

PRIVATIZATION OF SERVICE DELIVERY IN TEXAS:  
AN EXAMINATION OF PRIVATE SECTOR PERCEPTIONS ABOUT  
CONTRACTING WITH STATE AND LOCAL GOVERNMENT

BY

JOHN F. BISHOP

AN APPLIED RESEARCH PROJECT (POLITICAL SCIENCE 5397) SUBMITTED TO  
THE DEPARTMENT OF POLITICAL SCIENCE  
SOUTHWEST TEXAS STATE UNIVERSITY  
IN PARTIAL FULFILLMENT  
FOR THE REQUIREMENTS FOR THE DEGREE OF  
MASTERS OF PUBLIC ADMINISTRATION

(Fall 1992)

FACULTY APPROVAL:

Pat Shields  
George W. Weber

## TABLE OF CONTENTS

CHAPTER 1 . . . . .	1
INTRODUCTION . . . . .	1
CHAPTER 2 . . . . .	4
LITERATURE REVIEW . . . . .	4
INTRODUCTION . . . . .	4
Evolution of the Public and Private Sectors . . . . .	4
Differences in Public- and Private-Sector Service Provision . . . . .	6
New Federalism and the 1980s . . . . .	8
PRIVATIZATION: CONCEPTUALIZATION AND MEASUREMENT . . . . .	9
Definition . . . . .	9
Methods of Privatization . . . . .	12
Advantages and Disadvantages of Contracting . . . . .	14
Privatization: Measurement . . . . .	16
CONTRACT ADMINISTRATION . . . . .	18
To Contract or Not to Contract . . . . .	18
Aspects of Contract Administration . . . . .	21
Problem Areas of Contract Administration . . . . .	25

DEVELOPMENT OF KEY CONCEPTS . . . . .	27
Understanding the Area of Service Delivery . . . . .	28
Development of Bid Specifications . . . . .	28
Development of Performance Criteria . . . . .	29
Criteria for the Award of Contract . . . . .	30
Length of the Contract Period . . . . .	30
Use of a Transition Plan . . . . .	31
CONCLUSION . . . . .	32
 CHAPTER 3 . . . . .	 34
RESEARCH SETTING . . . . .	34
INTRODUCTION . . . . .	34
TEXAS SCHOOL DISTRICTS - CONTRACTING FOR FOOD SERVICES . . . . .	 34
Federal Regulations . . . . .	34
State Regulations . . . . .	37
School District Regulations . . . . .	37
TEXAS AGENCIES - CONTRACTING FOR SERVICES . . . . .	39
State Statutes . . . . .	39
General Service Commission Rules . . . . .	39
CONCLUSION . . . . .	40
 CHAPTER 4 . . . . .	 42
METHODOLOGY . . . . .	42
INTRODUCTION . . . . .	42
TECHNIQUE . . . . .	42

DATA SOURCE . . . . .	44
Problems with Data Collection . . . . .	45
VARIABLE MEASUREMENT . . . . .	47
CHAPTER 5 . . . . .	49
RESULTS . . . . .	49
INTRODUCTION . . . . .	49
Questions Resulting from the Response Rate . . . . .	49
Accuracy of the State Bidder's List . . . . .	50
Currency of the State Bidder's List . . . . .	50
Accessibility to Information . . . . .	51
RESULTS OF RESPONDENTS . . . . .	52
Demographic Data . . . . .	52
Questionnaire on Perceptions Regarding Key Concepts . . . . .	52
Government Understanding of the Service to be Contracted . . . . .	52
Design of Accurate Bid Specifications . . . . .	53
Use of Realistic Performance Criteria . . . . .	53
Criteria for Award of Contract . . . . .	54
Term of Contract . . . . .	54
Use of a Transition Plan . . . . .	55
Overall Perception of the Contracting Experience . . . . .	55
Open-ended Questionnaire . . . . .	55

State Agency Contractors . . . . .	56
Texas School District Contractors . . . . .	58
CHAPTER 6 . . . . .	60
CONCLUSION . . . . .	60
Government Structure of Bidder's Lists . . . . .	60
Topics for Future Research . . . . .	63
APPENDIX A - PART 1 . . . . .	65
APPENDIX A - PART 2 . . . . .	71
BIBLIOGRAPHY . . . . .	77

