

Governor's Efficiency Study: A Move Towards "Privatization"?

In February 1985, newly elected Gov. James G. Martin created the Governor's Efficiency Study Commission, chaired by Thomas I. Storrs, retired chairman of the board, NCNB Corporation. Storrs led a 37-member commission which was assisted by 73 "study team members," as the report dubbed them. These 73 were on loan to the commission from corporations, consulting firms, banks, and other North Carolina businesses. Divided into five teams, these executives studied all state departments for ways to improve government efficiency and save money.

On September 30, the Governor released the commission's report with 414 recommendations, itemized department by department in a 162-page book. Much of the report focused on computers and management issues, straightforward "efficiency" issues. In many instances, however, the report went a step further. "Like the Grace Commission put to work by President Reagan on the federal government, the Storrs Commission strayed from inefficiency into policy," observed *The News and Observer* of Raleigh in an October 6 editorial.

The policy-related recommendations reflect various themes and controversies, from environmental concerns to issues of "privatization." Three commission proposals addressed the "privatization" theme directly. Recommendations 263 and 266 proposed that the North Carolina Museum of Art and the North Carolina Symphony convert gradually to privately endowed and operated facilities. Recommendation 410 suggested that the University of North Carolina system contract for custodial services rather than use staff members.

Newspaper editorials generally disagreed with the proposals about the art museum and symphony. "The more distressing of these proposals is the one to toss the symphony out in the street," said the *Wilmington Morning Star* on October 2. "It has been North Carolina's pride for 50 years. It takes symphonic music into every nook and cranny of the state and to every school child. Without the admittedly generous state subsidy, the orchestra would become something else entirely—probably the Raleigh Symphony."

The Raleigh Times, in an October 14 editorial, objected in stronger terms. "If efficiency were the only value, symphonies and art would not exist. Art is apples; efficiency is oranges."

Characterizing the proposals as "political landmines," the *Winston-Salem Journal*, in an

October 6 editorial, advised Martin to reject the ideas. "The museum and orchestra, cut loose from the state budget, would face a death sentence. Is that the 'efficiency' the commission had in mind?"

Analyzing the structure of the North Carolina Art Museum and the North Carolina Symphony goes beyond the scope of the "privatization" issue (see "The State of the Arts?" *North Carolina Insight*, February 1983). But the prevailing assumptions in considering turning these institutions into private-sector enterprises raise important questions about "privatization" in general.

For example, J. Gordon Hanes Jr., chairman of the art museum's board of trustees, said the museum would have to raise an endowment of some \$50 million in order to provide the \$3.4 million it needs to operate each year. While this \$3.4 million would cover the state appropriations for operating expenses, what about the taxpayers' money that went to build the \$16-million museum building? And what about paying the state for the value of the state's art collection itself? How much would that cost?

Certainly, cost and efficiency studies involve the "privatization" issue. If the University of North Carolina system can save \$10.6 million a year, as proposal number 410 says, perhaps the University should consider contracting for custodial services. But just as the art museum and symphony involve more than issues of efficiency, the custodial service involves the jobs of 769 people.

Reimbursements and finances aren't the bottom line, when addressing issues of "privatization." *The Raleigh Times* editorial framed the issue in dramatic terms. "The commission's weird logic stems from a bad case of today's fever to privatize everything that isn't nailed down and much that is. The passion to privatize has already reached the prison system [see page 11]. Maybe some corporation would like to buy the State Fair next. Or the Highway Patrol or the Raleigh Police Department. The public highways could be sold off and turned into private toll roads. And why not sell the University of North Carolina system?"

The final question—for "privatization" and for Governor Martin as he ponders whether to implement his commission's recommendations—is this: What is the proper role of government in providing certain services? Put another way, is a particular service a proper function for the public sector or the private sector?

—Bill Finger