

- adequacy of the government's customer service versus the private sector's customer service;
 - potential reduction of services to the citizenry;
 - ability and willingness of the private sector to regulate itself;
 - criteria for a successful privatization program on page 8 of this report; and,
 - consideration of the three groups of natural barriers, discussed on page 9 of this report.
2. *The commission completes a State Activity Cost/Benefit Analysis Plan.*

After the program/service evaluation is complete, each affected entity should submit a sequenced evaluation plan for all necessary cost reviews. This action is necessary since a state entity may not have the staff resources to conduct simultaneously the cost/benefit analyses for all identified programs and services. The plan should schedule the programs or services with the largest cost savings potential under this condition.

The commission should develop and publish a *State Activity Cost Benefit Analysis Plan* after receiving these plans. The commission should solicit and consider state entity input for its proposed statewide schedule prior to finalization and publication. This plan should be updated annually. The entities should comply with the commission-established schedule for these evaluations.

3. *Each affected entity performs a cost/benefit analysis.*

While performing the cost/benefit analysis, each state entity should create and empower a task force to conduct the required evaluations. Its membership should be independent of the evaluated program or service except for technical expertise. Its purposes should be to ensure a thorough and fair analysis and to find new, innovative, creative ways to provide the required products or services to the public. Preferably, this task force should have individuals or access to individuals with expertise in contracting, cost analysis, industrial engineering, management analysis, position classification, staffing, value engineering, work measurement, and the technical aspects of the functional area.

The task force for each activity should achieve four significantly related cost analysis tasks in this phase. Their combined purpose is to perform a major management analysis of each identified activity

which will produce the operational basis for cost comparison with the private sector. These tasks include:

- The *State Activity Management Study* which identifies and documents the Most Efficient Organization to produce and deliver the essential program services to the public in the most cost efficient and/or effective methods. This Most Efficient Organization is the service performance basis for the cost comparison between the state and the private sector operations. Exhibit 3, page 20, describes this process in a suggested format.
- A total cost estimate for the state performance of the developed Most Efficient Organization. It should include direct cost and indirect cost such as the cost of the privatization study including the commission costs; any lost General Fund revenues from a Special Fund operation; and the separation costs for eliminated state personnel positions. This total cost estimate should be performed in accordance with the commission-issued format and instructions.
- A cost comparison between the state entity and the private sector using the same Most Efficient Organization. Assuming, at least, the production of the same quality and quantity of the available services, *the activity should be delegated to the private sector if it produces an operational cost savings of more than 10% of the state's cost.*
- The head of the state entity should perform an independent review of the cost analysis study and shall certify the results of this independent review. The entity's internal auditor, if any, should carry out these responsibilities. Otherwise, the executive director or highest level of authority should certify this study. This review should be conducted in accordance with the commission-developed and approved methodology.

4. *The commission reviews actions.*

After completing these tasks, the state entity should submit its cost study to the commission. The commission should perform the following actions:

- Conduct an independent review of the State Activity Management Study and certification of the in-house total cost

Exhibit 3

Suggested Instructions and Format for Documenting a Management Study

Instructions for Preparation

The study should be prepared in accordance with these principles.

1. Reflect the best efforts of the activity to improve the operations, with a primary emphasis on defining what must be done (the Mission) and the best operational and organizational principles (Improved Methodology).
2. Give freedom to the Independent Task Group, so that it can be innovative, creative, and develop a new organization to meet the required quantity and quality standards of the operation, except in areas prohibited by unchangeable law.
3. Continue to provide at least the existing quantity and quality of services unless the state decides to quit providing the services.
4. Choose analytical techniques based on the type of involved function, the available data, the available time, and personnel composition of the task force.
5. Investigate an activity's support areas for reduced support requirements if SAMS identifies the need for operational staff reductions in the activity.
6. Develop a Performance Work Statement (PWS) which defines the required services and their corresponding workload; the performance standards and acceptable quality levels for each one; any government-furnished facilities; and any other government-furnished services to the private sector. This PWS does not need to be completely written before the SAMS is complete, but its timely completion is critical since it serves as the basis for the SAMS which develops the MEO which serves as the basis for the cost analysis process.
7. Make major decisions on performance standards and mandatory compliance with old procedures before the development of the MEO.
8. Provide maximum flexibility to managers to determine the methodology for accomplishing the PWS.
9. Establish performance indicators and outcome measures for the development of the in-house organization concurrent with establishing the indicators for the PWS.

Exhibit 3 (continued)

10. The SAMS should use a combination of the five types of performance indicators with maximum usage of the quantitative factors, since they are easily compared to the established standards.* The most direct way of evaluating performance is to count output units and compare them to some predetermined standard requirement. Similarly, resource requirements (inputs) can be predicted by comparing average outputs per person to projected workload. These indicators are:
- Quantitative - A measure of the level of effort or actually expended work.
 - Qualitative - A measure of how well the outputs were produced against a standard.
 - Timeliness - A measure of the average elapsed time to complete a work unit compared to a requirement.
 - Outcome or Effectiveness - A comparison of the actual and required mission performance of the function or service.
 - Efficiency - A measure of the total or unit cost of a provided function or service. This indirect measure of activity performance applies when there is no other adequate measure.

*For more detail on writing performance measures, see *Reinventing Government* by David Osborne and Ted Gaebler, Chapter 5, page 138, and Appendix B, page 345.

State Activity Management Study for

Date:-----

1. Purposes

- A. To develop the optimal organizational structure to provide (???) Services efficiently and effectively to its users.
- B. To determine and document the specific management improvements upon which to base the optimal structure.

2. Performance Work Statement (PWS) -- This section should identify the required services; their performance standards and acceptable quality levels; the projected workload for the contract period; and the government-provided facilities and services. This work statement will be used to identify the Most Efficient Organization (MEO) for performing the program or services in Section Five of this management study. The PWS should include:

- | | |
|------------------------------|----------------------------------|
| A. Scope of Work | H. Specific Tasks - All Services |
| B. Required Key Personnel | I. Governing Laws/Directives |
| C. Quality Assurance Duties | J. Performance Standards |
| D. Security Responsibilities | K. Estimated Workload |
| E. Contingency Requirements | L. Required Reports |
| F. State-Furnished Property | M. Quality Assurance Plan |
| G. State-Furnished Services | |

3. Current Operations-- This section describes the existing authorized organization and operations of the activity. The most accurate and current information in the following areas for each operation should be included in this section since it will be the basis for Section Four's discussion.

- | | |
|-------------------------|--------------------------|
| A. Mission Statement | G. Personnel Analysis |
| B. Organization Charts | H. Material Analysis |
| C. Functional Duties | I. Equipment Analysis |
| D. Operating Procedures | J. Facility Analysis |
| E. Utilized Technology | K. Resolved/New Problems |
| F. Workload Data | L. Other |

Exhibit 3 (continued)

4. **Analysis of Current Operations** -- This section should accomplish four critical goals in the management study.
 - A. It describes and compares the existing authorized organization and operations of the activity to potential new ways of accomplishing the PWS in Section Two.
 - B. It describes the methodology, results, and conclusions for the analysis.
 - C. It should produce a rationale for any recommended changes from the study's conclusions.
 - D. It should discuss all following topics for the specified areas in Section Three of this management study.
 1. the existing operation and any anticipated changes;
 2. appropriateness of the existing operation and structure to the mission, function, internal conditions, and environment;
 3. proper balance of authority and accountability in the organizational structure for accomplishing the monitoring and controlling functions;
 4. system's efficient utilization of people, material, and equipment;
 5. use of available labor-saving technological systems;
 6. current workload, personnel staffing, material requirements, and equipment requirements and any anticipated changes with supporting rationale;
 7. location of the facilities in relation to the users and any anticipated changes;
 8. current difficulties in service delivery, their causes, and potential solutions.

5. **Most Efficient Operations**-- This section should present the most efficient and effective operation and organization for the function. This operation should be based on the PWS in Section Two and the Analysis of Current Operations in Section Four. It should be presented in the following manner. **It should serve as the basis for the PWS which will be used to obtain and compare contract cost bids for a government operation versus a private sector operation.**
 - A. Mission Statement
 - B. Organization Charts
 - C. Functional Duties
 - D. Operating Procedures
 - E. Utilized Technology
 - F. Workload Data
 - G. Personnel Needs
 - H. Material Needs
 - I. Equipment Needs
 - J. Facility Needs
 - K. Major Problems
 - L. Other

Exhibit 3 (continued)

6. **Analysis of Resources Impact**-- This section should illustrate the MEO impact upon the organization's resources. It should address the impact in three critical areas:
 - A. Funding -- Its potential savings and new equipment costs
 - B. Personnel -- The number of staffing changes by category
 - C. Capital Outlay -- The necessary items, cost, and potential annual savings if the state implements the Most Efficient Operation.

7. **Recommended Schedule for Improved Operations Implementation** -- This section should provide a reasonable, prioritized time frame for implementing the MEO-identified improvement area.

estimate for the state entity performing the developed Most Efficient Organization for the function or service.

- Issue privatization recommendations for programs and services which meet the statutory and commission privatization criteria.

The Legislature may reject any recommendation of the Privatization Commission.

III. Reporting and Evaluation

In order to achieve the objectives of the Mississippi Privatization Program, the Governor, Legislature, the commission, and state entities must take some necessary program management actions. The results of these actions will be to capture the documented savings from privatization and to determine any necessary corrective actions to produce increased program effectiveness or cost efficiency. The program evaluation should include the overall internal program support of a state entity and the actual savings achieved in any privatized state function or service.

They include the following actions:

- The state entities must provide the commission with written quarterly reports and all documentation relative to each privatization action until it is complete or the decision must be reconsidered by the commission, in concert with the state entity. The reconsideration criteria for the planned privatization actions should be:
 - A lack of private sector interest in the state assets and facilities.
 - The failure of the private sector performance to meet the established ten percent or more cost savings on contractual bids.
- The state program must monitor and report the contractor's performance of delegated state programs and services through a comprehensive quality assurance system. This system will require state staff who evaluate the contractor against the established quantitative and qualitative performance standards in the contract. The cost of this staff should have been considered in the original privatization decision as an indirect cost to contract the program or service;
- The commission must aggressively monitor the cost of privatized programs and services and the program involvement of state entities;

- The Legislature, with the Governor's approval, should enact legislation which automatically reduces during the first operational year for each privatization action a state entity's spending authority and available funds by the anticipated cost savings;
- The commission, in conjunction with the Legislative Budget Office, must conduct annual reviews of the achieved privatization program cost savings;
- If a program or service cost in the private sector no longer meets the ten or more percent program savings criterion after adjustment for inflation, the commission, in conjunction with the state entity, must determine the reasons and schedule a new cost study, if necessary; and,
- The commission should provide a Privatization Program Report to the Governor and Legislature by October 1 of each year. This report should specifically detail and discuss the number of ongoing cost analysis studies during the current fiscal year; the previous fiscal year's privatization actions and their actual cost savings; and the current fiscal year's privatization actions and their actual cost savings; and a cumulative historical cost savings report for the privatization program.

PEER's Candidates for The Proposed State Privatization Program

House Bill 505 (1992 Regular Session) required the PEER Committee to identify governmental programs and services that could be performed at lower cost or increased efficiency by the private sector and to perform a cost benefits analysis for all identified programs and services. The FY 1992 state budget contained ninety-two state budget units for 414 budget programs. Eighty-six state entities administered 403 budget programs within the executive branch.

PEER limited candidates for privatization to executive branch entities. According to Legislative Budget Office records, the executive branch spent an estimated \$5,106,081,658 (98.57%) of the \$5,180,251,910 in FY 1992 state expenditures between July 1, 1991, and August 15, 1992.

Because of the limiting factors and the necessary cost analysis requirements discussed in pages 1 through 2 and page 15, PEER could not complete cost benefits analyses for these programs and services. *Therefore, the programs and services listed in this chapter should not be privatized until the appropriate state entity conducts a cost/benefits analysis in accordance with the principles discussed in pages 17 through 25 of this report.*

Methodology

Due to the size and complexity of the task, PEER developed and used a diverse empirical and quantitative identification and decisionmaking process, including:

- solicitation of privatization suggestions from elected officials, the private sector, state employees, all state entities, and the PEER staff;
- a review of other states' privatization actions;
- a review of the FY 1992 private sector salary survey of comparable state government employee positions;
- the Delphi decisionmaking process, which uses individual and collective group problem-solving to reach a consensus solution through rounds of group meetings;
- an initial survey of all executive branch entities to identify the state's FY 1992 expenditures for:
 - contractual services in the private sector;

- the number of full-time professional and support services personnel equivalents and their financial compensation;
 - any programs and support services which were privatized in FY 1992; and,
 - any privatization suggestions.
- a second survey of all executive-branch entities concerning their initially identified privatization candidates to:
 - identify their FY 1992 direct and indirect costs;
 - list any disadvantage(s) of privatizing each candidate;
 - cite any explicit or implicit legal barriers; and,
 - list any negatively impacted group(s).

