



A CLI "Innovate" Paper

E-government: Saving Money While Better Serving the Citizens

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Former Indianapolis Mayor Stephen Goldsmith said that one of the greatest challenges facing local government is how to do more with less. This is certainly true for local governments in North Carolina. In the past two years, they have had to adjust to significantly more stringent budgetary constraints. This was brought on, in large part, by Governor Easley's decision to withhold state reimbursements to counties and municipalities. Because of this localities are being forced to find innovative ways to balance their budgets.

A variety of alternative service delivery techniques can be used to maximize efficiency, increase service quality, and lower costs. Some methods will be more appropriate than others depending on the service. What is commonly known as e-government, providing government services over the Internet, can be implemented to increase efficiency, deliver quality service, and lower costs. Though decreases in revenues have slowed the implementation of e-government initiatives,¹ to reduce costs over the long run governments must continue to plan ahead and implement new programs.

It should be noted that the purpose of the suggestions made here is to ensure that taxpayers can keep more of their money. The reason for implementing e-government is not to free up revenues and other resources for new government programs. Any savings should be reflected in lower taxes. When the government has fewer obligations that need taxpayer funds, it is more able to weather the budget storms that NCs state and local governments are currently facing. Furthermore, freedom and economic growth are advanced when citizens are allowed to keep a greater percentage of their income. The reason for considering e-government or other efficiency enhancing strategies, is not only to improve the fiscal health of the government but to enhance the general economic well-being of the citizenry and to encourage a return to limited government.

E-Government

Electronic government is changing the way government delivers services. As might be expected, use of the Internet by governments at all levels has expanded considerably in recent years (see graphs). The Internet is being used to make information and documents available, to allow people to carry out transactions such as paying traffic tickets and taxes, and to aid governments in procurement and contracting. When governments go online they reduce phone calling and paperwork for both the bureaucracy and the citizen.² While most government officials report that the use of e-government decreases costs, we should note that some attempts have been more successful than others. Unfortunately, the city of Raleigh's e-government effort was ranked one of the worst in the nation recently by a Brown University study. These rankings were based on website

