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Capacity crowd hears Indy Mayor

Indy mayor describes positive results of competitive bidding: better service, lower costs

On March 11, Indianapolis Mayor Stephen Goldsmith addressed nearly 300 business leaders, legislators, and union and public officials about how to enhance public services and cut costs through competitive bidding. Goldsmith, introduced by Portland Mayor Vera Katz, helped launch Cascade's 1998 Oregon *Better Government Competition*.

Goldsmith recounted how Indianapolis has improved the quality of its services and reduced their cost by 25 percent since 1992. He told the audience, too, that the country's 12th largest city

in 1997 was 7 percent less than the budget when I took office."

To achieve these results, Goldsmith introduced competition into city government. Virtually all city operations are now put out for bid. Public employees compete with private firms for the privilege of doing the citizen's work.

Unionized employees have competed successfully, winning 37 of 86 contracts. Union members now suggest



Mayor Goldsmith

outsourcing when it will save money. Goldsmith offered two competitive bidding success stories from among many described in his recent book, *The Twenty-first Century City*, which has been ordered from Cascade by more than 230 public officials in Oregon.

Indianapolis Fleet Services (IFS) employees beat private competitors for the opportunity to repair city vehicles. As part of their

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“*The notion that...more government spending improves services is the single most destructive idea that hampers government policy today.*”

Stephen Goldsmith
Mayor of Indianapolis
The Twenty-First Century City

also reduced employee absenteeism and work-related injuries, shrank the workforce by more than 40 percent (public safety excepted), made the largest infrastructure investment in its history, and put 100 additional police officers on the street. Not one unionized public employee lost his job. Taxes have been reduced.

From 1992 to 1997, Goldsmith stated, “Our efforts saved \$230 million. During that period we cut the city budget each year...we actually spent less. Our budget

Competition Kicks Off!

\$35,000 for the best ideas to improve local government

The 1998 Oregon *Better Government Competition* kicked off March 1 with the most honoraria ever available — \$35,000 — to turn the best ideas for improving local government into formal proposals. The Honorable Mark O. Hatfield is among the nine judges who will select the winners. Entry deadline is April 30.

Open to all individuals and organizations, the 1998 *Better Government Competition* seeks ideas for improving local government, while reducing or main-

taining its cost. Ideas are sought for all areas of local government, from transit to education and building inspections, from fire protection to permit processes and water treatment. The 1998 theme is, “Local Solutions — Main Street to County Seat.”

This is the third *Competition* organized by Cascade. Governor John A. Kitzhaber, State Senate Majority Leader Gene Derfler, Secretary of State Phil Keisling,

gubernatorial candidate Bill Sizemore, executive director of the Association of Oregon Counties Robert Cantine, and numerous public officials across the state have endorsed it.

“The *Better Government Competition* is a positive way for Oregonians to improve the qual-

“*This competition provides a forum for innovative plans and ideas...*”

Governor John Kitzhaber



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Choice and Competition

Sandy to leave Tri-Met?

Sandy residents have discussed for years the possibilities for improved transit service. Now they are taking action. Sandy is taking steps to create a new transit system by leaving Tri-Met, the Portland-based regional government transit agency.

Every five years state law allows jurisdictions within the Tri-Met district to withdraw, provided certain conditions are fulfilled, among them petitions signed by 20 percent of the registered voters of the jurisdiction seeking to leave. In the fall of 1997 the Sandy City Council voted to initiate the opt-out procedure during the first half of 1998.

In recent months, the Council, its staff, and volunteers have engaged in a flurry of activity to make the transition

happen: petitions have been circulated, a state grant has been received to help pay for planning, and the public has been asked for innovative ideas.

The City Council initially envisioned a city-owned, tax-financed system similar to that run by Wilsonville, which left Tri-Met in 1989. Wilsonville riders now have better bus service and they pay no customer fares; their system is paid for entirely through a payroll tax *one-half the rate* of Tri-Met's.

However, as successful as the Wilsonville model has been, it is still a public monopoly. Over time it's likely the taxpayer-funded system will become as costly as Tri-Met's due to the lack of choice and competition.