Program Candidates for Privatization

PEER identified eighty-nine state programs and four sub-programs in thirty agencies with \$631,721,344 in expenditures and approximately 23,020 full-time equivalent employees as a beginning pool for the cost/benefit analysis stage of the proposed Mississippi Privatization Program.

This candidates' list excludes \$74,170,252 in expenditures and 422 full-time employee equivalents for the judicial and legislative branches plus \$4,484,507,869 in expenditures and approximately 37,563 employee equivalents for the remaining 314 budget units which did not meet the established program candidate criteria.

The program costs and personnel for the candidates are approximately 12.37% and 38.10% of the estimated \$5,106,081,658 in total executive branch expenditures and 60,427 full-time equivalent personnel positions, respectively. The monetary and personnel resources for two Department of Education programs are controlled and spent at the local school district level.

The total cost and personnel data for these program candidates does not include indirect costs and support personnel for twenty-one state entities (70%) with 49 budget programs (52.69%). These entities could not provide indirect cost information to PEER from either their accounting systems or a reasonably accurate estimate.

Exhibit 4, page 30, lists the program candidates and their cost and personnel data. Exhibit 5, page 34, has a stand-alone informational module for each program which summarizes the:

- program cost and personnel by fund source;
- PEER-suggested method(s) of privatization;
- agency's asserted disadvantages;
- potential legal barriers; and,
- PEER's response to the claimed disadvantages.

Service Candidates for Privatization

PEER identified twenty-two selected professional and support services which the state currently performs in-house and may, to some degree, purchase from the private sector, as a beginning pool for cost/benefit analysis. These service tasks range from unskilled labor to employee training to facility and vehicle maintenance to student operations at universities and community colleges to security to technical skills to telecommunications to transportation services.

In FY 1992, the state produced these services at a reported cost of \$314,332,656 with approximately 10,119 full-time equivalent employees. The identified costs and personnel for these candidates are approximately 6.16% and 16.75% of the estimated \$5,106,081,658 in total executive branch expenditures and 60,426 full-time equivalent personnel positions, respectively.

To the degree that these services have been reported as a direct or indirect resource in the pool of program candidates, these services' cost and staff data are duplicated in the program candidates' data. Exhibit 6, page 72, has a stand-alone module for each service which summarizes the:

- number of reporting entities for each support service;
- type of support services; and,
- reported program cost and personnel.

Exhibit 4

PEER's List of Potential Privatization Candidates for Government Programs

EXHIBIT 5*	PROGRAMS	FY 1992 COST	
		Dollars	Personnel
Reference #	Program Description		
	DEPARTMENT OF AGRICULTURE & COMMERCE		
1	Agriculture Museum	\$820,945	34.00
2	Egg Marketing & Promotion	59,009	0.00
3	Farmers Market Information	290,646	12.00
4	Market Information and Reporting	579,784	13.00
5	Marketing and Promotion	550,417	27.00
	DEPARTMENT OF ARCHIVES & HISTORY		
6	Historical Museum Management	878,547	24.00
7	Historic Properties Management	591,769	24.00
	OFFICE OF AUDITOR		
8	Average Daily Attendance/Property Inventory	312,303	8.00
9	Post Audit Program	7,359,122	174.00
	CENTRAL DATA PROCESSING AUTHORITY		
10	Computer Center	4,837,629	37.00
11	Consulting	2,057,419	32.00
12	Capitol Telephone Operations	4,613,491	23.00
13	Education	519,308	3.00
	DEPARTMENT OF CORRECTIONS		
14	Central Mississippi Correctional Facility	7,159,077	320.00
15	Mississippi Penitentiary	49,602,652	1,952.00
16	South Mississippi Correctional Institution	7,475,285	344.00
17	Community Based Services	5,871,735	214.00
18	Medical Services	7,408,663	142.00
19	Prison Education Services	2,709,575	71.00
20	Prisoner Transportation (Sub-Program of Correctional Facilities)	990,074	25.00
	DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT		
21	Business Services	1,025,966	16.00
22	International Development	1,640,573	8.00
23	National Development	1,035,207	13.00
24	Port at Gulfport	3,761,967	55.00
25	Port at Yellow Creek	547,772	16.00
26	Tourism Development	832,131	11.00
27	Welcome Centers	1,262,781	42.00
	DEPARTMENT OF EDUCATION		
28	Cafeteria Management (Local School Districts)	73,093,422	5,080.00
29	Public School Building Fund Management	127,063	3.50
30	Pupil Transportation (Local School Districts)	68,831,846	4,352.00
	MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION		
31	Radio Broadcasting Management & Operations	1,165,348	27.65
32	Television Broadcasting Management & Operations	6,784,812	113.75
	DEPARTMENT OF FINANCE & ADMINISTRATION		
33	Federal Surplus Property Management	583,211	19.00
	GOVERNOR'S MANSION		
34	Management & Operations	442,801	6.00
	GRAND GULF MILITARY MONUMENT		
35	Management & Operations	121,678	4.97

*For more detail on these privatization candidates, check under the appropriate reference number in Exhibit 5, page 34.

SOURCE: Participant data for the PEER survey of potential privatization program candidates, dated 9-23-92

Exhibit 4 (continued)

<i>EXHIBIT 5*</i>	<i>PROGRAMS</i>	<i>FY 1992 COST</i>	
<u>Reference #</u>	<u>Program Description</u>	<u>Dollars</u>	<u>Personnel</u>
	DEPARTMENT OF HEALTH		
36	Home Health Program	\$16,579,356	450.00
37	Vital Records' Operations & Management	1,368,191	75.86
38	WIC Program	40,608,997	285.00
	DEPARTMENT OF TRANSPORTATION		
39	All Engineering Design	9,953,512	171.00
40	Litter Prevention	698,575	32.00
41	Maintenance	75,067,514	1,238.00
42	Map Sales	39,841	1.10
43	<i>Mowing (Sub-Program of Maintenance)</i>	4,201,327	118.00
44	Railroad Inspection Program	189,372	6.00
45	<i>Road Striping (Sub-Program of Maintenance)</i>	1,396,218	13.00
46	Sign Shop	1,470,941	14.50
	DEPARTMENT OF HUMAN SERVICES		
47	Columbia Youth Training School Operation	3,619,587	125.00
48	Oakley Youth Training School Operation	3,602,433	120.80
49	Eligibility Determination	26,766,348	991.45
50	Employment & Training: Instruction	2,118,585	104.00
51	JOBS Program	8,502,894	19.00
	INSTITUTIONS OF HIGHER LEARNING		
52	Student Financial Aid - Loan Granting Operation (LBO Data)	2,778,879	8.00
53	IHL University Research Center - MARIS Operation (LBO Data)	259,121	12.05
54	IHL University Research Center - MARIS Geographic System	101,923	0.00
	MISSISSIPPI AGRICULTURAL & FORESTRY EXPERIMENTAL STATION		
55	Fish Hatcheries	0	0.00
	NOTE: Financial data is not available since staff hours are allocated to projects and employees work on multiple projects as well as teach and perform other non-related functions.		
	MISSISSIPPI COOPERATIVE EXTENSION SERVICE		
56	Art & Layout Design	280,644	6.00
57	Crop Modeling Program	187,215	3.65
58	Money Management Centers	258,433	6.00
59	Photographic Services	154,848	4.00
60	Soil Testing Lab	242,923	6.30
	MISSISSIPPI STATE UNIVERSITY		
61	Forest Product Utilization Laboratory (Research & Teaching)	2,208,725	57.20
	DEPARTMENT OF MENTAL HEALTH		
62	Boswell Regional Center (Institutional Services)	8,163,567	365.40
63	Ellisville School (Institutional Services)	25,738,934	1,244.24
64	Hudspeth Regional Center (Institutional Services)	12,301,121	1.70
65	North Mississippi Regional Center (Institutional Services)	10,829,916	416.00
66	South Mississippi Regional Center (Institutional Services)	5,504,207	230.79
67	East Mississippi Hospital (Institutional Services)	18,097,512	649.90
68	Mississippi Hospital (Institutional Services)	51,917,458	2,011.30
69	Farm Operations @ Ellisville School	315,875	4.30
	STATE PERSONNEL BOARD		
70	Test Administration	122,973	4.18
71	Training	278,892	5.00

Exhibit 4 (continued)

<i>EXHIBIT 5*</i>	<i>PROGRAMS</i>	<i>FY 1992 COST</i>	
<u>Reference #</u>	<u>Program Description</u>	<u>Dollars</u>	<u>Personnel</u>
	PUBLIC SAFETY DEPARTMENT		
72	Forensic Analysis Crime Laboratory	\$489,380	12.00
73	Drivers License Issuance (Non-Budget Program)	3,559,936	118.00
74	Law Enforcement Training Academy - Support Services (LBO Data)	1,011,583	26.00
75	Medical Examiner	255,512	4.00
	SECRETARY OF STATE		
76	Corporations Division	597,438	13.20
77	Documents Division	1,240,757	9.16
78	Public Lands Division	622,976	4.00
	STATE FIRE ACADEMY		
79	Itinerant & Site Training Functions-Operational Support Services	1,581,030	33.00
	TREASURY DEPARTMENT		
80	Bond Servicing Function	413,426	8.00
81	Cash Management Function	293,400	6.00
	DEPARTMENT OF WILDLIFE/FISHERIES/PARKS		
82	Fish Hatcheries	277,200	6.91
83	Parks & Recreation - Management & Operations	4,693,415	403.00
84	"Mississippi Outdoors" Magazine	398,972	2.02
	FAIR & COLISEUM COMMISSION		
85	Mississippi Coliseum & Fairgrounds Complex	2,060,521	44.76
86	Dixie National Livestock Show and Rodeo	630,986	2.22
87	Livestock Shows	119,814	0.11
	FORESTRY COMMISSION		
88	Forest Resource Development	3,361,687	3.00
89	Nursery Production	1,023,613	64.00
	PUBLIC SERVICE COMMISSION		
90	Motor Carrier Inspection Safety & Compliance Program	1,659,970	44.00
	TAX COMMISSION		
91	Alcoholic Beverage Control Warehouse Operation	4,204,998	147.83
	VETERANS' HOME PURCHASE BOARD		
92	Mortgage Loan Processing & Servicing Program	461,024	11.00
	VETERANS' MEMORIAL STADIUM COMMISSION		
93	Stadium Facility - Management & Operations	892,821	11.00
	GRAND TOTAL FOR ALL PROGRAMS	<u>\$631,721,344</u>	<u>23,020.80</u>

ANALYSIS COMMENTS: Some reported costs in this exhibit include the total services cost in Exhibit 6, page 72.

EXHIBIT 5

PEER's List of Potential Privatization Candidates for State Government Programs

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
DEPARTMENT OF AGRICULTURE & COMMERCE					
1	Agriculture Museum The museum is an educational and cultural symbol of past Mississippi which also provides an entertaining experience for our citizens and visitors.				Delegation
		General	\$431,127	15.40	
		Federal	70,000	3.00	
		Other	319,818	15.52	
		Total	\$820,945	33.92	
2	Egg Marketing & Promotion The Egg Marketing Board promotes the consumption of eggs through advertisements, demonstrations, brochures, and recipes.				Delegation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	59,009	0.00	
		Total	\$59,009	0.00	
3	Farmers Market Operation This activity provides a central facility with space for farmers to market their products directly to consumers; for warehouse and office space for wholesalers and brokers; and truck weight scales for general use.				Delegation
		General	\$290,646	12.00	
		Federal	0	0.00	
		Other	0	0.00	
		Total	\$290,646	12.00	
4	Market Information and Reporting This activity includes the Market Bulletin; National Statistical Reporting Service; Market News; and Public Information activities.				Delegation
		General	\$366,080	8.25	
		Federal	123,281	3.18	
		Other	90,423	2.00	
		Total	\$579,784	13.43	
5	Marketing and Promotion This program develops a more diversified agricultural economy for the State of Mississippi that is flexible in response to market conditions and that markets those products.				Delegation
		General	\$514,732	26.36	
		Federal	23,000	1.00	
		Other	12,685	0.00	
		Total	\$550,417	27.36	

*References are to MISSISSIPPI CODE ANNOTATED (1972) unless otherwise noted.