## CHAPTER 1

### INTRODUCTION

Privatization has been a public sector phenomenon that has become accepted, only in the last decade, as a method of delivering government services.<sup>1</sup> The first time the term "privatize" appeared in a dictionary was in 1983. The definition was narrow and applied only to a change from public to private ownership or control (Savas, 1987: 3). With the election and re-election of Ronald Reagan as President during the 1980s, the country had a leader with a strong commitment to privatization as a method to reduce the size of government.

Budget problems aggravated by the deficit and by a resistance in the electorate to pay higher taxes brought emphasis to the size and costs of government. As budget shortfalls at all levels of government became more prevalent, so did privatization as the acceptable alternative. In addition, pressures from business to expand into the public sector, as a new growth area, increased. Finally, a type of populist movement became the impetus for the phenomenon. These individuals maintained that more choice in the services offered was needed, and that citizens should not rely on distant bureaucracies for service provision (Savas, 1987: 4-10).

---

<sup>1</sup>Contracting is the oldest form of privatization and has been used for years in areas requiring specialized products or skills.

By the later half of the 1980s, many different types of privatization had appeared. Frequent use of the many types of privatization caused the lines between the public and private sectors to blur as businesses began to examine service delivery from the public sector perspective. Contracting for service delivery became a popular technique of privatization. Constituencies learned that, in many instances, the private sector could provide services more efficiently and effectively.

Also, by the later half of the 1980s, much research had appeared on the subject of privatization. One major area of study was of similarities and differences between businesses and governments. Another major area of research was the possible application of successful private sector practices in the public sector. Much of the emphasis defined aspects of privatization and advocated private sector applications to improve efficiency and/or performance.<sup>2</sup>

Nearly all the literature considered viewed privatization from the government point of view. For example, many studies focused on improving efficiency, implementation issues, advantages and disadvantages, and categorizing types. There has been virtually no literature from the point of view of the private sector. Private sector attitudes, perceptions and opinions about government as a consumer are unknown.

---

<sup>2</sup>See for example: Bozeman, 1987; Coursey and Bozeman, 1990; Hatry, 1985; Kolderie, 1986; and Stevens, 1984.

The purpose of this research is to explore private sector perceptions about contracting practices of state and local governments. A review of relevant literature and discussion of the conceptual framework of the study will be presented in Chapter 2. Chapter 3 provides a discussion of the background and setting for the research. Methodological information, including a discussion of data collection, variable measurement, and statistical tools used to summarize the results are included in Chapter 4. The findings of the study are presented in Chapter 5. The conclusions are provided in Chapter 6.

## CHAPTER 2

### LITERATURE REVIEW

#### INTRODUCTION

The purpose of this chapter is to examine existing research on privatization and to develop key concepts that will be used to assess private sector perceptions about state and local government contracting practices. A discussion of the evolution of privatization through the decade of the New Federalism will follow. Previous authors' conceptualizations and measurements of the topic will also be included. Aspects of contract administration will also be examined. Finally, key concepts will be developed.

#### Evolution of the Public and Private Sectors

During most of the history and evolution of the United States, distinct lines have been drawn between the public and private sectors. Differences between government and business were accepted, however, there was little analysis explaining why public and private organizations differed. In more recent years, government and business organizations have become more similar in their functions, management approaches, and public visibility (Bozeman, 1987: 5). In the 1990s, private businesses are increasingly affected by public policy, and have begun to participate in the provision of public products and services.

Historically, the private sector has always been involved in some production of goods and services in certain areas, such as: highways, bridges, dams, and weapons systems. This involvement was in areas that required specific products or expertise. With the growth of privatization during the 1980s and 1990s, service production moved into more general areas, such as: garbage disposal, wastewater treatment, janitorial services, and human services. These events have caused business and government organizations to grow even closer in practices. Currently, it is difficult to classify an organization as being "public" or "private," but more or less "public" or "private" (Bozeman, 1987: 5).