To help them avoid that problem, Cascade presented detailed information to the Sandy City Council demonstrating the virtues of full-scale transit privatization. The Council subsequently

decided to broaden its inquiry and will consider all reasonable transit proposals, both public and private. On March 17, the City council received a briefing on a proposed jitney system modeled after a winning entry in Cascade's 1994 *Better Government Competition*

If Sandy leaves Tri-Met, state law allows Tri-Met to recover lost payroll tax revenue by simply shifting the burden to other businesses within the taxing district. Of course, if multiple jurisdictions within the Tri-Met district left simultaneously, Tri-Met's financing system would collapse under its own weight. Such a crisis will probably be necessary for local officials to realize that government monopolies don't work.

— John A. Charles
Environmental Policy Director

John lives near Sandy and regularly commutes by public transit.

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Interns at Cascade

Erich M. Stiefvater is one of our most recent interns, spending the last three months of 1997 with Cascade. Erich will graduate from the University of Portland this April with a communications degree. While at Cascade, Erich researched the history of jitneys in Portland; his article on the topic has been published in the March issue of Oregon's *Brainstorm* magazine.

Karen Yeo, who discovered Cascade on the internet, has been a dedicated volunteer since last October. She is responsible for the administrative details of the Independence Essay Competition and assisting with the *Better Government Competition*. A native of Singapore, Karen gradu-

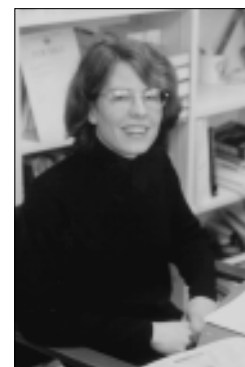


Interns Erich Steifvater and Karen Yeo help Cascade with research

ated from the University of Oregon in the spring of 1997 with a political science degree.

Laura Piampiano was hired in February to help launch the *Better Government Competition*. Laura has been instrumental in researching media and other promotional opportunities, organizing Indian-

apolis Mayor Goldsmith's events, and editing Cascade articles and publications. Laura graduated from Colgate University in 1992 with degrees in English and German. Two years later, she earned an M.A.T degree from Duke University.



Laura Piampiano assists with the 1998 Better Government Competition

“Thanks for all your help and inspiration over the past few months. I can honestly say that with your guidance, I have grown as a writer, researcher, and an intellectual...I will miss the dedicated atmosphere at Cascade.”

Erich M. Stiefvater
Intern, October-December 1997

Internship and volunteer opportunities are available year-round at Cascade. For more information contact Kurt T. Weber at (503) 242-0900 or Kurt@CascadePolicy.org, or refer to www.CascadePolicy.org/interns.htm.

Dissolve traffic jams with Transit, Inc.!

Open markets will reduce road woes

Cascade provides a blueprint for a better transportation system in Portland with the release of *Low-Cost Solutions to Portland's Traffic Problems: Congestion Pricing and Privatized Transit*. The report was written by Anthony Rufolo, Ph.D., an economics professor at Portland State University and former chairman of Tri-Met's Budget Advisory Committee.

The poor performance of American public transit monopolies is making policy makers take a hard look at private alternatives. Denver, San Diego, and numerous other cities have contracted out transit services at huge savings. Dr. Rufolo draws upon these examples and makes the following recommendations:

- Tri-Met should be required to competitively bid some or all of its bus routes. Allowing private sector operators to bid on routes would save millions in operating costs, and those saving could be in-

vested in better service.

- Regulations prohibiting private entrepreneurs from operating transit companies including taxi, bus and jitney services should be repealed. Such regulations create monopolies and cartels, which limit service and drive up costs for consumers.

For a copy of the full report, contact Cascade at (503) 242-0900, Info@CascadePolicy.org, or refer to www.CascadePolicy.org.

- The Tri-Met regional payroll tax — which will transfer some \$120 million from local business employees to Tri-Met during 1998 — should be cut substantially, and the remaining tax revenues spent in the form of transit vouchers.

With more transit options and vouchers in hand, people will be able to shop for the services that best meet their needs, and transit providers will have to be more innovative and cost-effective to get their subsidies. This would be a vast improvement over the the current system that sim-

ply deposits millions of dollars weekly in the bank account of one government monopoly.