AGENCY COMMENTS	POTENTIAL LEGAL BARRIERS*	PEER RESPONSE TO AGENCY
<p>This action would eliminate the use of inmate labor, increasing operating costs for an operation moving toward self-sufficiency. A contractor may improperly emphasize security of its cultural contents and could hamper researchers seeking historic data.</p>	None	<p><i>The Cost Study process can address and consider each disadvantage. Any privatization action shall ensure contractor compliance through contract performance monitoring.</i></p>
<p>This action may compromise the confidentiality needs for production data of egg producers, which would affect industry competitiveness. The industry's importance requires state coordination to facilitate a marketing program which benefits all producers.</p>	<p>69-7-253 thru -275, Cooperative Agreements - Federal & State</p>	<p><i>The Cost Study process can address and consider each disadvantage. Any privatization action shall ensure contractor compliance and information confidentiality through contract performance monitoring.</i></p>
<p>A private firm may not meet restrictive requirements of the board. It may severely restrict farmers' access to a central market place to sell their goods.</p>	<p>69-7-101 thru -121, some long-term leases</p>	<p><i>The Cost Study process can address and consider each disadvantage. Any privatization action shall ensure contractor compliance through contract performance monitoring.</i></p>
<p>This action could disrupt existing funding agreements or cause loss of federal funds. It could increase confidentiality needs for production data and future plans and would increase program costs for public if the federal funds are lost.</p>	None	<p><i>The Cost Study process can consider each disadvantage. Any privatization action shall ensure contractor compliance and confidentiality through contract performance monitoring. The entity offered no evidence to substantiate the loss of federal funds.</i></p>
<p>This action could disrupt existing funding agreements or cause loss of federal funds. It could change funds' prioritization and hurt groups with limited funding, plus lose state influence in establishing trust with foreign buyers.</p>	None	<p><i>The Cost Study process can address and consider each disadvantage in the way mentioned previously. The entity offered no evidence to substantiate the loss of federal funds. Three states have privatized this function.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
STATE DEPARTMENT OF ARCHIVES & HISTORY					
6	Historical Museum Management This activity collects artifacts and objects relating to persons, eras, and events in Mississippi history and preserves, researches, and interprets its collections to the interested public. Its basic purpose is education in the state's history.	General Federal Other Total	\$688,247 17,938 172,362 \$878,547	22.31 0.00 1.40 23.71	Delegation
7	Historic Properties Management This activity administers the preservation and development of the Grand Village of the Natchez Indians and Historic Jefferson College, official State Historic Sites, plus oversees other state-owned undeveloped cultural properties.	General Federal Other Total	\$537,965 0 53,804 \$591,769	23.75 0.00 0.00 23.75	Delegation
OFFICE OF STATE AUDITOR					
8	Average Daily Attendance This activity conducts actual counts of average daily public school attendance to verify accurate school reporting of attendance data to the State Department of Education.	General Federal Other Total	\$167,698 0 144,605 \$312,303	5.00 0.00 3.00 8.00	Delegation
9	Post Audit Program This activity conducts annual financial and legal compliance audits of all the state's agencies, counties, school districts, community and junior colleges, and institutions of higher learning.	General Federal Other Total	\$3,951,644 0 3,407,478 \$7,359,122	112.00 0.00 62.00 174.00	Delegation
CENTRAL DATA PROCESSING AUTHORITY					
10	State Computer Center This operation provides computer processing support to the state agencies. This support includes computer operations, systems programming, and technical support.	General Federal Other Total	\$0 0 4,837,629 \$4,837,629	0.00 0.00 36.66 36.66	Delegation/ Divestment

AGENCY COMMENTS	POTENTIAL LEGAL BARRIERS*	PEER RESPONSE TO AGENCY
<p>Privatization is turning over the family jewels to a stranger to make a profit. Memphis contracted its Mississippi River Museum operation in 1989-91. This action produced bankruptcy, lawsuits over donated objects, public dissatisfaction, and closure.</p>	<p>State Antiquities Act, National Historic Landmark Status</p>	<p><i>The Cost Study process can address and consider each disadvantage. Any privatization action shall ensure contractor compliance through contract performance monitoring. North Carolina has privatized this function.</i></p>
<p>No private entity can guarantee perpetual stewardship of properties. A privatization action will shatter public trust in MS leaders if properties are lost or damaged through mis-management or bankruptcy.</p>	<p>Department Law</p>	<p><i>The Cost Study process can address and consider each disadvantage. Any privatization action shall ensure contractor compliance through contract performance monitoring.</i></p>
<p>Privatization can increase cost, especially an accounting firm; impact minimum foundation funds' distribution by the Education Department due to a lack of legal and program standards' knowledge; and impact local district funding due to unverified data.</p>	<p>None</p>	<p><i>This function is totally an administrative and clerical function which could be performed by many different private sector firms. The Cost Study process and contract performance monitoring can address and consider each disadvantage.</i></p>
<p>Privatization can increase cost since a private firm's cost exceeds the Auditor cost (1988 PEER Report); many public firms feel short in legal compliance testing and reporting, an Auditor emphasis; and increase local government costs dramatically.</p>	<p>None</p>	<p><i>This program already is partially privatized. Enough private firms exist to privatize totally through competitive actions. The Cost Study process will determine the true cost of delegation. Three states have totally privatized this function.</i></p>
<p>No state currently outsources its data centers. Any privatization savings would be offset by costs to manage and monitor the outsourced service levels.</p>	<p>None</p>	<p><i>Most states have privatized segments of this function's operations; four have privatized data processing services. The entity's claim about increased cost may be substantiated by the cost study. A Private Sector Suggestion.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
11	Consulting This activity provides technical consulting services in information systems (IS) to all state and local entities; recommends annual IS budget purchases to LBO and DFA; develops and recommends state IS policies and standards; and prepares state IS plan.				Divestment
		General	\$0	0.00	
		Federal	0	0.00	
		Other	2,057,419	31.85	
		Total	\$2,057,419	31.85	
12	Capitol Telephone Operations This activity provides telephone service to state agencies and institutions, primarily in the Capitol Complex and Jackson area.				Divestment
		General	\$0	0.00	
		Federal	0	0.00	
		Other	4,613,491	22.66	
		Total	\$4,613,491	22.66	
13	Education This program provides on-going education in data processing, telecommunications, and management through contractual instructors at the centrally located CDPA facility in Jackson, MS.				Divestment
		General	\$0	0.00	
		Federal	0	0.00	
		Other	519,308	2.50	
		Total	\$519,308	2.50	
STATE DEPARTMENT OF CORRECTIONS					
14	Central Mississippi Correctional Facility This facility serves as the Central Receiving and Classification Center for the Department of Corrections and incarcerates approximately 726 adult felons, which includes 498 female inmates.				Delegation
		General	\$7,158,490	320.00	
		Federal	0	0.00	
		Other	587	0.00	
		Total	\$7,159,077	320.00	
15	Mississippi State Penitentiary This facility incarcerates approximately 5,781 adult felons in Sunflower County.				Delegation
		General	\$48,610,524	1,928.00	
		Federal	365,375	10.00	
		Other	626,753	14.00	
		Total	\$49,602,652	1,952.00	

<u>AGENCY COMMENTS</u>	<u>POTENTIAL LEGAL BARRIERS*</u>	<u>PEER RESPONSE TO AGENCY</u>
<p>The state would lose valuable in-house assets of computer system skills & knowledge; skilled managers who protect the state's interest; control over private consultant work; a reduced responsiveness for small projects; and increased operating costs.</p>	<p>25-53-29</p>	<p><i>The entity's claim about increased cost may be substantiated by the cost study. CDPA would retain some expertise and protect the state's interest through its qualified contract monitors for the consulting contracts and policymaking staff.</i></p>
<p>The state would lose group buying and negotiating power; input on public issues into the PSC; and consulting and system management for non-Jackson agencies. It would increase long-distance costs and eliminate long-range planning.</p>	<p>31-7-209, -211, & -215</p>	<p><i>The Cost Study may substantiate the claim about increased cost. CDPA would retain some expertise and protect the state's interest through its qualified contract monitors for consulting contracts and policymaking staff. A Private Sector Suggestion.</i></p>
<p>The state would increase costs for courses and student travel; have unmet training needs; lose tailored training capacity, state employee priority, state instructor expertise, and resource and class size flexibility; and lack coordination of IS needs.</p>	<p>25-53-5(g) & 25-53-29(1)(d)</p>	<p><i>The entity's claim about increased cost may be substantiated by the cost study. The Cost Study process can address and consider the disadvantages.</i></p>
<p>The state would lose control of daily operations, resulting in less effective communications; have less control of the correctional environment; be unable to select employees; lose control of Reception and Diagnostic Center; risk increased costs.</p>	<p>None</p>	<p><i>The entity's claim about increased cost may be substantiated by the cost study. The Cost Study process can address the cited disadvantages. On-site DOC staff will monitor contract. Six states have privatized some or all of these types of operations.</i></p>
<p>The state would lose control of daily operations, resulting in less effective communications; have less control of the correctional environment; be unable to select employees; risk increased costs.</p>	<p>None</p>	<p><i>The entity's claim about increased cost may be substantiated by the cost study. The Cost Study process can address the cited disadvantages. On-site DOC staff will monitor contract. Six states have privatized some or all of these types of operations.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
16	<i>South Mississippi Correctional Institution</i> This facility incarcerates approximately 750 medium-security level adult felons in Greene County.				Delegation
		General	\$7,474,235	344.00	
		Federal	0	0.00	
		Other	1,050	0.00	
		<i>Total</i>	<u>\$7,475,285</u>	<u>344.00</u>	
17	<i>Community Based Services</i> This program provides minimum supervision of adult offenders which are on Court probation status, parole, or incarcerated in a local Community Work Center.				Delegation
		General	\$4,997,889	189.00	
		Federal	235,479	10.00	
		Other	638,367	15.00	
		<i>Total</i>	<u>\$5,871,735</u>	<u>214.00</u>	
18	<i>Medical Services</i> This program provides medical and dental care for the approximately 8,500 plus incarcerated inmates.				Delegation
		General	\$7,408,663	142.00	
		Federal	0	0.00	
		Other	0	0.00	
		<i>Total</i>	<u>\$7,408,663</u>	<u>142.00</u>	
19	<i>Prison Education Services</i> This program provides adult basic education, adult literacy, and vocational education courses for the approximately 8,500 plus incarcerated inmates.				Delegation
		General	\$1,640,462	16.00	
		Federal	0	0.00	
		Other	1,069,113	55.00	
		<i>Total</i>	<u>\$2,709,575</u>	<u>71.00</u>	
20	<i>Transportation of Prisoners</i> This program provides off-grounds transportation between state correctional facilities and from local correctional facilities to state facilities for the approximately 8,500 plus incarcerated inmates.				Delegation
		General	\$990,074	25.00	
		Federal	0	0.00	
		Other	0	0.00	
		<i>Total</i>	<u>\$990,074</u>	<u>25.00</u>	

<u>AGENCY COMMENTS</u>	<u>POTENTIAL LEGAL BARRIERS*</u>	<u>PEER RESPONSE TO AGENCY</u>
The state would lose control of daily operations, resulting in less effective communications; have less control of the correctional environment; be unable to select employees; risk increased costs.	None	<i>The entity's claim about increased cost may be substantiated by the cost study. The Cost Study process can address the cited disadvantages. On-site DOC staff will monitor contract. Six states have privatized some or all of these types of operations.</i>
The state would lose control of daily operations, resulting in less effective communications; have less control of the correctional environment; be unable to select employees; risk increased costs.	47-5-8, -26 and 47-7-1, et. seq.	<i>The entity's claim about increased cost may be substantiated by the cost study, which can address the cited disadvantages. On-site DOC staff will monitor contract. Eight states have privatized some or all of these types of operations.</i>
The state would potentially lose control of medical services.	None	<i>The Cost Study process can address the cited disadvantage. Some services are already privatized. On-site DOC staff will monitor contract. Four states have privatized some or all of these types of operations.</i>
The state would potentially lose control of provided educational services.	None	<i>The Cost Study process can address the cited disadvantage. Some services are already privatized. On-site DOC staff will monitor contract. Two states have privatized some or all of these types of operations.</i>
The state would potentially lose control of day-to-day inmate transportation and lose the ability to divert those vehicles to another function.	47-5-116	<i>This action should eliminate some vehicle purchases. On-site DOC staff will monitor contract. Some law enforcement jurisdictions use private companies for interstate transportation of prisoners. A Private Sector Suggestion.</i>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
STATE DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT					
21	Business Services This activity provides financial and technical support to new, existing, and expanding business inside the state.				Delegation
		General	\$576,456	3.00	
		Federal	240,860	7.00	
		Other	208,650	6.00	
		Total	\$1,025,966	16.00	
22	International Development This activity recruits industry from abroad and promotes and facilitates the sale of Mississippi products in foreign countries.				Delegation
		General	\$1,640,573	8.00	
		Federal	0	0.00	
		Other	0	0.00	
		Total	\$1,640,573	8.00	
23	National Development This activity attracts domestic business site locations and expands the state's existing base of business.				Delegation
		General	\$1,035,207	13.00	
		Federal	0	0.00	
		Other	0	0.00	
		Total	\$1,035,207	13.00	
24	State Port at Gulfport This deep water general cargo port operates and maintains warehouses, piers, bulkheads, channels, waterways, harbors, anchorages, services, and equipment. It is one of only five container cargo ports in the Gulf, and one of eighty U.S. ports.				Delegation/ Divestment
		General	\$0	0.00	
		Federal	0	0.00	
		Other	3,761,967	55.00	
		Total	\$3,761,967	55.00	
25	State Port at Yellow Creek This port operation provides customers the use of cheaper water transportation and encourages industry to locate in the area through the development of industrial sites on state-owned land in Northeast Mississippi.				Delegation/ Divestment
		General	\$0	0.00	
		Federal	0	0.00	
		Other	547,772	16.00	
		Total	\$547,772	16.00	