In his 1987 research, Barry Bozeman examined the evolution of the public and private sectors. In that study, Bozeman developed a multi-dimensional theory of publicness. The theory asserts that modern organizations, whether public or private, are influenced and exert both political and economic authority (Bozeman, 1987: 83).

The concept that has distinguished the private sector from government is economic authority. The cornerstone of economic authority is economic self-interest, which is a prerequisite for inducing compliance in a business organization (Bozeman, 1987: 48). Economic authority comes from property or resource ownership and the rights accompanying that ownership (Bozeman, 1987: 49). Property rights, specifically, the right to sell ownership shares is the major difference between government

and business organizations (Bozeman, 1987: 55). However, economic authority associated with property rights is a matter of degree. Many types of organizations, including public agencies, can possess property rights, or the equivalent (Bozeman, 1987: 59).

The concept that has distinguished government from the private sector is political authority. This concept of authority deals with the state's legitimate use of coercion. It is distinct, because political authority takes precedence over all other types, and over the claims of individuals or groups (Bozeman, 1987: 62) .

Bozeman contends that all organizations are public. The publicness of an organization should not be viewed as an absolute quality, but as a dimension. This dimension is defined by the mix of economic and political authority, within the organization. This authority serves as the basis for activity, whether the activity is public or private (Bozeman, 1987: 78).

#### Differences in Public- and Private-Sector Service Provision

The increased use of contracting is, in part responsible for the blurring of distinctions between public and private sectors. Nevertheless, there is a distinct public and private sector side to the contract. Each plays a distinct role. Although public and private organizations have differing degrees of publicness, Coursey and Bozeman examined decisions made by government and business managers to determine differences in the public- and private-sector decision-making process. Conclusions were that:

(1) publicness of decisions had a slight impact on decisions addressed; (2) participation in the decision-making process is associated with publicness, but not smoothness; (3) publicness accounts for differences beyond those attributable to ownership (Coursey & Bozeman, 1990: 525-7).

Rainey, in a 1979 study, examined differences between business and government middle manager perceptions of performance and promotion incentives, and flexibility of personnel procedures. The author concluded that business middle managers perceive a stronger relationship between performance and incentives such as pay, promotion, recognition, and job security. Rainey also stated that business managers felt that personnel procedures were more flexible and made yielded a higher relationship between incentives and performance (Rainey, 1979:441-3).

Kolderie distinguishes between public and private service delivery by allowing that a service is provided publicly if first, the decision to have it or not is a political decision. Decisions are also public if government arranges for recipients of the service not to have to pay directly for the service. Services are also provided publicly if the government selects the producer that will provide the service (Kolderie, 1986: 286).

A service is provided privately if individuals and private sector organizations make the decisions whether to have the service or not. Services which are provided by individuals, and are paid for in full by individuals, or with private resources,

are private. When individuals or private firms select the producer themselves in a nonpublic format, the service provided is private (Kolderie, 1986: 286).

As Kolderie, Savas points out that privatization is more of a political act than an economic act.

Privatization should spread the wealth. Wealthy investors must support privatization, but is important to recognize the benefits of broader ownership and capital markets. Privatization by divestiture must not result in crony capitalism. Creative techniques should be employed to encourage widespread public ownership even by small shareholders, which may require concessionary prices, or even giving them shares gratis. Similarly, employee ownership should be encouraged so that employees become stockholders interested in the success of the enterprise after privatization (Savas, 1987: 246).

Savas continues to distinguish the private sector from the public sector by adding that government is a monopoly in many areas of public service. However, there are consequences of such monopolistic systems. The service is financed by taxes, without pricing, and without citizen choice. There is no effective way to determine the level of support for a service. Customers with a choice will seek out producers who will adapt services to satisfy their customer's different needs (Savas, 1987: 250).