design, information available, and security, among other criteria.³

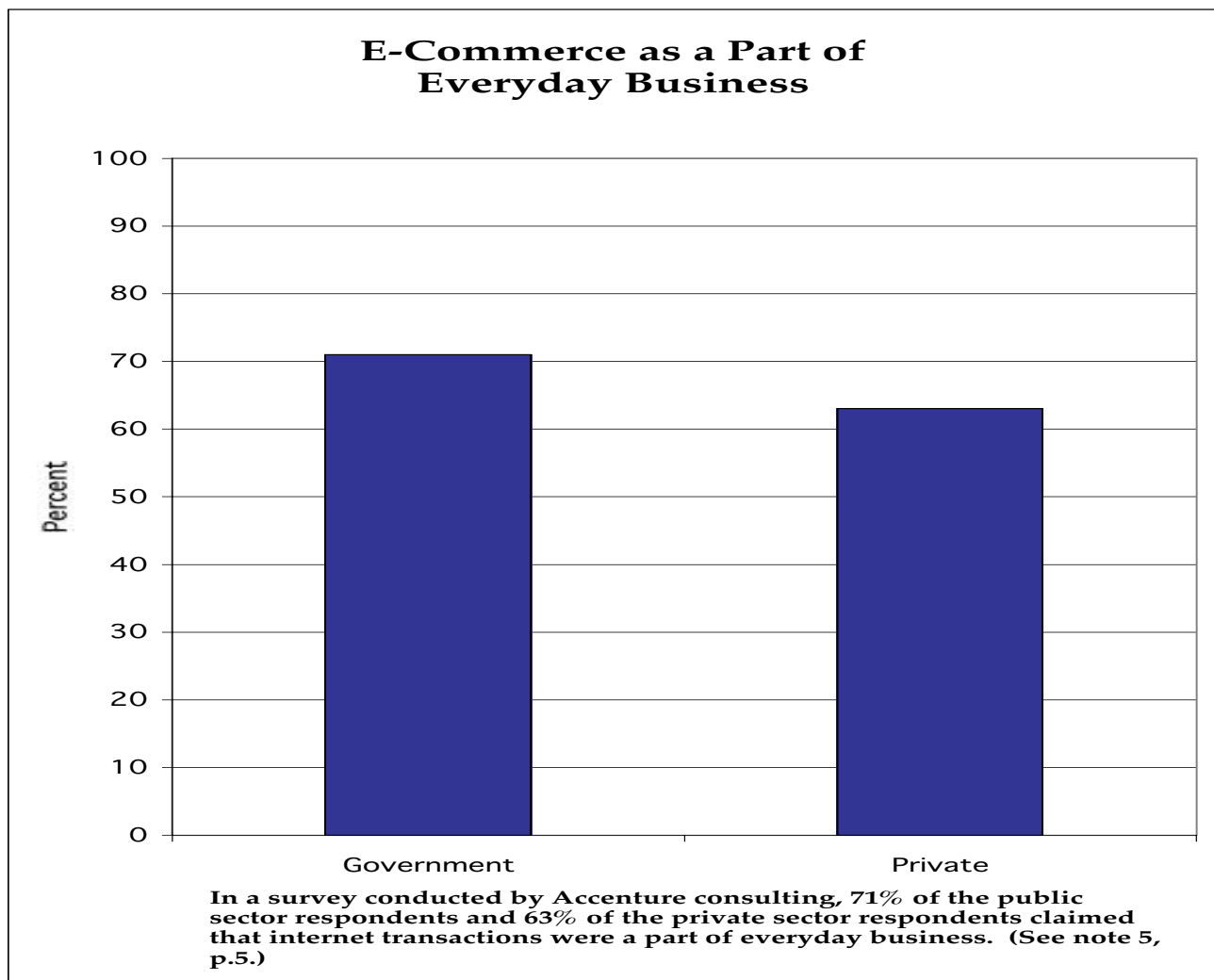
Cost Savings

Electronic commerce allows citizens to access government. It eliminates the inconvenience of having to appear in person and possibly wasting time standing in a line or being stuck in traffic. As has been noted in one publication, activities like paying taxes or renewing a drivers license, generate a great deal of paperwork for both citizens and government.⁴ The use of the Internet for transactions like these can dramatically reduce these costs for both the government and the public. A governments online presence treats the taxpaying citizen more like a customer and less like a subject.⁵

The Institute for Electronic Government reports that, depending upon the service and the nature of the population that uses it, some governments are saving up to 70 percent of the cost by moving services online. That does not include savings to citizens.

Although electronic government is still embryonic, a wide range of government services have become available online. Some examples are:

The Indiana Department of Revenue uses bar codes to speed tax-return processing. It takes 4.5 hours to process 90 regular paper returns. The same number of bar-coded returns can be processed in 15 minutes. The error rate is also reduced to below 2 percent from a manual data error rate of 14 percent. Processing a regular return costs a little more than a dollar. The bar code reduces the cost by 69 cents.



In Wake County, NC, the Register of Deeds office offers marriage records, new business forms and all property records back to 1974 over the Internet. Director, Laura Riddick estimates that electronic services have saved her office from having to hire as many as 7 employees, resulting in a savings of about \$170,000 a year. If her office did not offer these services online, they would have been forced to find more office space to accommodate both the larger staff and the additional foot traffic.⁶

In Bladen County, NC commissioners approved a plan to make the zoning permit process easier. Under an agreement with a local Internet provider, the county will offer zoning permits online, cutting the time a builder has to spend going to the government office to obtain them. County officials believe that they will be able to cut the costs of issuing permits.

Boston offers a wide range of online services, including payment for dog licenses, excise taxes, and parking tickets. The city has invested heavily in infrastructure to support its online system, including top-of-the-line hardware for its website.⁷

Seven Silicon Valley cities are piloting an Internet-based building-permit system called Smart Permit. The system is a joint venture that includes corporations, civic entrepreneurs, the architectural and construction industries, and several technology providers; including Microsoft, Autodesk, and Tidemark. It is funded by over 120 investors. Composed of a suite of solutions designed around each step of the permitting process, Smart Permit enables customers to submit their materials, track progress, communicate with reviewers, pay permit fees, and receive approvals online.