AGENCY COMMENTS	POTENTIAL LEGAL BARRIERS*	PEER RESPONSE TO AGENCY
<p>A private company may not equally achieve the legislated application of financial program guidelines compliance; will lose area expertise; and may have coordination problems with other agency offices which support the work with in-state businesses.</p>	<p>57-1-1 & 57-10-1, et. seq.</p>	<p><i>The Cost Study can address the cited disadvantages. This action should eliminate some vehicle purchases. On-site staff will monitor the contractor.</i></p>
<p>Without overt governmental support, the state may weaken our representation abroad and will lose area expertise. The uncertainty in the budget process would make contracting erratic and hurt the long range effort. No state has contracted this function.</p>	<p>57-65-1, et. seq.</p>	<p><i>The state can handle the budgetary disadvantage. On-site staff monitors will provide some area expertise.</i></p>
<p>Contracting is used on case-by-case basis. However, uncertainty of the budget process will make contracting erratic and hurt the long-range effort. Complete contracting will increase cost of function. No state has totally privatized this.</p>	<p>57-65-1, et. seq.</p>	<p><i>The Cost Study can address the disadvantages and will determine the validity of any increased cost.</i></p>
<p>No major disadvantages exist. A firm may have difficulty managing state incentive programs at the port. It gets no general fund operational dollars. The bond indebtedness must be resolved. The state is spending \$20 million to deepen the channel.</p>	<p>59-5-1, -11, -21 & -69</p>	<p><i>The Cost Study can address the cited disadvantages. From FY 1988-91, the state provided \$4,434,500 in General Funds to pay the port's annual debt service in order to allow the operations to fund a maintenance and repair program for the facilities.</i></p>
<p>No major disadvantages exist. A firm may have difficulty managing state incentive programs. It gets no general fund operational dollars. The bond indebtedness must be resolved. It receives a large amount of Tennessee Valley Authority funds.</p>	<p>59-5-1 & -69, The funding agreements with Tennessee Valley Authority</p>	<p><i>The Cost Study can address the cited disadvantages. The ultimate question for the privatization decision may be the value of any lost Tennessee Valley Authority funding versus any operational savings.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
26	Tourism Development This activity promotes Mississippi as a business and leisure travel destination.				Delegation
		General	\$832,131	11.00	
		Federal	0	0.00	
		Other	0	0.00	
		Total	\$832,131	11.00	
27	Welcome Centers This activity staffs and operates nine travel information centers located on interstate highways and other major entry points into the state.				Delegation
		General	\$1,262,781	42.00	
		Federal	0	0.00	
		Other	0	0.00	
		Total	\$1,262,781	42.00	
STATE DEPARTMENT OF EDUCATION					
28	Cafeteria Management (Local School Districts) The management of the local school district's food service program including the USDA school lunch, breakfast, and donated food item programs.				Delegation
		General	\$1,226,603	0.00	
		Federal	71,866,819	5,080.00	
		Other	0	0.00	
		Total	\$73,093,422	5,080.00	
29	Public School Building Fund Management This activity administers the Public School Building Fund, which assists school districts in defraying the cost of capital improvements, and gathers statistical data on school facilities.				Delegation
		General	\$127,063	3.50	
		Federal	0	0.00	
		Other	0	0.00	
		Total	\$127,063	3.50	
30	Pupil Transportation (Local School Districts) The management of the local school districts' student transportation program including equipment, maintenance, management, and personnel.				Delegation
		General	\$36,613,522	2,314.95	
		Federal	0	0.00	
		Other	32,218,324	2,037.05	
		Total	\$68,831,846	4,352.00	

<u>AGENCY COMMENTS</u>	<u>POTENTIAL LEGAL BARRIERS*</u>	<u>PEER RESPONSE TO AGENCY</u>
<p>Some services are already privatized, but its total privatization is risky, given the uncertainty of the budget allocations to this program. Due to the low state salary schedule, privatization could increase the program cost.</p>	<p>57-29-1 et. seq.</p>	<p><i>The state can address the cited disadvantage. The Cost Study will determine if privatization will produce operational savings. Four states have privatized this program.</i></p>
<p>This service can be privatized given the right training and performance needs. Welcome Center personnel are paid low wages, thus privatization could increase the program cost. The Transportation Department maintains the buildings and grounds.</p>	<p>65-31-1, et. seq.</p>	<p><i>The state can address the cited disadvantage. The Cost Study will determine if privatization will produce operational savings. One state has privatized this program.</i></p>
<p>Federal regs require districts to formulate policy; ensure policy adherence; control program assets; report to the state; and certify meal counts. They must pay any food cost exceeding the allocated federal funds and may lose meal planning flexibility.</p>	<p>None</p>	<p><i>The Cost Study can address the cited disadvantage.</i></p>
<p>The state will lose expertise in school and support facility needs. Due to low state wages, privatization will most likely not produce any savings. It could remove the decisionmaking process from the appropriate agency (SDE).</p>	<p>None</p>	<p><i>The Cost Study can address the cited disadvantage and will answer the question about any cost savings. SDE will monitor the contractor.</i></p>
<p>Privatization will probably increase operational cost due to profit motive and the very low cost of our current operation relative to other states. It may create accountability problems for employee actions which affect students and property.</p>	<p>None</p>	<p><i>The Cost Study can address the cited disadvantage and will answer the question about any cost savings.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION					
31	Radio Broadcasting Management & Operations This activity provides statewide radio programming of informational services and cultural, social, and educational programs. It also broadcasts the Radio Reading Service for printed material for the blind and print-impaired residents.				Delegation
		General	\$950,832	27.65	
		Federal	0	0.00	
		Other	214,516	0.00	
		Total	\$1,165,348	27.65	
32	Television Broadcasting Management & Operations This activity broadcasts instructional programs for elementary school students, secondary school students, continuing college education, teacher certification, vocational education, career education, and many facets of adult and cultural enrichment.				Delegation
		General	\$3,968,472	111.75	
		Federal	1,600,750	0.00	
		Other	1,215,590	2.00	
		Total	\$6,784,812	113.75	
STATE DEPARTMENT OF FINANCE & ADMINISTRATION					
33	Federal Surplus Property Management This activity acquires federal government surplus property and makes it available to various non-profit organizations, tax exempt health and educational institutions, other state agencies, and local governments at a cost below the acquisition fee.				Delegation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	583,211	19.00	
		Total	\$583,211	19.00	
GOVERNOR'S MANSION					
34	Management & Operations This activity provides for the maintenance and operation of the official residence of the Governor, including its grounds, historical areas, and living quarters.				Delegation
		General	\$438,001	6.00	
		Federal	0	0.00	
		Other	4,800	0.00	
		Total	\$442,801	6.00	

AGENCY COMMENTS	POTENTIAL LEGAL BARRIERS*	PEER RESPONSE TO AGENCY
<p>A privatized operation will be inefficient due to the loss of efficiencies in the state-wide system; potentially more costly; deprive the public of state expertise in production & technical areas; and deprive the public of an accountable state agency.</p>	<p>37-63-1 & -13, Federal Communication Commission Requirements</p>	<p><i>The Cost Study can address the cited disadvantage and will answer the question about any cost savings. On-site staff monitors will provide some state expertise. The superior efficiency claim over the private sector may not have merit.</i></p>
<p>A privatized operation will be inefficient due to the loss of efficiencies in the state-wide system; potentially more costly; deprive the public of state expertise in production & technical areas; and deprive the public of an accountable state agency.</p>	<p>37-63-1 & -13, Federal Communication Commission Requirements</p>	<p><i>The Cost Study can address the cited disadvantage and will answer the question about any cost savings. On-site staff monitors will provide some state expertise. The superior efficiency claim over the private sector may not have merit.</i></p>
<p>Privatization will remove the system of one state agency assisting all others to procure items at a fraction of the cost if it were purchased through a private firm. It will also increase the item cost to the activity's eligible clients.</p>	<p>31-9-1, et. seq., FPMR 101-44.001-14</p>	<p><i>The Cost Study can address the cited disadvantages. An on-site staff monitor will provide some state expertise. Five states have privatized this function.</i></p>
<p>Privatization will hamper the Governor's ability to control the day-to-day operations. He must have the flexibility of placing personnel in the mansion that he can trust to perform the various facility functions.</p>	<p>None</p>	<p><i>The Cost Study can address the cited disadvantages. An on-site staff monitor can ensure the contractor meets her/his established performance requirements. This function meets the requirements for a privatized operation.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
GRAND GULF MILITARY MONUMENT					
35	Management & Operations This activity develops, maintains, and preserves the historical buildings and artifacts of two hundred years of Mississippi history. It also operates a camping facility of twenty-two camp sites.	General Federal Other Total	\$75,314 0 46,364 \$121,678	4.00 0.00 0.97 4.97	Divestment
STATE DEPARTMENT OF HEALTH					
36	Home Health Program This program serves eligible homebound patients with skilled nursing and other health needs according to physicians' orders for each individual patient.	General Federal Other Total	\$0 13,643,151 2,936,205 \$16,579,356	0.00 370.00 80.00 450.00	Divestment
37	Vital Records' Operations & Management This activity stores and maintains the birth, death, and other selected vital state records. Upon request of the public, it provides certified copies of these records at a reasonable cost.	General Federal Other Total	\$30,904 27,357 1,309,930 \$1,368,191	1.80 1.60 72.46 75.86	Delegation
38	WIC Program This supplemental feeding program provides food and nutritional education to eligible women, infants, and children.	General Federal Other Total	\$179,654 40,085,196 344,147 \$40,608,997	6.85 265.03 13.12 285.00	Delegation
STATE DEPARTMENT OF TRANSPORTATION					
39	All Engineering Design This activity accomplishes the design work for all interstate and state highway construction, maintenance, and repair projects through contract consultants and state employees.	General Federal Other Total	\$0 4,976,756 4,976,756 \$9,953,512	0.00 85.50 85.50 171.00	Delegation

AGENCY COMMENTS	POTENTIAL LEGAL BARRIERS*	PEER RESPONSE TO AGENCY
<p>This five-person operation is moving toward self-sufficiency. The only realistic alternative to the current operation is local government control, which would probably be its death knell.</p>	<p>55-15-21 thru -31</p>	<p><i>This park is primarily a local interest operation which is primarily used as a campground and picnic area. Due to its low operating cost, the county should be able to fund it through the existing tax base or user fees.</i></p>
<p>Privatization will require divestiture since state law does not allow contracting out. Divestiture requires the removal of the moratorium and Certificate of Need requirements. Some indigent patients in rural areas may not receive services.</p>	<p>41-7-173, Numerous State & Federal Laws & Regulations</p>	<p><i>The Cost Study can address the cited patient service disadvantage if the Legislature removes the contracting out prohibition for this program.</i></p>
<p>The operation and management of this activity can be contracted or franchised as long as the state retains ownership, content responsibility, and use of the records. Potentially the fees could be set at a rate which some citizens could not afford.</p>	<p>41-57-1, et. seq.</p>	<p><i>The Cost Study can address the cited disadvantages. An on-site staff monitor will provide some state expertise. This function meets all the requirements for a privatized operation.</i></p>
<p>This action will increase program cost by \$6.8 million annually according to comparative study with other states which use a voucher system. These states have a higher cost although their participation levels are lower than Mississippi's.</p>	<p>None</p>	<p><i>The Cost Study may validate the agency claims of the current operation being the Most Efficient Organization for the program. This function meets all the requirements for a privatized operation.</i></p>
<p>This action can cause cost containment problems; loss of in-house project development time; DOT coordination problems; incompatible project criteria with private sector capabilities; no single budgeting source for consultants; and a number of monitors.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages. On-site staff monitors will provide the state expertise. Three states have privatized this function.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
40	Litter Prevention This activity develops and implements a comprehensive statewide program of litter prevention through a contract with Keep Mississippi Beautiful, Inc.				Delegation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	698,575	32.00	
		Total	\$698,575	32.00	
41	Maintenance This activity maintains all highways placed on the state-maintained system on an established schedule basis and on an as-needed basis.				Delegation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	75,067,514	1,238.00	
		Total	\$75,067,514	1,238.00	
42	Map Sales This activity produces maps and electronic media (disks) for the state and also sells to the general public through a sales office.				Delegation
		General	\$0	0.00	
		Federal	27,888	0.77	
		Other	11,953	0.33	
		Total	\$39,841	1.10	
43	Mowing This activity maintains the state highway rights-of-way and the grounds of the state's Welcome Centers.				Delegation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	4,201,327	118.00	
		Total	\$4,201,327	118.00	
44	Railroad Inspection Program This activity enforces and investigates railroad company violations of laws, regulations, and PSC orders. Inspects all railroad equipment, track, roadbed, bridges, trestles, rights-of-way, speed of trains, blocking of right-of-way and facilities.				Deregulation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	189,372	6.00	
		Total	\$189,372	6.00	
45	Road Striping This activity maintains all highways placed on the state-maintained system on an established schedule basis and on an as-needed basis.				Delegation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	1,396,218	13.00	
		Total	\$1,396,218	13.00	