#### New Federalism and the 1980s

Blurring of the sectors, the Reagan Administration's policy of "New Federalism," and budgetary imbalances at all levels of government created a fertile environment for the growth of privatization in the 1980s. Proponents of "New Federalism" argued that state and local governments, with assistance from the private sector, could accept more financial responsibility for

federal government services (Johnson and Heilman, 1987: 471). Hence, responsibilities for provision of government services, such as public transportation and care for the mentally retarded, were mandated to state and local governments. State and local governments had three options to fund federal mandates. They were: (1) finance with state or local revenue; (2) finance with the issuance of long-term debt; or (3) finance through capital intensive privatization. This option might include the transfer of ownership and operation, and financing and building responsibilities (Johnson and Heilman, 1987: 472).

Ramifications of the Reagan Administration and "New Federalism" were also discussed by Savas in his 1987 research. The author, an advocate of privatization, agreed with the course taken by proponents of "New Federalism. Savas contends that it is possible to check the growth of government and to reduce unwarranted and unwanted dependence on government by eliminating or reducing the hazards that an overly dominant government represents (Savas, 1987: 4).

#### PRIVATIZATION: CONCEPTUALIZATION AND MEASUREMENT

##### Definition

Many definitions have been applied to the term privatization. Johnson and Heilman define the term as "... the participation of the private sector in the production and/or delivery of public services" (Johnson and Heilman, 1987:468). Privatization means government turning over to private producers aspects of service delivery. Most of the time the responsibility

for financing and monitoring service production would still rest with government. Another word for privatization is contracting (Kolderie, 1986: 287). Privatization has also been defined as an administrative approach for transacting government business through implementation of a marketplace economy (Dahl and Glassman, 1991: 487).

Even though the term privatization did not appear in the dictionary until 1983, the practice did exist prior to the age of New Federalism. Johnson and Heilman distinguish between two types of privatization: old privatization and new privatization. Old privatization has been in use many years and involves contractual relationships between the public sector and businesses for service production. This production is usually in a very specialized area, such as defense contracting with the armed services to provide weaponry or aircraft. Although contracting is an "old" form of privatization, it is the largest. The major change of the 1980's version is the variety of services that were contracted. This period was a kind of awakening to new possibilities (Savas, 1987), as well as a recognition of pitfalls (DeHoog, 1984: 12-16).

New privatization is a post-1981 development that involves private sector development and ownership of facilities that includes production and delivery of services. An important aspect of new privatization is that it touches many areas of state and local government. Many areas of state and local service delivery, which were provided publicly, are now

contracted out to the private sector. An example of new privatization would be the privatization of a wastewater treatment plant which involved private sector ownership and operation of the facility with the city paying a fee in return for water treatment service (Johnson and Heilman, 1987: 468).

Some areas of old privatization have carried forward to the new version. When a government contracts with the private sector for service delivery, a written agreement called a "contract" is signed by both parties. "A contract is a binding agreement through which the ... government pays a private firm or nonprofit organization to provide a service at a specific level and quality" (Blodgett, 1989: xvi). Contracting for service delivery is the most widely used method of privatization (Blodgett, 1989: xvi).

Dahl and Glassman define contracting as the practice of negotiating an agreement whereby a government contracts for production with a private organization. Recently, the focus has been directed by cost savings that might result from separating provision and production. The danger of focussing on cost savings is that government may be avoiding questions of levels and quality of service (Dahl and Glassman, 1991: 488).

Blodgett identifies two major contract types. First, is the fixed-price contract, in which a contractor delivers a specific level and quality of service for a set price. The contractor has responsibility for overruns or cost savings. Different variations of this method include the fixed-price with escalation

and fixed-price with incentive. The fixed-price with escalation contracts allow for adjustments to the agreement, or the price of the agreement to be based on an accepted index, and are used when future costs are uncertain. Fixed-price with incentive contracts establish a ceiling for costs plus a percentage profit (Blodgett, 1989: 5).

The second category of contracts is the cost contract, which is generally undesirable to government because the financial risk falls on the government agency. The contractor has no incentive to keep costs low. There are two types of cost contract: cost plus incentive fee and cost plus fixed fee (Blodgett, 1989: 6).