Colorado became the first state in the nation to implement a system that allows lawyers to file lawsuits through the Internet. In November, 1999 the state signed a deal with a Texas company, Justice Link, which facilitates the filing of lawsuits over the Internet for district courts statewide. Under the system, attorneys can sign up with Justice Link and pay 10 cents per page to make filings. The company processes the filing and notifies the courthouse in Colorado via the Internet. A court clerk reviews the filing, pushes a button to accept it, and the system automatically assigns it a case number and a judge. Judges, in turn, can read the files over the Internet and e-mail decisions to attorneys.

American Management Systems (AMS), a private company in Fairfax, Virginia has installed tax-collection systems in a number of states under what is called a benefits-funded contract. The idea is that increased efficiency in the system will result in additional tax revenues being collected. AMS is paid out of the additional funds that their system generates for the state. Officials in California, Hawaii, Kansas, and Virginia have hired AMS to implement their system. In Virginia, for example, AMS has a five-year, \$122 million contract from which the state expects to receive \$50 million to \$60 million annually in additional revenue.

Arizona and IBM also used a self-funded contract to implement an online vehicle registration program. The average wait in line to register a car at the Arizona Motor Vehicle Division (MVD) was 45 minutes. The MVD's new system, Service Arizona, electronically processes vehicle registration on the Internet or the phone and takes as little as three minutes. Once a transaction is completed, the MVD database is updated instantly and registration fees are charged to a credit card. In March 1999, 22,683 renewals (12 percent of the renewals that month) were completed using Service Arizona. Not only does the electronic process save time; it saves money. The MVD figures that each manual transaction costs \$6.60, while an electronic transaction costs \$1.60. MVD expects Service Arizona to save it \$1.25 million annually.

Many of these online services could be implemented by local governments in North Carolina and, as was noted, some counties in the state have already started.

Utilizing the private sector

In a September 13 *San Francisco Chronicle* cover story, Kelly Kimball, CEO of government-software developer SDR Technologies, argued that public-private partnerships are the only real solution for e-government. "The new model is that we develop the necessary software, run it on our own servers and take care of all the maintenance and software hassles, all at no charge to the agency. Our compensation is entirely transaction-based."⁸

E-government initiatives that include a private sector partnership are especially appealing to governments looking to decrease overhead and start-up costs. Initially implementing high technology services may be expensive, even though over time the savings can more than compensate for the initial investment.⁹ This is when public-private partnerships can be useful. Utah's chief information officer, David Moon, wanted a company to build and operate the state's Internet site but knew it could take more than a year to get the necessary funding. Utah advertised for a self-funded contract. A company won the contract and makes its money by charging fees for online services to Utah businesses and citizens. Our revenue-sharing arrangement enabled us to get funding and resources from the private sector without any capital outlays on our part, said Moon.¹⁰

There are a number of private companies that provide governments with the tools to accomplish government business online. These include established businesses like EDS, IBM, Lockheed Martin IMS, NIC, and AMS and upstarts such as Ezgov.com, govWorks.com, Gov Connect, and Link2.com. Ezgov.com lets citizens renew business and driver's licenses, pay parking tickets, and obtain building permits using either its own site or city and state government sites that are part of its system. It charges fees of \$1 to \$5, which governments pay in full or pass on to users in the form of fees for service. So far, the state of Georgia and several cities and counties have signed up.

While the Internet, in some cases, may make it easier to pass along administrative costs to those accessing services via the Internet, from a philosophical perspective, this does not mean that it is always proper to do so. For example, it would not be proper to charge a developer a fee to download the forms needed to comply with an environmental regulation or a zoning requirement. Nor would it be appropriate for the department of revenue to charge taxpayers additional fees for filing their taxes on line. These are not services provided by the government but a requirements imposed on citizens, presumably for the benefit of society. If the population as a whole benefits from a given regulation or tax, then society ought to bear the costs of administering it. On the other hand, it would be completely appropriate to charge a transactions fee to those who use the Internet to pay college tuition or to rent a camp site at a state park.