<u>AGENCY COMMENTS</u>	<u>POTENTIAL LEGAL BARRIERS*</u>	<u>PEER RESPONSE TO AGENCY</u>
<p>This action will increase costs since this program is a secondary work function. DOT will experience difficulties in measuring work performance, developing work performance standards, and establishing a method of payment.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages and will answer the questions about fiscal impact and the anticipated problems with work performance and method of payment.</i></p>
<p>The state lacks available contractors with required functional resources plus emergency response ability. DOT would have problems developing performance standards; it needs complex monitoring system; could have recovery problems in contract defaults.</p>	<p>65-1-8 & --65, U.S. Title 23-109 & FHWA Regs - 23 CFR 625 thru 640</p>	<p><i>The Cost Study will address the cited disadvantages and will answer the questions about fiscal impact and the anticipated problems with work performance and method of payment.</i></p>
<p>This action could potentially increase public cost for maps while the state would continue to produce maps for internal use and general public requests under the State Open Records Act. The current operational revenues pay for sales office labor.</p>	<p>Open Records Law, Possibly Federal Freedom of Information Act</p>	<p><i>The Cost Study will address the cited disadvantages and will answer the questions about the fiscal impact. Any contractor could produce the maps for DOT internal use and public requests under the State Open Records Act.</i></p>
<p>The state lacks contractors to handle state needs and to meet existing response time. It will create some coordination problems with herbicide and wildflower programs; probably increase mowing costs per acre; and increase claim problems.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages and will answer the questions about contractor availability, fiscal impact and the anticipated problem with measuring work performance.</i></p>
<p>The Federal Railroad Administration (FRA) safety inspection program is currently making changes in order to comply with 1990 GAO suggestions. The state should continue its program to help the FRA and avoid increased cost to the railroads.</p>	<p>77-1-23 & 77-9-493</p>	<p><i>Two PEER reports about this safety inspection program found the state failed to operate an effective safety inspection program and was staffed with unqualified, improperly trained personnel. The FRA program will be an improvement.</i></p>
<p>Privatization will increase response time for normal work needs and abnormal emergencies and create some coordination difficulties in striping sections which the state overlaid, especially in emergencies.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages and will answer the questions about fiscal impact and the anticipated problems with work performance. A Private Sector Suggestion.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
46	Sign Shop This activity produces all required signs for all interstate and state highways which are located in Mississippi.				Delegation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	1,470,941	14.50	
		Total	\$1,470,941	14.50	
STATE DEPARTMENT OF HUMAN SERVICES					
47	Columbia Youth Training School Operation This activity provides counselling, rehabilitation, training, and treatment of juveniles who have been committed to it for institutional care.				Delegation
		General	\$3,252,499	122.00	
		Federal	331,720	2.00	
		Other	35,368	1.00	
		Total	\$3,619,587	125.00	
48	Oakley Youth Training School Operation This activity provides counselling, rehabilitation, training, and treatment of juveniles who have been committed to it for institutional care.				Delegation
		General	\$3,046,119	113.80	
		Federal	484,749	7.00	
		Other	71,565	0.00	
		Total	\$3,602,433	120.80	
49	Eligibility Determination This activity determines eligibility and processes payments for three federally funded individual grant programs. It also determines individual eligibility for the state Medicaid and Expanded Medicaid programs.				Delegation
		General	\$13,186,081	484.62	
		Federal	11,777,193	436.13	
		Other	1,803,074	70.70	
		Total	\$26,766,348	991.45	
50	Employment & Training: Instruction This activity assists food stamp recipients in obtaining the necessary employability education or training through Job Search Training, Independent Job Search, Workfare, or referrals to the JTPA federal programs or General Equivalency Degree program.				Delegation
		General	\$286,190	12.47	
		Federal	1,818,026	91.53	
		Other	14,369	0.00	
		Total	\$2,118,585	104.00	

<u>AGENCY COMMENTS</u>	<u>POTENTIAL LEGAL BARRIERS*</u>	<u>PEER RESPONSE TO AGENCY</u>
<p>The MDOT annual cost is competitive with private sector, i.e., \$17,600 more per year based on its annual workload. Privatization will probably reduce responsiveness, flexibility, and sensitivity to traffic control and safety needs, thus affecting safety.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages and will answer the questions about actual fiscal impact and the anticipated problem with safety-related items. A Private Sector Suggestion.</i></p>
<p>The agency will lose direct operational control and may experience coordination problems during juvenile releases. Contractor personnel must be on duty seven days a week, around the clock.</p>	<p>43-21-261, "Morgan vs Sproat No. J75-21 (N), U.S. District Court, Jackson, MS, 4-18-77"</p>	<p><i>The Cost Study will address the cited disadvantages and will answer the questions about any actual cost savings. Four states have privatized this function.</i></p>
<p>The agency will lose direct operational control and may experience coordination problems during juvenile releases. Contractor personnel must be on duty seven days a week, around the clock.</p>	<p>43-21-261, "Federal Regulations 7-CFR-210, -220, -245, & -250"</p>	<p><i>The Cost Study will address the cited disadvantages and will answer the questions about any actual cost savings. Four states have privatized this function.</i></p>
<p>This action may cause the loss of federal funds and the statewide on-line MAVERICKS system which interfaces and supports the Child Support and JOBS programs. A firm's cost for such a system would be high.</p>	<p>43-17-1, et. seq., "Federal Regulations 45-CFR-235, -271, -272, -276, & -277"</p>	<p><i>The Cost Study will address the cited disadvantages and actual cost savings. The State could provide MAVERICKS to a contractor as government-furnished equipment or sell it to the firm. One state has privatized this function.</i></p>
<p>The agency contracts all training courses except its in-house Job Skills Training for food stamp participants. Neither this training nor teaching expertise is always available in the private sector.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages and will answer the questions about training availability in the private sector and any actual cost savings. The federal Job Training Partnership Act has contracted this training in the state.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
51	JOB Program This activity aids recipients of Aid To Families with Dependent Children to become self-sufficient through access to employability education and training activities.				Delegation
		General	\$1,925,393	4.00	
		Federal	6,577,501	15.00	
		Other	0	0.00	
		Total	\$8,502,894	19.00	
INSTITUTIONS OF HIGHER LEARNING					
52	Student Financial Aid - Loan Granting Operation This activity provides the administrative support services necessary to make financial assistance available to eligible students.				Divestment
		General	\$2,018,178	8.00	
		Federal	680,378	0.00	
		Other	129,240	0.00	
		Total	\$2,827,796	8.00	
53	IHL University Research Center - MARIS Operation This activity manages and operates the MARIS Geographic Information System.				Divestment
		General	\$296,072	12.05	
		Federal	0	0.00	
		Other	0	0.00	
		Total	\$296,072	12.05	
54	IHL University Research Center - MARIS Geographic Information System This activity develops and maintains up-to-date geographic information services and image processing capabilities for state agency use.				Divestment
		General	\$0	0.00	
		Federal	0	0.00	
		Other	101,923	0.00	
		Total	\$101,923	0.00	
MISSISSIPPI AGRICULTURAL & FORESTRY EXPERIMENT STATION					
55	Fish Hatcheries This activity operates three hatcheries for the purpose of supporting specific aquaculture research projects. Excess products in limited quantities are sold to the general public at the prevailing price or to public agencies at no cost if warranted.				Delegation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	0	0.00	
		Total	\$0	0.00	

<u>AGENCY COMMENTS</u>	<u>POTENTIAL LEGAL BARRIERS*</u>	<u>PEER RESPONSE TO AGENCY</u>
<p>This program has contracted its case management services since its inception. The agency provides an in-house staff to provide technical assistance and to meet federal reporting requirements. It has experienced major problems with its contractors.</p>	<p>Regulations in Federal Register/Volume 54, No. 197/Friday, 10-13-89, para 250.10, "Regulations in Federal Register/Volume 54, No. 197/Friday, 10-13-89, para 250.10"</p>	<p><i>The Cost Study can address the cited disadvantages. On-site full time staff monitors can ensure the contractor(s) meet their established performance requirements. This administrative function meets the requirements for privatization.</i></p>
<p>This action is inefficient: it decentralizes the administration and management of the service; duplicates service delivery and personnel; increases cost due to IHL currently absorbing overhead cost; and would be less tailored to the universities' needs.</p>	<p>37-143-15</p>	<p><i>The Cost Study can address the cited disadvantages and determine if it will increase cost and reduce available funds for student loans. This administrative function meets the requirements for privatization. New Jersey has privatized this function.</i></p>
<p>This action increases the cost; creates very difficult, if not impossible, coordination problems; requires the abnormal sharing of information among private firms; and could possibly create system/software configuration compatibility problems.</p>	<p>Unidentified Federal Grant Regulations</p>	<p><i>The Cost Study can address the cited disadvantages. This administrative function meets the requirements for privatization.</i></p>
<p>This action increases the cost; creates very difficult, if not impossible, coordination problems; requires the abnormal sharing of information among private firms; and could possibly create system/software configuration compatibility problems.</p>	<p>Unidentified Federal Grant Regulations</p>	<p><i>The Cost Study can address the cited disadvantages. This administrative function meets the requirements for privatization.</i></p>
<p>Financial data not available since staff hours are allocated to multiple projects, as well as teaching and performing non-related functions. The facilities and staff personnel are highly specialized and do not duplicate private sector facilities.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages and will answer the questions about the facility availability in the private sector and any actual cost savings.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
MISSISSIPPI COOPERATIVE EXTENSION SERVICE					
56	Art & Layout Design This activity provides design services for MAFES' and other clients' publications.				Delegation
		General	\$166,916	4.20	
		Federal	0	0.00	
		Other	113,728	1.80	
		Total	\$280,644	6.00	
57	Crop Modeling Program This research activity provides computer modeling results for clients who are trying to determine the expected yield of a specific crop planting under the existing conditions.				Delegation
		General	\$36,343	0.57	
		Federal	10,022	0.20	
		Other	140,850	2.88	
		Total	\$187,215	3.65	
58	Money Management Centers This activity provides basic and advanced financial planning counseling to Mississippi families. It also provides group educational programs to small business personnel, charitable organization members and clients, school students, and general public.				Delegation
		General	\$50,875	1.74	
		Federal	207,558	4.26	
		Other	0	0.00	
		Total	\$258,433	6.00	
59	Photographic Services This activity provides agricultural photographic services to MAFES personnel at the state, area, and county levels.				Delegation
		General	\$100,925	2.80	
		Federal	0	0.00	
		Other	53,923	1.20	
		Total	\$154,848	4.00	
60	Soil Testing Lab This activity operates a fertilizer laboratory which serves as an informal referee for private laboratory recommendations, a technical resource for researchers, and a performer of farm demonstrations and technology transfer of new management methods.				Delegation
		General	\$125,538	6.06	
		Federal	2,180	0.01	
		Other	115,205	0.23	
		Total	\$242,923	6.30	

AGENCY COMMENTS	POTENTIAL LEGAL BARRIERS*	PEER RESPONSE TO AGENCY
<p>Since some in-house services are not available, easily accessible, or produced efficiently in the local area, they would have to be purchased from larger cities. It would require better staff planning to meet deadlines and could increase costs.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages and will answer the questions about the services availability in the private sector, response times, and any actual cost savings.</i></p>
<p>This research program provides valuable data for development and improvement of the computer program. Approximately two years ago, a private group determined this program is currently not stable enough to utilize in a commercial mode.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages and will give a current answer the questions about the commercial viability of this program.</i></p>
<p>The average state family will lose objective counseling centers and inexpensive financial planning advice. It will reduce the small number of planners who provide basic money management and education plus increase the cost of group educational programs.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages and will determine any cost savings through privatization. The proposed delegation of these centers will not eliminate them but merely make them contractor-operated centers.</i></p>
<p>This action will negatively impact quality control; timeliness of development process or photography shoot; and increase costs for other MSU clients. Photographers with agriculture knowledge are scarce. Some services are not available in-state.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages and will determine any cost savings through privatization and the availability of the required services in the private sector.</i></p>
<p>This action will eliminate the state's unbiased source for fertilizer recommendations for private labs; reduce development of new technology; eliminate "on farm" and technology transfer of new management techniques; and limit soil testing accessibility.</p>	<p>None</p>	<p><i>The Cost Study will address the cited disadvantages and will determine any cost savings through privatization. The proposed delegation of this laboratory will not eliminate it but merely make it a contractor-operated facility.</i></p>