#### Methods of Privatization

Privatization is an umbrella term which includes several techniques. There is much research describing the different methods of privatization. One of the most complete studies, conducted in 1988 by Shields, identified seven techniques or methods of privatization. The first, load shedding, total responsibility for service provision is transferred to the private sector (Shields, 1988: 281). The second and most common method is contracting. Contracting does not take away public responsibility for program funding (Shields, 1988: 282). Contracting focuses on production and has nearly limitless applications. "Almost every ... government service has been contracted out" (Shields, 1988: 283).

The third privatization technique listed was the franchise. Under this method, government can sell exclusive or nonexclusive

rights to provide a service (Shields, 1988: 290). The fourth method was the use of volunteers to provide services. The next technique discussed was coproduction which relies on self-interested motivation and participation by citizens (Shields, 1988: 291). Sixth was the application of user fees, where price is used as a market mechanism (Shields, 1988: 292). Revenue centers have been used in conjunction with user fees. A revenue center was described as a public organizational entity that produces services that it either sells to the public through a fee mechanism or sells to the central administration through contract (Shields, 1988: 294).

Blodgett also listed seven similar approaches to alternative service delivery. The methods were: purchase of service contracting, franchise agreements, subsidy agreements, vouchers, volunteer personnel, self-help, and regulatory tax incentives (Blodgett, 1989: viii). Sometimes a combination of these methods can be used (Blodgett, 1989: xii).

In a broader conceptualization of methods of service delivery, Kolderie lists four general types of service provision and production. First, government can provide for and produce the service, such as a city police force. Second, government can provide funding for the service, but production is private, such as contracting by franchise. Third, the private sector can provide funding for the service with production furnished by government, such as concert organizers paying the city police to direct traffic after a rock concert. Fourth, the private sector

can provide for and produce the service by load shedding (Kolderie, 1986: 285).

Dahl and Glassman, in 1991, discussed a public sector contracting continuum. At one extreme the public sector was totally responsible for all services. The opposite of this extreme would be load shedding. Next, was the contracting of ancillary services unrelated to the mission. For an example of this method, cafeterias in the workplace or school would be considered to be secondary to the missions of each. Dahl and Glassman also listed contracting of support services, such as clerical staff. Contracting part of the mission implementation was another degree of public sector contracting. Prison guards are examples of this approach. Contracting core components of mission implementation was another degree of contracting. Using this method, the public sector would establish the general policy guidelines and the contractor would provide services within the guidelines. Finally, Dahl and Glassman examined contracting aspects of mission determination, such as private prisons (Dahl & Glassman, 1991: 489-91).

#### Advantages and Disadvantages of Contracting

The literature identifies advantages of contracting for service delivery as: reduction of costs, achievement of efficiencies not available to the public sector, contract termination resulting from poor performance, improved management, and changing goals to achieving objectives and maximizing effectiveness (Shields, 1988: 283; Hatry, 1985: 15).

Disadvantages of contracting were identified as: the threat to government employees, lack of equity and accountability, possibility for disruption of service, replacement of a government monopoly with a private monopoly, and private sector understatement of costs (Shields, 1988: 284; Timmins, 1986: 51-7; Hatry, 1985: 16).

Conlan presents the perspective of state and local government workers on contracting for service delivery. Government workers feel that contracting can add costs to the service delivery process. Reasons include the following. Productivity and morale can drop for government workers chosen to remain and work for the private sector contractor. There is usually a rapid turnover with those workers who remain, and the best workers leave first. Additional training may be necessary. Government workers who are retained to work for the business contractor usually harbor feelings of resentment and anger. These feelings can result from services not provided correctly, or concern for taxpayer dollars spent, and the accountability of the private sector to the taxpayers (Conlan, 1985: 18).

Layoffs that are the product of privatization are not cost free. Governments can incur high costs from severance pay to senior workers. Costs from productivity losses can increase. Legal expenses can also rise from law suits. Finally, there are reorganization costs from the drastic changes caused by privatization (Conlan, 1985: 19).

Sullivan describes, as a disadvantage, the threat to constitutional rights. Private institutions that contract with government are not always subject to constitutional restraints (Sullivan, 1987: 461). The Constitution only restricts the regulation of decisions made or directed specifically by government officials, not the private sector (Sullivan, 1987: 463). "Any successful challenge to an action of an ostensibly private agency hinges on a showing that the specific decision under attack was a direct product of state initiative and compulsion and/or was implemented by state officials" (Sullivan, 1987: 466). The potential of escaping such constraints makes privatization more attractive to political leaders or public administrators (Sullivan, 1987: 463).