- Open transit markets will work best if peak-hour (congestion) road pricing is simultaneously implemented. Congestion is caused by too many vehicles competing for limited road space. The solution is to institute a peak-hour price, or toll. Such tolls can be collected by electronic technology that eliminates the stop-and-go problem. The toll revenues should be used to reduce the gas tax and other transportation taxes.

If instituted, peak-hour pricing would create greater demand for transit and reduce the number of vehicles on the road, and transit operators and riders would benefit tremendously from increased traffic speeds. Congestion pricing is currently being studied by Metro, with input from Cascade.

Contrary to popular opinion, traffic congestion is not as inevitable as death and taxes. A solution exists: competition, pricing, and consumer choice in road operation and transit.

Social (In)Security Reform

Seven states introduce opt-out resolution

Cascade's idea for Social Security reform has gained support around the country. Seven more states have introduced versions of the path-breaking Opt Out resolution passed by the Oregon legislature last May. The opt out proposal follows the state's tradition of seeking — and receiving — federal waivers for JOBS Plus welfare and Oregon Health Plan/Medicare reforms.

Following Oregon's lead, Social Security opt out resolutions have been introduced by state legislatures in Arizona, Colorado, Indiana, Missouri, New Hampshire, South Carolina and Washington. On January 13, an opt-out resolution was passed by Arizona House and Senate committees.

The Oregon resolution calls on Congress to establish a waiver system allowing states to develop alternatives to the federal system. The opportunity to opt out of Social Security actually existed — for public employees — until 1983.

The Social Security opt out proposal

was first advanced at a June, 1996 Cascade event in Portland that featured Dr. Jose Piñera, architect of Chile's successful opt-out reform enacted nearly 20 years ago. Paul R. Farago, Cascade's senior advisor, conceived the idea.

Farago has since kept busy writing on the topic and speaking in support of the proposal before audiences and to the media in Arizona, Kansas, Minnesota, Washington, D.C. and Washington State. Cascade president Steve Buckstein has spoken in Louisiana and to the media in Minnesota, Texas, and New York. Oregon State Senator Gene Derfler and Representative Patti Milne have played instrumental roles in promoting the opt out option among their peers here and in other states.

For the full text of Oregon's resolution, visit www.CascadePolicy.org/ss/scr2.htm or contact Cascade at (503) 242-0900.



Paul Farago speaks on social security reform in Minnesota.

Would you like to receive e-mail updates on Social Security reforms? Just e-mail: Majordomo@lists.teleport.com with the following text in the body of the message: subscribe ss-optout-1-digest.

LIBERTY LINK

The internet is a valuable resource for those who embrace personal and economic liberty. Of particular note is Free-Market.Net. Produced by the Henry Hazlitt Foundation, Free-Market.Net (FMN) links individuals, organizations and publications — such as Cascade, the Cato Institute and *Reason* magazine, for an easy exchange of ideas and information.

The heart of FMN is its directory, a massive database of over 1,400 annotated links to home pages, events, experts, jobs, contests, scholarships, discussion rooms and more. FMN has a number of special features, including a Freedom Home Page of the Week and a monthly lottery.

FMN was *The Web Magazine's* "Editors Choice" in their What's New section last November. *Web* wrote, in part, "If you hold the opinion that civil and economic libertarianism are indissolubly linked, follow the endless ramifications of your belief at this lively, intelligibly argued outpost."

Cascade was recently highlighted in FMN's "Policy Spotlight" for its state-based Social Security opt out reform. Institute board member and senior advisor Paul R. Farago is on FMN's Board of Advisors. Stop by <http://www.Free-Market.net>!

Mayor

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bid, the employees offered to give up their last negotiated pay raise in exchange for a share of the savings generated beyond those specified in their proposal. The incentive helped. From 1991 to 1994, IFS reduced its workforce from 119 to 84, cut its annual budget by \$2 million, increased the number of vehicles serviced, and made repairs faster. Also, the number of worker compensation claims dropped.

A consortium of three private companies — from Indianapolis, Denver, and France — won the contract to manage two city wastewater treatment plants. Although



Portland Mayor Vera Katz speaks with Indianapolis Mayor Goldsmith at Cascade's March 11 luncheon

these plants were already recognized for efficiency and performance, the consortium slashed operating costs by 44 percent, or \$65 million, over the five-year contract. Currently, water leaving the plants is cleaner, on average, than EPA requirements.