EXHIBIT 5
(continued)

REP#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
MISSISSIPPI STATE UNIVERSITY					
61	Forest Product Utilization Laboratory (Research & Teaching) This activity conducts research and technology transfer on the properties and uses of wood and on methods of converting wood to useful purposes.				Divestment
		General	\$2,102,725	55.20	
		Federal	76,000	2.00	
		Other	30,000	0.00	
		Total	\$2,208,725	57.20	
DEPARTMENT OF MENTAL HEALTH					
62	Boswell Regional Center (Institutional Services) This institution provides comprehensive medical, educational, and recreational services for approximately 250 mentally retarded residents. The goal of this treatment is to give these individuals the skills to live in the least restrictive environment.				Delegation
		General	\$4,494,608	195.65	
		Federal	0	0.00	
		Other	3,668,959	169.75	
		Total	\$8,163,567	365.40	
63	Ellisville State School (Institutional Services) This institution provides long-term residential care for approximately 600 mentally retarded residents. The services include dental, educational, medical, occupational, psychological, recreational, social, various therapies, and vocational.				Delegation
		General	\$5,894,714	283.10	
		Federal	134,359	5.85	
		Other	19,709,861	955.29	
		Total	\$25,738,934	1,244.24	
64	Hudspeth Regional Center (Institutional Services) This institution provides direct care treatment and habilitation training to approximately 295 profoundly severe mentally retarded residents who need continual care and supervision to meet their daily living needs and maintain life support functions.				Delegation
		General	\$2,994,536	0.57	
		Federal	64,417	0.57	
		Other	9,242,168	0.56	
		Total	\$12,301,121	1.70	
65	North Mississippi Regional Center (Institutional Services) This institution provides therapeutic and medical care and treatment for approximately 265 mentally retarded residents who reside in the twenty-three northern counties of the state.				Delegation
		General	\$2,689,975	192.75	
		Federal	84,755	1.50	
		Other	8,055,186	221.75	
		Total	\$10,829,916	416.00	

AGENCY COMMENTS	POTENTIAL LEGAL BARRIERS*	PEER RESPONSE TO AGENCY
<p>This action would require abolishment of the Department of Forest Products at MSU; cost significant economic benefits of the lab's research and service work; and cost approximately \$2.5 million in federal and private sector grants.</p>	<p>57-17-1 & 57-17-5</p>	<p><i>The Cost Study will address the cited disadvantages and will determine any cost savings through privatization. The university may be correct about the loss of federal funds, but it offered no authority for its statement.</i></p>
<p>This action can override the delivery of quality of patient care; impact patient care continuity by staff with the required skills; cause a loss of flexibility in managing budget and services; and jeopardize some cooperative agreements.</p>	<p>41-19-1, et. seq., Unidentified Federal & State Regulations</p>	<p><i>The Cost Study will address the cited disadvantages and determine any cost savings. On-site monitors will ensure that the contractor(s) meet their performance standards. Fourteen states have privatized facility management and other individual services.</i></p>
<p>This action can override the delivery of quality of patient care; impact patient care continuity by staff with the required skills; cause a loss of flexibility in managing budget and services; and jeopardize some cooperative agreements.</p>	<p>41-19-1, et. seq.</p>	<p><i>The Cost Study will address the cited disadvantages and determine any cost savings. On-site monitors will ensure that the contractor(s) meet their performance standards. Fourteen states have privatized facility management and other individual services.</i></p>
<p>This action can override the delivery of quality of patient care; impact patient care continuity by staff with the required skills; cause a loss of flexibility in managing budget and services; and jeopardize some cooperative agreements.</p>	<p>41-19-1, et. seq.</p>	<p><i>The Cost Study will address the cited disadvantages and determine any cost savings. On-site monitors will ensure that the contractor(s) meet their performance standards. Fourteen states have privatized facility management and other individual services.</i></p>
<p>This action can override the delivery of quality of patient care; impact patient care continuity by staff with the required skills; cause a loss of flexibility in managing budget and services; and jeopardize some cooperative agreements.</p>	<p>41-19-1, et. seq.</p>	<p><i>The Cost Study will address the cited disadvantages and determine any cost savings. On-site monitors will ensure that the contractor(s) meet their performance standards. Fourteen states have privatized facility management and other individual services.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
66	<i>South Mississippi Regional Center (Institutional Services)</i> This institution provides therapeutic and medical care and treatment to mentally retarded who reside in the southern counties of the state.				Delegation
		General	\$1,440,258	77.07	
		Federal	26,190	0.00	
		Other	4,037,759	153.72	
		<i>Total</i>	<u>\$5,504,207</u>	<u>230.79</u>	
67	<i>East Mississippi State Hospital (Institutional Services)</i> This institution provides therapeutic, medical, and psychiatric social rehabilitative care and treatment for the mentally ill citizens who reside in the eastern section of the state.				Delegation
		General	\$14,474,657	520.90	
		Federal	0	0.00	
		Other	3,622,855	129.00	
		<i>Total</i>	<u>\$18,097,512</u>	<u>649.90</u>	
68	<i>Mississippi State Hospital (Institutional Services)</i> This institution provides in-patient psychiatric services to citizens over eighteen years of age who reside in its ten assigned community mental health regions. It also operates a chemical dependency unit and the statewide forensic service facility.				Delegation
		General	\$38,563,644	1,694.10	
		Federal	127,081	2.20	
		Other	13,226,733	315.00	
		<i>Total</i>	<u>\$51,917,458</u>	<u>2,011.30</u>	
69	<i>Farm Operations @ Ellisville State School</i> This activity provides beef and pork for the residents of Ellisville State School and Boswell Retardation Center. It operates on state-owned land at Ellisville.				Delegation
		General	\$127,203	4.16	
		Federal	0	0.00	
		Other	188,672	0.14	
		<i>Total</i>	<u>\$315,875</u>	<u>4.30</u>	
STATE PERSONNEL BOARD					
70	<i>Test Administration</i> This activity conducts the testing program for state employment at eighteen statewide test sites through the use of contractual test monitors, a computer-assisted typing test, an automated test scheduling system, and immediate walk-in testing.				Delegation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	122,973	4.18	
		<i>Total</i>	<u>\$122,973</u>	<u>4.18</u>	

<u>AGENCY COMMENTS</u>	<u>POTENTIAL LEGAL BARRIERS*</u>	<u>PEER RESPONSE TO AGENCY</u>
<p>This action can override the delivery of quality of patient care; impact patient care continuity by staff with the required skills; cause a loss of flexibility in managing budget and services; and jeopardize some cooperative agreements.</p>	<p>41-19-1, et. seq.</p>	<p><i>The Cost Study will address the cited disadvantages and determine any cost savings. On-site monitors will ensure that the contractor(s) meet their performance standards. Fourteen states have privatized facility management and other individual services.</i></p>
<p>This action can override the delivery of quality of patient care; impact patient care continuity by staff with the required skills; cause a loss of flexibility in managing budget and services; and jeopardize some cooperative agreements.</p>	<p>41-17-1, et. seq.</p>	<p><i>The Cost Study will address the cited disadvantages and determine any cost savings. On-site monitors will ensure that the contractor(s) meet their performance standards. Fourteen states have privatized facility management and other individual services.</i></p>
<p>This action can override the delivery of quality of patient care; impact patient care continuity by staff with the required skills; cause a loss of flexibility in managing budget and services; and jeopardize some cooperative agreements.</p>	<p>41-17-1, et. seq.</p>	<p><i>The Cost Study will address the cited disadvantages and determine any cost savings. On-site monitors will ensure that the contractor(s) meet their performance standards. Fourteen states have privatized facility management and other individual services.</i></p>
<p>This action will increase food service costs since the farm provides beef and pork to the school's operation. It will also reduce the quality of meat products served to the patients and staff.</p>	<p>None</p>	<p><i>This operation is in direct competition with the private sector. If it is such a good idea, why are the other five institutions not supported in the same way? The Cost Study will determine if it is cost effective relative to the private sector.</i></p>
<p>This action will increase costs since the institutions of higher learning and community colleges provide sixteen of the eighteen test sites at no cost. It will also add time to the testing cycle.</p>	<p>25-1-100</p>	<p><i>The Cost Study will determine the validity of the cited disadvantages and will answer the questions about the testing cycle time and any actual cost increases.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
71	Training This activity oversees the State's Employee Performance Appraisal System and assists state agencies in improving the productivity, effectiveness, and efficiency of state employees through the coordination & provision of training and development programs.				Delegation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	278,892	5.00	
		Total	\$278,892	5.00	
DEPARTMENT OF PUBLIC SAFETY					
72	Crime Laboratory This activity supplies the law enforcement community and the judicial systems of Mississippi with a complete Forensic Science Laboratory.				Delegation
		General	\$489,380	12.00	
		Federal	0	0.00	
		Other	0	0.00	
		Total	\$489,380	12.00	
73	Drivers' License Issuance This activity manages and operates the issuance and revocation of drivers' licenses for state citizens.				Delegation
		General	\$3,559,936	118.00	
		Federal	0	0.00	
		Other	0	0.00	
		Total	\$3,559,936	118.00	
74	Law Enforcement Training Academy - Support Services This activity provides the training and training facilities for state, county, and municipal law enforcement agencies in Mississippi. <i>LBO Data</i>				Delegation
		General	\$404,226	16.00	
		Federal	0	0.00	
		Other	607,357	10.00	
		Total	\$1,011,583	26.00	
75	Medical Examiner This activity provides comprehensive statewide forensic medicine services and expertise for death investigations in the state.				Delegation
		General	\$224,851	4.00	
		Federal	0	0.00	
		Other	30,661	0.00	
		Total	\$255,512	4.00	

AGENCY COMMENTS	POTENTIAL LEGAL BARRIERS*	PEER RESPONSE TO AGENCY
<p>This action will eliminate a cost-effective public and private partnership for the existing program; the CPM course; technical assistance benefits to other agencies from SPB staff; and on-site training at cost. It will increase course fees or class size.</p>	<p>25-9-103</p>	<p><i>The Cost Study will determine the validity of the cited disadvantages and any actual cost increases.</i></p>
<p>This action will eliminate the only state lab with the eight required forensic disciplines and force agencies to split their evidence in multiple discipline cases among several labs, some out-of-state. Quality assurance and control will be questionable.</p>	<p>45-1-25, -27, -29, and -31</p>	<p><i>The Cost Study will determine the validity, competitive market, and cost effectiveness of this action. The private sector suggested this action.</i></p>
<p>This action creates an operation which is not governed by state policies and procedures; presents fraud opportunities; and staffed with unmotivated people to filter out or deny inappropriate applicants. The courts prefer uniformed officers for hearings.</p>	<p>63-1-11, -13, -21, and -45</p>	<p><i>The Cost Study will determine the validity and cost effectiveness of this action. On-site monitors will ensure that the contractor(s) meet their performance standards. New Jersey has privatized this function.</i></p>
<p>No Response to Second PEER Survey</p>	<p>45-5-1 thru -17</p>	<p><i>PEER could not respond since the agency did not return the second survey before the publication deadline.</i></p>
<p>This action will eliminate state control over death investigations and certifications; medicolegal autopsies; and forensic training which is currently provided to designated pathologist and coroners/medical examiners of the counties.</p>	<p>41-61-55</p>	<p><i>The Cost Study will determine the validity and cost effectiveness of this action. On-site monitors will ensure that the contractor(s) meet their performance standards. The private sector suggested this action.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
SECRETARY OF STATE					
76	Corporations Division This activity acts as a filing agent for qualified Mississippi domestic and foreign corporations and limited partnerships and as the official depository of all corporate filings under the Mississippi Business Corporation Act.	General Federal Other Total	\$0 0 597,438 \$597,438	0.00 0.00 13.20 13.20	Delegation
77	Documents Division This activity compiles official documents including Senate and House Journals, General Laws, Advance Sheets, Mississippi Code Supplements, Elected Official Directory, Senate and House Bills, Blue Book, Southern Reporter, and Uniform Commercial Code.	General Federal Other Total	\$0 0 1,240,757 \$1,240,757	0.00 0.00 9.16 9.16	Delegation
78	Public Lands Division This activity maintains all records of real property belonging to or under the control of the state.	General Federal Other Total	\$0 0 622,976 \$622,976	0.00 0.00 4.00 4.00	Delegation
STATE FIRE ACADEMY					
79	Operational Functions and Support Services This activity provides on-site training and education for career fire departments and industrial fire brigades at its academy. It also provides on-going statewide itinerant training and certification of volunteers and small town fire departments.	General Federal Other Total	\$0 0 1,581,030 \$1,581,030	0.00 0.00 33.00 33.00	Delegation
OFFICE OF THE STATE TREASURER					
80	Bond Servicing Function This activity receives, invests, and maintains the monies of the state.	General Federal Other Total	\$279,839 0 133,587 \$413,426	8.00 0.00 0.00 8.00	Delegation

