



# Fulton County Taxpayers Foundation

*Non-Profit Advocate Of Lower Property Taxes In Atlanta/Fulton County*

*Property Tax Appeals*

*Best Practices*  
**March 2010**

*Advocacy and Education*

A stylized, grayscale illustration of a city skyline with various skyscrapers and a road with lane markings leading towards the buildings.

## **Alternatives to Raising Taxes and Fees at the State Level**

# Alternate Approaches To Increasing Taxes

The Georgia General Assembly is adjourned for two weeks to allow the leadership to consider a variety of new taxes and fees to balance the state's budget.

There are alternative approaches to increasing taxes and fees:

1. **Privatization & Managed Competition:** During former Gov. Jeb Bush's term (1999-2007), Florida engaged in over 138 privatization/managed competition initiatives saving taxpayers over \$550 million annually. When other states were raising taxes, these initiatives helped Florida shed almost \$20 billion in taxes during Bush's term. Over the same period, the total number of authorized positions in all of state government – including the courts, Lottery, the National Guard, and elected or appointed officials – fell by over 3,700.

Privatization Initiatives in Florida have ranged from highway maintenance (\$83.7 million in savings alone), core enterprise IT infrastructure, vehicle fleet management, Medicaid billing, toll collections, online professional licensing, state psychiatric hospitals, prison food service, maintenance in state parks and custodial services, among many others. On the local levels, Florida cities and counties have emulated the State by privatizing with managed competition such services as Garbage Pick-up with potential savings of 60%; Airport Management & Operations with potential savings of 40%; Recreational Facilities Management & Operations with potential savings of 52%; Road Maintenance with potential savings of 50%; wastewater treatment with potential savings of 30%; water with potential savings of 25%. These savings represent actual case studies.

In March 2004, Gov. Bush signed an executive order directing the Department of Management Services to create a "Center of Excellence" authorized to conduct a statewide evaluation of Florida's competitive sourcing efforts. The new Center for Efficient Government, subsequently codified by the Legislature as the Council on Efficient Government, was also empowered to "identify opportunities for additional initiatives, and oversee execution of future projects."

The Florida Center for Efficient Government (CFEG) has as its mission "to promote fair and transparent best business practices in government in order to foster accountability, competition, efficiency and innovation in the way State agencies serve Florida's citizens." But CFEG also serves as the enterprise-wide gateway for best business practices in competitive sourcing, and standardizes how the State identifies opportunities, conducts competition, and awards and manages contracts for government services.

CFEG is tasked with changing the way the State uses competition to deliver services, creating a process that is transparent, accountable, and performance based.

Utah and Virginia have followed the successful privatization and managed competition. The State of Georgia should carefully consider the Florida success.

2. **Number of Employees:** Any analysis of Georgia budgets should include the number of employees. The State has been mistakenly operating like large U.S. manufacturers over the years:

- Maintaining a higher percentage of fixed costs relative to overall costs in an effort to take advantage of operating leverage.

An operating level based on "pushing" services rather than "pulling" when needed by citizens.

The operating model works well when demand is steady and predictable and customers have little choice. The reality is that Georgia's economy is not steady and predictable. Tax revenues are declining rapidly. Today's populations are extremely mobile – moving to other states to find employment. The State of Georgia must embrace a new operating model: one based on a more variable cost structure (3<sup>rd</sup> party outsourcing) that are triggered only when services are demanded.

# State of Georgia

## Schedule 13

### State Government Employment by Function For the Last Ten Fiscal Years

	2009	2008	2007	2006
<b>Governmental Activities</b>				
General Government	8,425	9,151	9,240	6,779
Education	1,156	1,186	1,160	1,129
Health and Welfare	22,629	23,430	22,732	22,170
Transportation	5,340	5,745	5,849	5,769
Public Safety	21,829	23,850	23,115	23,266
Economic Development and Assistance	4,636	4,650	4,584	4,589
Culture and Recreation	2,785	3,160	3,023	2,945
Conservation	746	776	776	742
	<u>67,546</u>	<u>71,948</u>	<u>70,479</u>	<u>67,389</u>
<b>Business-Type Activities <sup>(1)</sup></b>				
Georgia Technology Authority <sup>(2) (3)</sup>	-	-	-	562
Higher Education Fund	85,193	86,579	84,795	82,200
State Road and Tollway Authority <sup>(4)</sup>	53	43	51	-
	<u>85,246</u>	<u>86,622</u>	<u>84,846</u>	<u>82,762</u>
<b>Total Employment</b>	<u>152,792</u>	<u>158,570</u>	<u>155,325</u>	<u>150,151</u>