The status of e-government in North Carolina

North Carolina generally ranks high when compared to other states that are pursuing e-government initiatives. However, there are areas where the state falls short. For example, North Carolina needs to make greater use of electronic technologies that make forms more widely available online to ease regulatory compliance.¹¹ On the other hand, in the area of tax compliance the state performs relatively well. For example, in interstate rankings it is rated among the highest in providing access to tax forms.¹²

Most county and municipal governments have not advanced as far as the state government in providing services online. This is probably because of the large amount of resources that are needed for the transition to e-government, and because of a lack of understanding of the technological and financial advantages from pursuing an e-government strategy. However, that is changing. Though most local governments in the state have a long way to go, the Wake County Register of Deeds serves as an example of how local governments can succeed.

Conclusions

In these times of tight budget constraints, state and local governments first need to find ways to reduce the scope of their activities and therefore the size of their operations. Government is overextended at all levels. In addition, state and local governments need to find ways to make existing operations and the services that they do provide more efficient. E-government is a viable option for both streamlining government and for better serving the citizens of North Carolina.

There is no excuse for consistently forcing people to wait in long lines at the DMV or to apply for permits or other licenses. E-government has the potential of allowing people to shop for government services and comply with government mandates and regulations from the convenience of their own home or office. It is not only the state's obligation to make itself as accessible as possible but also to make the regulations that it imposes on its citizens easy to comply with. E-government is a way of accomplishing both of these tasks.

Notes

1. *E-government Privatization 2002* (Los Angeles: Reason Public Policy Institute), 2002, p. 19.
2. Ellen Perlman, Tech Talk, *Governing Magazine*, Vol. 94, Sept. 2000. See also *At the Dawn of E-government*, Deloitte Research, New York, N.Y., 2002. p. 1. Found at, www.deloitte.com/vc/0,1639,sid%253D2228%2526cid%253D3446,00.html
3. Raleigh's Tangled Website, *The News and Observer*, October 5, 2002, 3B. See also *The Digital State 2001* (Washington, D.C.: The Progress and Freedom Foundation), 2001. Found at www.pff.org/publications/digitalstate2001.pdf
4. *E-government: Connecting the Dots?* Accenture. p. 3. Available at www.accenture.com/xdoc/en/industries/government/egovernmenta4.pdf
5. *E-government: The Commitment Continues*, Accenture, p. 3. Found at www.accenture.com/xdoc/en/Industries/Government/eGovernmentGBfinal_web.pdf. Also see *Creating A Performance Based Electronic Government*, (Arlington, VA: The Performance Institute) October 30, 2002, pp. 25-39.
6. See Client Register of Deeds, Wake County at www.integic.com/info_central/cs_res.cfm?num=10
7. www.cityofboston.com
8. Reprinted in Lisa Snell and Adrian Moore, *Privatization: E-Government*, *Intellectual Ammunition* (Heartland Institute: Chicago), Nov.-Dec., 1999, p.10.
9. Ibid.
10. Steve LeSueur, Partnership Programs Gain Following, *Washington Technology*, vol. 14 no. 11. Found at www.washingtontechnology.com/news/14_11/state/738-1.html
11. *The Digital State 2001* (Washington, D.C.: Progress and Freedom Foundation) November 2002, p 5 and 58.
12. Ibid., p. 8.

About Erik Root

Erik Root is a policy analyst with the Center for Local Innovation. He serves as editor of the *Prism* newsletter -- a publication concerned with local government issues. He is a graduate of the University of Montana and is a Ph.D. (A.B.D.) in political science at the Claremont Graduate School. He received the Winston Churchill Association scholarship and received the Grebeldinger scholarship in constitutional law. He has attended colloquia sponsored by the Intercollegiate Studies Institute, Liberty Fund, and the Acton Institute.