

Contracting Out Services as a Policy Tool

Contracting-out public services has become a “best practice” for local elected officials, especially since the rise of the Reinvention of Government Movement and its mantra that government should be run more like a business (Morgan et al. 2019, 209–211). There are lots of incentives for government to contract out portions of its service delivery responsibility. It can save money, because contractors may often be able to pay their employees less and not have fiscal liability for retirement and medical benefit programs. The government can also acquire access to expertise and experience of nonprofit service providers, especially involving target populations. There is also the advantage of teaming up with community providers who have a well-established reputation for high quality service delivery. But there are some important cautionary lessons for elected officials.

Some Policy Implications for the Contracting Organization

It is easy for elected officials to forget important fiduciary values, especially if they leave the contracting process to lawyers, accountants, and other professional career administrators. Issues of accountability, equity, and due-process can be given short shrift as these contracts get put on the “consent agenda,” thus avoiding the opportunity for close scrutiny and public debate (see further discussion of the uses of the consent agenda in Morgan and Gleason, 2020, Chapter 6; also see Cooper 2003, especially chapter 1). One of the coauthors recalls their own experience as a school board member of being successfully sued by former custodians who claimed that the board could not use the contracting process to avoid a separate statutory provision preventing the board from hiring “any applicant for employment unless the board is

satisfied that the applicant poses no danger to school children.” The state supreme court held that the board could not delegate this authority to a contractor by requiring the contractor to do background checks rather than the district (*Walter v. Scherzinger* 2005).

Policy Implications for the Community

The increased reliance on nonprofit organizations to deliver public services can also have some unintended consequences in altering the missions and structures of these organizations. In some cases, government contracting has incentivized nonprofits to alter their mission to align with contract dollars. In order to comply with performance-based contract requirements, nonprofits have had to replace volunteers with accountants, contracts officers, budget managers, and other trained professionals who can provide the kind of quality assurance the government expects. As one student of these developments has observed, “more dependence on nonprofit organizations means not less but more government involvement in the affairs of voluntary and community agencies. . . .” (Smith and Lipsky 1993, 5). Ironically, the more public organizations take their accountability obligations seriously, the more they incentivize reduced reliance on the civic engagement of volunteers, exactly the opposite outcome they want from the standpoint of their polity leadership role of building social capital and citizen involvement (see further discussion of this issue in Morgan and Gleason, 2020, Chapters 6 and 7).

Contracting-out for services can also shrink who is involved in community-serving activities in other unintended ways. For example, Multnomah County, Oregon, the county board decided to contract-out nearly 60 percent of its mental health services to a third-party provider (Morgan and Gleason, 2020, 89). Over time other smaller providers adjusted to the new market

created by the county's decision to contract out and consolidated with the large single provider. When this larger provider faced financial problems verging on bankruptcy, the county board had no internal or external capacity to fill the void. They had no other choice than to work with the provider to problem-solve their financial problems. Without knowing it, the county had changed the make-up of its community's civil society sector. We are not in a position to judge whether this change was for the better, but we are in a position to argue that these kinds of changes should not be unintended outcomes of board policy decisions that fail to consider the long-term consequences.