3. **Lean Six Sigma:** Today, the State of Georgia is facing a crisis of sharply declining revenue and increasing cost of operations of government. It involves our inability to manage the state's budget given the sharp decline in revenues. The receding financial "water levels" have exposed the boulders of waste, inefficiency, and poor management. Although the state budget has been slashed from \$22 billion to \$18 million, there remains a \$1 billion shortfall! The application of Lean Six Sigma could be of significant help to the State of Georgia as well as local governments.

In 2000, the City of Fort Wayne, Indiana suffered many of the same symptoms of Georgia, i.e., Budget Shortfall, Deteriorating Infrastructure, Increases in Demand. for Services. Through the aggressive implementation of Lean Six Sigma – improvement of the processes - the City leaders addressed the inefficiencies and waste. Here are but a few results of Lean Six Sigma:

- Reducing time to fill pot holes from 48 hours to 2 ½ hours.
  - Streamlining the permitting process from 42 days to 12 days.
  - Reducing City Engineering plan time from 7 hours to 2 ¼ hours.
- Reducing trash pick-up by 50%.

In 2006, Washington State Department of Licensing identified those offices having excessive customer waiting time for obtaining or renewing a driver's license. Using the Lean Six Sigma – the improvement of the processes - State officials focused data collections on finding process bottlenecks, solutions were implemented that included changes in software, queue organization, and equipment layout. The State Of Washington achieved a 50% or more wait time reduction along with the increase in customer satisfaction.

4. **Selling Off Capital Assets:** The State of Georgia must also carefully examine its Balance Sheet to monetize value. For example, the largest component of the State's total net assets, \$25.6 billion, is comprised of capital assets, i.e., land, buildings, infrastructure. The State should explore opportunities to sell unneeded land to conservation groups and sell State buildings and lease them back. The table below shows the State of Georgia's New Assets as of June 30, 2009 and the extent of capital that could be freed up through sale-leaseback.

*Please see table on page 4*

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**Fulton County  
Taxpayers Foundation**

309 E. Paces Ferry Rd NE,  
Suite 607

Atlanta, GA 30305

Phone: (404) 869-6066

Fax: (404) 869-6101

Email: [fctf1@bellsouth.net](mailto:fctf1@bellsouth.net)

Website: [www.fctf.org](http://www.fctf.org)

Table 3

Capital Assets, Net of Accumulated Depreciation as of June 30, 2009 and 2008  
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,749,969	\$ 2,570,400	\$ 277,581	\$ 245,556	\$ 3,027,550	\$ 2,815,956
Buildings/Building Improvements	1,892,080	1,853,913	4,762,378	4,304,792	6,654,458	6,158,705
Improvements Not Buildings	36,676	38,163	190,100	168,080	226,776	206,243
Machinery and Equipment	235,056	266,266	1,589,275	1,197,894	1,824,331	1,464,160
Software	57,544	66,747	587	755	58,131	67,502
Library Collections	-	-	175,938	172,151	175,938	172,151
Works of Art and Collections	1,781	1,801	40,493	34,599	42,274	36,400
Infrastructure	10,004,116	9,590,669	166,841	163,151	10,170,957	9,753,820
Construction in Progress	5,062,994	4,607,139	219,935	315,155	5,282,929	4,922,294
<b>Total</b>	<b>\$ 20,040,216</b>	<b>\$ 18,995,098</b>	<b>\$ 7,423,128</b>	<b>\$ 6,602,133</b>	<b>\$ 27,463,344</b>	<b>\$ 25,597,231</b>

## Conclusion

**During this Great Recession, the leadership of the Georgia House and Senate must be aware of the latest trends in streamlining government. The Taxpayers Foundation feels strongly that the State could balance its budget by adopting Privatization & Managed Competition, Lean Six Sigma and the sale-leaseback of billions of dollars in capital assets.**

**As a public service, the Taxpayers Foundation offers its services pro bono to the State.**

**John S. Sherman**

**President**

***Unite the Fight To Bring Better Government  
to Atlanta and Fulton County!***

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In addition, I enclose a **tax-deductible** contribution of: \$100\_\_\_ \$500\_\_\_ Other\_\_\_

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