AGENCY COMMENTS	POTENTIAL LEGAL BARRIERS*	PEER RESPONSE TO AGENCY
<p>The agency saw no disadvantages to privatizing this function and noted that it had generated more than \$1,100,000 in excess revenues for the state in FY 1992.</p>	<p>7-3-71 & 7-11-6</p>	<p><i>The Cost Study will determine the validity and cost effectiveness of this action.</i></p>
<p>The agency saw no disadvantages to privatizing this function and noted that it had generated more than \$1,100,000 in excess revenues for the state in FY 1992.</p>	<p>7-3-71 & 7-11-6</p>	<p><i>The Cost Study will determine the validity and cost effectiveness of this action.</i></p>
<p>The agency saw no disadvantages to privatizing this function and noted that it had generated more than \$1,100,000 in excess revenues for the state in FY 1992.</p>	<p>7-3-71 & 7-11-6</p>	<p><i>The Cost Study will determine the validity and cost effectiveness of this action.</i></p>
<p>The site and semi-private itinerant training programs are currently done on a non-profit basis. The on-site facility has been constructed and maintained to offer the best equipment and facilities for firefighter training.</p>	<p>45-11-7</p>	<p><i>The Cost Study will determine the validity and cost effectiveness of this action. This administrative function meets the privatization criteria.</i></p>
<p>This action eliminates the central office which coordinates and controls the payment of the state's debt; collects and monitors loan receivables; serves as a bond issuing activity for other entities; and safeguards and releases debt collateral.</p>	<p>7-9-29 and 27-105-5</p>	<p><i>The Cost Study will determine the validity and cost effectiveness of this action. On-site monitors will ensure that the contractor(s) meet their performance standards. This administrative function meets the privatization criteria.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
81	<i>Cash Management Function</i> This activity performs the accounting responsibilities related to bond issues of the state and the timely payment of bonds, interest, and coupons. It also monitors the securities pledged as collateral for the investments of the state.				Delegation
		General	\$198,596	6.00	
		Federal	0	0.00	
		Other	94,804	0.00	
		<i>Total</i>	<i>\$293,400</i>	<i>6.00</i>	
STATE DEPARTMENT OF WILDLIFE/FISHERIES/PARKS					
82	<i>Fish Hatcheries</i> This activity provides sufficient numbers and types of fish needed to stock the public waters of Mississippi.				Delegation
		General	\$14,110	0.35	
		Federal	79,659	2.07	
		Other	183,431	4.49	
		<i>Total</i>	<i>\$277,200</i>	<i>6.91</i>	
83	<i>Parks & Recreation - Management & Operations</i> This activity operates twenty-seven recreational and historical parks to provide outdoor recreational facilities for Mississippians and to attract out-of-state tourists.				Delegation
		General	\$1,877,366	161.00	
		Federal	0	0.00	
		Other	2,816,049	242.00	
		<i>Total</i>	<i>\$4,693,415</i>	<i>403.00</i>	
84	<i>"Mississippi Outdoors" Magazine</i> This activity performs the camera-ready layout of the magazine and manages its publication through a contract printer.				Delegation
		General	\$19,948	0.10	
		Federal	0	0.61	
		Other	379,024	1.31	
		<i>Total</i>	<i>\$398,972</i>	<i>2.02</i>	
FAIR & COLISEUM COMMISSION					
85	<i>State Fairgrounds Complex</i> This activity provides public facilities for entertainment, education, and marketing events. They include the Mississippi State Coliseum and Fairgrounds Complex.				Delegation/Divestment
		General	\$0	0.00	
		Federal	0	0.00	
		Other	2,060,521	44.76	
		<i>Total</i>	<i>\$2,060,521</i>	<i>44.76</i>	

AGENCY COMMENTS	POTENTIAL LEGAL BARRIERS*	PEER RESPONSE TO AGENCY
<p>State couldn't maintain accurate set of books on investments; pay redemptions into funds or requisition investment funds; & could reduce number of available investments. Firm may not obtain best rate of return due to unfair treatment of brokerage firms.</p>	<p>27-105-33</p>	<p><i>The Cost Study will determine the validity and cost effectiveness of this action. On-site monitors will ensure that the contractor(s) meet their performance standards. This administrative function meets the privatization criteria.</i></p>
<p>The private sector does not have the capability to supply sufficient numbers and types of fish for public waters. It will increase the cost of stocking fish and risk disease, overstocking, and detrimental species in public waters.</p>	<p>49-1-29 & 79-22-1, The Federal Lacey Act</p>	<p><i>The Cost Study will determine the validity of the cited disadvantages and cost effectiveness of this action.</i></p>
<p>This action will pose a serious threat to public safety since the employees must reside in the parks to ensure protection of park visitors and state property. It will also seriously impede the delivery of services to the public.</p>	<p>None</p>	<p><i>The Cost Study will determine the validity of the cited disadvantages and cost effectiveness of this action. Four states have privatized one or more operational aspects of their state park operations.</i></p>
<p>No full time employee is responsible for this primarily contract function. The one in-house action is the camera-ready layout of the magazine. Privatization will waste valuable time and manpower coordinating format or style changes with the vendor.</p>	<p>None</p>	<p><i>Given its current degree of privatization, a Cost Study will determine if the state can totally privatize the publication at a cost savings. This action will require better and more timely planning and preparation of each issue's contents.</i></p>
<p>The coliseum operates at an annual loss and is subsidized by the State Fair. It has no parking area if separated from remainder of fairgrounds. It needs renovation work estimated at \$3.0 million.</p>	<p>69-5-1</p>	<p><i>The Cost Study will determine the validity of any cost savings. In a recent sample survey of U.S. arenas, PEER discovered a general trend of contracting facility management and operations to private companies with contacts in the entertainment business.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
86	<i>Dixie National Livestock Show and Rodeo</i> This activity promotes the livestock industry and upgrading the quality of state livestock by bringing the best herds in the nation to the State to increase producers awareness of outstanding livestock qualities.	General Federal Other Total	\$0 0 630,986 \$630,986	0.00 0.00 2.22 2.22	Divestment
87	<i>State Livestock Shows</i> This activity disburses the funds appropriated for various county, district, and industry-related associations by the Legislature upon request of these associations. It does not conduct the functions or events.	General Federal Other Total	\$0 0 119,814 \$119,814	0.00 0.00 0.11 0.11	Divestment
FORESTRY COMMISSION					
88	<i>Forest Resource Development</i> This program provides cost-share assistance to landowners who establish or improve their timber stands as recommended and approved by the Forestry Commission. Its purpose is to encourage necessary improvement practices to encourage full production.	General Federal Other Total	\$0 0 3,361,687 \$3,361,687	0.00 0.00 3.00 3.00	Divestment
89	<i>Nursery Production</i> This activity produces adequate supplies of seedlings for sale to landowners to regenerate timber stands.	General Federal Other Total	\$629,132 56,000 338,481 \$1,023,613	59.00 0.00 5.00 64.00	Delegation
PUBLIC SERVICE COMMISSION					
90	<i>Motor Carrier Inspection Safety & Compliance Program</i> This activity regulates transportation of persons and property for hire under the Motor Carrier Regulatory Act and investigates alleged violations. It conducts periodic road checks of motor carriers for safety and proper authority.	General Federal Other Total	\$0 0 1,659,970 \$1,659,970	0.00 0.00 44.00 44.00	Deregulation

AGENCY COMMENTS	POTENTIAL LEGAL BARRIERS*	PEER RESPONSE TO AGENCY
<p>The current revenue from this event is insufficient to cover actual expenses. If privatized, approximately \$225,000 in additional funds will be needed to offset the currently unpaid personnel, rent, and insurance expenses.</p>	<p>None</p>	<p><i>This event should be self-supporting.</i></p>
<p>They are held by various county, district, & state associations. Funds are disbursed by Fair Commission.</p>	<p>None</p>	<p><i>These industry-related association events should be self-supporting.</i></p>
<p>The landowner contracts most work through the private sector with MFC providing only indirect staff support in assistance applications, minimum specification compliance evaluations, and fund disbursements. Some program functions are privatized.</p>	<p>49-19-201 thru -227</p>	<p><i>The Cost Study can address any disadvantages. This program is already primarily privatized and the state's current administrative functions could be performed between landowners and the private sector.</i></p>
<p>State law requires MFC seedling production. Lifting, packaging and shipping of seedlings has already been privatized.</p>	<p>49-19-19</p>	<p><i>The Cost Study can address any disadvantages. Private firms can produce seedlings for landowners.</i></p>
<p>This action will eliminate the program benefits of public safety, enforcement investigations; education and technical assistance; and public awareness, commercial driver licenses enforcement, drug and alcohol, and training programs.</p>	<p>77-7-16, "Federal Regulations 49-CFR-350, -383, -385, -387, -388, -390 thru -393, -395 thru -397, and CFRs 100 to 180"</p>	<p><i>Except for the safety and enforcement inspections, the functions performed in this program are performed by other public or state entities. Five states have already deregulated this function, plus three states have privatized emission control functions.</i></p>

EXHIBIT 5
(continued)

REF#	AGENCY/PROGRAM NAME	FUND SOURCE	PROGRAM COST	FTE'S	METHODOLOGY
TAX COMMISSION					
91	Alcoholic Beverage Control This activity operates the exclusive wholesale warehouse operation of alcoholic beverages within Mississippi and enforces the laws pertaining to alcohol prohibition and liquor control.				Delegation
		General	\$4,143,359	147.83	
		Federal	0	0.00	
		Other	61,639	0.00	
		Total	\$4,204,998	147.83	
VETERANS' HOME PURCHASE BOARD					
92	Mortgage Loan Processing & Servicing Program This activity makes loans up to \$55,000 for the first-time purchase of a private resident to any eligible Mississippi veteran. It processes the loan applications; provides attorneys' assistance in closing the loan; and services the loan repayment.				Delegation
		General	\$0	0.00	
		Federal	0	0.00	
		Other	461,024	11.00	
		Total	\$461,024	11.00	
VETERANS' MEMORIAL STADIUM COMMISSION					
93	Stadium Facility This activity manages and operates the stadium. Its objective is to maintain an up-to-date facility and to schedule worthwhile events for the people of Mississippi.				Delegation/Divestment
		General	\$0	0.00	
		Federal	0	0.00	
		Other	892,821	11.00	
		Total	\$892,821	11.00	
GRAND TOTAL FOR ALL PROGRAMS					
		General	\$243,300,181	10,070.66	
		Federal	155,841,638	6,408.01	
		Other	232,665,393	6,540.97	
		Total	\$631,807,212	23,019.64	

<u>AGENCY COMMENTS</u>	<u>POTENTIAL LEGAL BARRIERS*</u>	<u>PEER RESPONSE TO AGENCY</u>
<p>Divestiture action will increase product cost approximately 25%-30% in the system in order to replace the \$23.0 million profit, which goes to the General Fund annually. Such an increase will cause citizens to import products illegally from other states.</p>	<p>71-1-1, et. seq., 67-1-1 & -5, et. seq., Tax Commission Regulations</p>	<p><i>The agency should conduct a Cost Study for Delegation. North Carolina has delegated this function.</i></p>
<p>This action will increase servicing cost from .2% to a range from .37% to .75%. Total privatization could move the program away from its purpose to serve Mississippi veterans and the existing close relationships with various veterans' groups.</p>	<p>35-7-9</p>	<p><i>Cost Study may determine the validity of the cited disadvantages and cost effectiveness of this action. MS veterans are already eligible for VA loans.</i></p>
<p>This action would increase the facility cost for state universities significantly. The only current charge is a 6% amusement tax imposed on the schools. A private firm will have to add rental and user fees.</p>	<p>None</p>	<p><i>The agency may be correct about the impact of a divestiture action. The PEER comment in State Fairgrounds Complex about Delegation applies here. The agency should conduct a cost study for delegation.</i></p>

Exhibit 6

FY 1992 Support Services' Costs and FTE Personnel Data for Selected State-Produced and Delivered Services

<u>Services Number</u>	<u>Reporting Entities</u>	<u>Service Type</u>	<u>Reported Expenditures</u>	<u>Reported FTE's</u>
1	5	Aircraft Operations	\$2,530,706	12.22
2	5	Architectural Services	305,560	9.26
3	16	Bookstores	17,449,671	142.71
4	46	Custodial	18,459,307	1,177.82
5	53	Data Processing	29,069,682	652.77
6	16	Dormitory Management	19,120,123	434.91
7	15	Employee Training	2,531,805	86.19
8	15	Engineering Services	51,131,822	1,686.69
9	51	Facility Maintenance (Building-Equipment-Grounds)	48,617,098	1,486.30
10	19	Food Service	27,325,031	934.76
11	8	Laundry & Dry Cleaning	3,268,567	200.78
12	1	Lifeguards	341,529	29.24
13	38	Mailroom Services	3,536,905	94.03
14	3	Motor Pools	311,907	1.69
15	28	Printing Centers	7,651,203	185.34
16	35	Security Services	48,772,315	2,340.60
17	7	Student Medical Services	3,693,558	74.23
18	6	Technical Consulting	4,278,426	104.63
19	29	Telecommunications	10,038,247	174.41
20	12	Transportation Services	2,316,215	83.67
21	25	Vehicle Maintenance	13,302,100	183.02
22	2	Vending Machines	280,879	23.42
<i>GRAND TOTAL</i>			<u><u>\$314,332,656</u></u>	<u><u>10,118.69</u></u>

ANALYSIS COMMENTS: Some reported costs in this exhibit are included in the total program costs in Exhibit 4, page 30. It also includes personnel data only for state entities which did not receive the PEER Survey of Potential Privatization Program Candidates, dated 9-23-92.