KXL Newsradio 750's Lars Larson interviewed Mayor Goldsmith before he arrived in Portland. The March 9 *Oregonian* commentary by Cascade Chairman William B. Conerly further publicized Goldsmith's speech. During his half-day of business, Goldsmith met with 15 mayors, city managers, and city councilors from Oregon and Vancouver, spoke with the *Oregonian* editorial board, addressed the Oregon House of Representatives Agency Streamlining Committee and Senate Budget Committee, and was interviewed by Bill

Coulton of the *Daily Journal of Commerce*.

Portland Mayor Katz, in her introductory comments, praised Cascade for its *Better Government Competitions*. She also gave the Institute credit for helping open up the local taxi market to more competition.

Cascade is grateful to the Luncheon Sponsors who made the event possible: KPMG Peat Marwick, The Robert Randall Company, Henry Swigert, US West Communications, AMR Northwest, Stan Ash, Bill Blount, Wayne Hamersly, Melvin Mark Companies, Novartis, Dain Rauscher, and the McCormick And Schmick Management Group. Our gratitude is also extended to Coffey & Associates Video.

For videotapes of Mayor Goldsmith's presentation, or for copies of the Mayor's book, *The Twenty-first Century City*, please contact Cascade at (503) 242-0900 or send an e-mail to: Info@CascadePolicy.org.

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ity of life across the state and possibly the country," says Cascade executive director Tracie Sharp. She notes, because local governments everywhere offer similar services, the 1998 winning proposals stand a good chance of being replicated. The winning proposals will be distributed to media, public officials, think tanks and foundations across the United States, Canada and England.

Thirteen winning ideas from the two previous *Competitions* have been introduced as legislation in Oregon; five have passed into law, including DMV reform, and one is being directly implemented. Some 1994 winners were re-introduced as legislation during the 1997 session. Currently, City of Sandy officials are studying a 1994 winning idea — an innovative proposal to more efficiently use existing transit resources to help reduce congestion and increase transit options — for possible implementation.



From left to right, Sam Brooks, Richard Townsend, Tracie Sharp, Carolyn Chambers and Paul Farago at a recent dinner for Competition Judges

Sharp says, "Oregonians sent in over 400 idea papers to the 1994 and 1996 *Competitions*. This time we expect greater citizen involvement; to help achieve that goal we're working hard to encourage and increase public employee participation." Seven public employees have previously been named winners.

The *Competition's* format is simple. Brief idea papers describing a proposed reform are to be submitted to Cascade by April 30. The judges, listed below, will select up to ten finalists, who have over two months to develop their formal proposals. Finalists whose proposals meet the *Competition's* criteria will be announced as winners and honored at an October awards ceremony.

An intense promotional campaign is underway to publicize the *Competition*. More than 10,000 guidelines have been mailed around the state to public officials and community leaders. Radio and TV public service announcements, including one featuring Hatfield, are being aired. Further, numerous media interviews and speaking engagements before civic organizations have been conducted and are scheduled.

Competition judges

Ted Abram, Executive Director, American Institute for Full Employment (Klamath Falls); **Lindsay Berryman**, President, The Cookie Connection (Medford); **Samuel Brooks**, CEO, S. Brooks and Associates (Portland); **Carolyn S. Chambers**, Chairwoman, Chambers Communications (Eugene); **U.S. Senator Mark O. Hatfield** (Portland); **Carl J. Hosticka**, Associate Vice President, University of Oregon (Portland); **Elizabeth C. McCool**, Chairwoman, Western Communications (Bend); **Randall Pozdena**, Managing Director, ECONorthwest (Portland), **Richard C. Townsend**, Executive Director, League of Oregon Cities (Salem).

Competition sponsors

The Swigert Foundation, Goldsmith-Greenfield Foundation, A-Dec, AMR Northwest, Atlas Economic Research Foundation, Bank of America, James M. Bonavia Family Charitable Trust, Halton Tractor, KPMG Peat Marwick, Key Bank Foundation, PGE, Philip Morris, S. S. Johnson Foundation, and U.S. West Communications

For *Competition* guidelines, or for copies of the 20 winning proposals from the 1994 and 1996 *Competitions*, please call Cascade at (503) 242-0900, e-mail BGC@CascadePolicy.org, or visit www.CascadePolicy.org.