SOURCE: Participant responses to two PEER surveys

Appendix

*Proposed Legislation Creating a Joint Legislative
Privatization Commission*

Mississippi Legislature

Regular Session, 1993

BY:

BILL

AN ACT TO CREATE AND EMPOWER A JOINT LEGISLATIVE PRIVATIZATION COMMISSION; TO DECLARE THE LEGISLATURE'S POLICY WITH RESPECT TO PRIVATIZATION, AND TO DEFINE CERTAIN TERMS; TO ESTABLISH A JOINT LEGISLATIVE PRIVATIZATION COMMISSION, DEFINE ITS MEMBERSHIP, AND ESTABLISH ITS POWERS AND DUTIES; TO ESTABLISH A SEQUENCE OF ACTIONS THE COMMISSION MUST FOLLOW IN ORDER TO STUDY THE POTENTIAL FOR PRIVATIZING A PROGRAM OR ACTIVITY OF A STATE ENTITY, AND A PROCEDURE FOR RECOMMENDING PRIVATIZATION UNDER CERTAIN CONDITIONS; TO AMEND SECTION 27-104-103, MISSISSIPPI CODE OF 1972, TO REQUIRE THAT THE DEPARTMENT OF FINANCE AND ADMINISTRATION PROVIDE ASSISTANCE TO THE COMMISSION; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

SECTION 1. (1) It is the intention of the Legislature that the commission created under this act consider privatization as a means of lowering costs or increasing the efficiency of programs administered by state government. For purposes of this act, whenever the term privatization is used it shall mean a method of providing a portion or all of a formerly government-provided and government-produced program and/or its services through the private sector using one or a combination of the three following categories of activity: divestment, delegation, or deregulation.

(2) For purposes of this act, the following terms shall have the following definitions ascribed to them:

a. "Commission," shall mean the Joint Legislative Privatization Commission created under Section 2 of this act,

b. "State Entity" shall mean any board, commission, authority, department, agency or institution which employs state- or non-state service personnel as defined by Section 25-9-107,

c. "Divestment" shall mean that the state turns over the ownership, control, financial responsibility, and delivery of a public service to the private sector. Such may be given effect through sale of the assets

necessary to produce the service to a provider of services, or through liquidation of assets wherein the purchaser of assets will not provide the service,

d. "Delegation" shall mean that the state assigns the provision of all or part of a function or service to the private sector, while retaining the responsibility of overseeing its production and/or delivery to its citizens and/or governmental entities,

e. "Deregulation" shall mean the passive process by which the government is gradually displaced by the private sector through elimination of regulation.

SECTION 2. (1) There is hereby created a Joint Legislative Privatization Commission which shall consist of three (3) members of the Mississippi House of Representatives Appropriations Committee to be appointed by the Speaker of the House, and three (3) members of the Mississippi Senate Appropriations Committee to be appointed by the Lieutenant Governor. Annually, the membership shall elect a chairman and vice-chairman; however, the chairmanship and vice-chairmanship shall rotate between houses from year to year. The Department of Finance and Administration shall provide staff support to the commission.

SECTION 3. (1) The commission shall have the following duties and responsibilities:

a. To advocate and develop a privatization program for state entities which ensures private sector competition for provision and/or production of state government services. Such authority shall extend to issuing requests for proposals from private sector entities.

b. To develop goals and objectives for privatizing the programs and services of state government,

c. To establish all analytical, approving, planning, and reporting processes required to carry out the functions of the commission, and to promulgate all rules essential to carry out the commission's mission, including deadlines for state entity reports, timetables for commission action, standards and criteria governing reports made to the commission, standards for requests for proposals, and rules of order,

d. To determine, in conjunction with other state entities, the pool of potential program or service candidates for privatization--provided, however, that the commission shall not issue any privatization recommendation regarding any program which:

1. Directly and significantly consists of planning and proposing public policy, making public policy, or consists in whole or in part of activities

which regulate the business, occupation, or profession, of any person, firm, partnership, corporation, or association which is doing business in Mississippi or is domiciled in this state;

2. Directly and significantly affects the investigation or prosecution of criminal acts, the operations of the courts of law, the preservation of peace and order, or the prevention of epidemics;

3. Makes judgements or recommendations relative to the fiscal policy of the state, or judgements pertaining to the making of rules and regulations by which entitlements are granted.

e. To require, and if necessary subpoena, information to insure that all state entities whose programs are included in the pool of candidates for privatization assist the commission in performing the managerial, operational, or administrative analysis relative to:

1. Determining the privatization potential of a program or activity,

2. Performing cost/benefit analysis.

(2) The commission shall, with the assistance of state entities, devise evaluation criteria to be used in conducting reviews of any program or activity which is the subject of a privatization recommendation.

SECTION 4. In carrying out the duties described in Section 3 of this act, the commission shall follow the sequence of activities described in this section and in sections 5 through 8 of this act. The commission shall, through the use of state entity input, prepare a pool of program or activity candidates for privatization prior to performing any other analytical function. Subsequent to developing a pool of candidates, the commission shall cause state entities to conduct cost/benefit studies of all candidates in the pool. Recommendations of privatization may only be issued subsequent to the preparation and commission review of cost/benefit studies.

SECTION 5. (1) In conducting a cost/benefit analysis of candidates from the pool, the state entities shall consider the use of delegation, divestment, or deregulation as means of privatizing programs or activities. In developing a plan for conducting cost/benefit analysis, the commission shall require that state entities consider the following:

a. The potential annual recurring savings from privatization,

b. potential market for the programs or activities,

c. potential one-time savings from elimination of a program or activity,

- d. relative strengths and weaknesses of governmental customer service mechanisms and private sector customer service mechanisms,
- e. the impact of reduced services on the citizens of the state,
- f. the private sector's capacity to engage in voluntary self-regulation,
- g. barriers to privatization created by laws, market structure, user expectations, and imperfections in the dissemination and assimilation of information.

(2) The commission shall set appropriate deadlines for state entity reporting of costs and benefits, as well as any other matter germane to privatization. The commission and the state entities shall also consider what criteria a successful privatization would be judged by, and publish same for evaluation purposes.

SECTION 6. (1) Subsequent to the preparation of cost/benefit analysis by state entities, the commission shall review same to determine the accuracy of the analysis provided. In performing this function, the commission may contract with consultants and other experts for assistance, or may use the staff of the Department of Finance and Administration. The commission may refer questions or proposals to the state entities or the experts referred to in this subsection regarding the analysis of the program or activity or the delivery of services.

(2) In the event that the commission finds that the cost/benefit analysis prepared by the state entity fails to address the criteria or regulations promulgated by the commission with respect to cost/benefit analysis, the commission may direct the state entity to resubmit a revised cost/benefit analysis.

SECTION 7. (1) Subsequent to the independent analysis of the state entity's cost/benefit analysis, the commission, where it deems appropriate and consistent with the policy announced in Section 1 of this act, may issue privatization recommendations to the Legislature which detail which state entity programs or activities should be privatized. Any recommendations issued shall further note whether the privatization shall be accomplished by deregulation, delegation, or divestment. The commission, where it deems that delegation is the appropriate method of privatization, shall show either:

(a) That it has determined that a private provider can provide the program or activity for less than the state entity, and that the annual savings shall be greater than or equal to 10% (ten per cent) of the most recent complete fiscal year's expenditures for the program or activity which were incurred by the state entity, or,

(b) That a private sector firm can provide the program or activity for an aggregate amount of 10% (ten per cent) less than the state entity proposes as an aggregate charge for rendering the same program or activity.

(2) Any recommendation issued by the commission shall immediately be transmitted to the Legislature.

SECTION 8. (1) On or before October 1 of each year, the commission shall issue a report to the Legislature and the Governor which shall:

a. Describe each program or activity in the pool of candidates for privatization,

b. Summarize the cost/benefit analysis prepared on each candidate,

c. Provide a detailed summary of any and all privatization recommendations issued by the commission,

d. Evaluate any privatization activity which was recommended by the commission which became effective the previous July 1,

e. Prepare a review of the effectiveness and efficiency of any privatization recommended by the commission which has become effective since the commission came into existence.

(2) The Legislative Budget Office shall cooperate with the commission in the completion of any report or reporting activity required by this section.

(3) The commission shall report to the Legislature, in conjunction with the above-required report, an analysis of any legal impediments to future privatization. Such report shall also include proposed remedies, including, where appropriate, draft legislation or constitutional amendments.

(4) All reports required under this section shall be provided to the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER) for its review.

SECTION 9. Section 27-104-103, Mississippi Code of 1972, is amended as follows:

§27-104-103.

(1) The Department of Finance and Administration shall have the following duties and powers:

(a) To provide administrative guidance to the various departments and agencies of state government;

(b) To facilitate the expedient delivery of services and programs for the benefit of the citizens of the state;

(c) To analyze and develop efficient management practices and assist departments and agencies in implementing effective and efficient work management systems;

- (d) To conduct management review of state agencies and departments and recommend a management plan to state departments and agencies when corrective action is required;
 - (e) To, at least annually, report to the Governor and the Legislature on programs and actions taken to improve the conduct of state operations and to prepare and recommend management programs for effective and efficient management of the operations of state government;
 - (f) To allocate the federal-state programs funds to the departments responsible for the delivery of the programs and services for which the appropriation was made;
 - (g) To coordinate the planning functions of all agencies in the executive branch of government and review any and all plans which are developed by those agencies and departments;
 - (h) To collect and maintain the necessary data on which to base budget and policy development issues;
 - (i) To develop and analyze policy recommendations to the Governor;
 - (j) To develop and manage the executive budget process;
 - (k) To prepare the executive branch budget recommendations;
 - (l) To review and monitor the expenditures of the executive agencies and departments of government;
 - (m) To manage the state's fiscal affairs;
 - (n) To administer programs relating to general services, public procurement, insurance and the Bond Advisory Division;
 - (o) To administer the state's aircraft operation.
 - (p) to provide staff assistance to the Joint Legislative Privatization Commission created in section 2 of this act.
- (2) The department shall have the following additional powers and duties under Chapter 18 of Title 17:
- (a) It shall acquire the site submitted by the Mississippi Hazardous Waste Facility Siting Authority and, if determined necessary, design, finance, construct and operate a state commercial hazardous waste management facility;
 - (b) It may acquire by deed, purchase, lease, contract, gift, devise or otherwise any real or personal property, structures, rights-of-way, franchises, easements and other interest in land which is necessary and convenient for the construction or operation of the state commercial hazardous waste management facility, upon such terms and conditions as it deems advisable, hold, mortgage, pledge or otherwise encumber the same, and lease, sell, convey or otherwise dispose of the same in such a manner as may be necessary or advisable to carry out the purposes of Chapter 18 of Title 17;
 - (c) It shall develop and implement, in consultation with the Department of Environmental Quality, schedules of user fees, franchise fees and other charges, including nonregulatory penalties and surcharges applicable to the state commercial hazardous waste management facility;
 - (d) It may employ consultants and contractors to provide services including site acquisition, design, construction, operation, closure, post-closure and perpetual care of the state commercial hazardous waste management facility;
 - (e) It may apply for and accept loans, grants and gifts from any federal or state agency or any political subdivision or any private or public organization;
 - (f) It shall make plans, surveys, studies and investigations as may be necessary or desirable with respect to the acquisition, development and use of real property and the design, construction, operation, closure and long-term care of the state commercial hazardous waste management facility;

- (g) It shall have the authority to preempt any local ordinance or restriction which prohibits or has the effect of prohibiting the establishment or operation of the state commercial hazardous waste management facility;
- (h) It may negotiate any agreement for site acquisition, design, construction, operation, closure, post-closure and perpetual care of the state commercial hazardous waste management facility and may negotiate any agreement with any local governmental unit pursuant to Chapter 18 of Title 17;
- (i) It may promulgate rules and regulations necessary to effectuate the purposes of Chapter 18 of Title 17 not inconsistent therewith.
- (j) If funds are not appropriated or if the appropriated funds are insufficient to carry out the provisions of Chapter 18 of Title 17, the department shall expend any funds available to it from any source to defray its costs to implement Chapter 18 of Title 17 through February 1, 1991.

SECTION 10. This act shall take effect and be in force from and after passage.

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