#### Privatization: Measurement

The most popular application of the measurement of privatization has been by determination of the productive efficiency of the privatized operation. Measurement can be accomplished by an examination of the methods of each sector and a comparison of results. An example would be a study by Hal Rainey. In 1979, Rainey examined differences between performance and promotion incentives for middle managers in the business and government sectors. Differences in work satisfaction and flexibility of personnel procedures between the public and private sectors were also studied. The author concluded that government middle managers perceived a weaker relationship between performance and incentives such as pay, promotion,

recognition from the organization, and job security. Government managers also felt that the personnel procedures made it harder to associate incentives with a manager's performance. Finally, Rainey stated that the perceptions of government managers were a function of the civil service system in place at the time of the study (Rainey, 1979: 441-3).

Barbara Stevens performed the most comprehensive study, to date, which compared the effectiveness of public and private sector services. She focused on relative costs of service performance by the public and private sectors to explain how cities could cut costs without service reduction. The research addressed three questions. First, can private firms deliver public services at lower costs than governments? Second, do differences exist between public- and private-sector efficiency? Third, can practices of the more efficient sector be adopted by the less efficient sector (Stevens, 1984)?

Results of the analysis showed wide ranges in costs between municipalities and contracting firms. Huge variances were found in productive efficiency. Some cost differences were attributable to differences in the level of services produced, however, the majority of cost differences were found to be dependent upon technology utilized and management practices applied. Reasons why private contractors have lower costs than municipal agencies were listed as: (1) private sector employees work more days than government employees; (2) private contractors use part-time labor whenever possible; and (3) contractors are

more likely to require managers to be responsible for equipment maintenance and worker activities, such as hiring, firing, and the offering of incentives (Stevens, 1984: 399-403). In addition, the Stevens' research found less variation in the quality of service than in cost of service, and that the differences in quality did not explain the differences in cost. Stevens concluded that appropriate changes in management practices in the public sector could result in savings of fifty percent or more (Stevens, 1984: 395-8).

Stevens also concluded that governments with low departmental efficiency ratings can elect to do one of two alternatives. First, they can modify departmental operations and emulate more efficient private sector firms. Secondly, they can solicit bids and contract with private sector firms for delivery of municipal services (Stevens, 1984: 405).

### CONTRACT ADMINISTRATION

#### To Contract or Not to Contract

Contracting with the private sector for public service delivery has been described as a two-stage model. The first stage, called the Production Choice Model addresses the choice of whether to produce publicly provided services internally or externally. The second stage of the model, the Sector Choice Model, relates to the choice of the sector with which to contract; other governments, private firms, or nonprofit organizations. Sector choice is influenced foremost by the

nature of the service and the availability of suppliers (Ferris & Graddy, 1986: 332).

Kolderie describes a somewhat different two-stage model in a 1982 study and expands the model into a four-part conceptual framework developed in his 1986 research. The first stage of the model should address provision of the service. Should government provide the service, or should the private sector? The second stage of the model should be directed toward production of the service. Should government produce the service, or should the private sector? Four alternatives are created under this model: (1) government provides for and produces the service; (2) government provides for the service, but production is private; (3) Production is furnished by government, but provision of the service is private; and (4) the private sector provides for and produces the service. Kolderie suggests that experimentation with alternative methods of service delivery should have small beginnings. (Kolderie, 1982: 7; Kolderie, 1986: 285).

The distinction made by Kolderie between production and provision involves different aspects of service delivery. Providing for a service entails policy making, deciding, buying, requiring, regulating, franchising, financing, and subsidizing. Production includes operating, delivering, running, doing, administering and selling of the service (Kolderie, 1986: 286). Service provision is more complicated than service production. Provision is a political decision, production is not. Government must make the provision decision because the service is paid for

by tax dollars. Production can be performed by government or contracted out.

Blodgett lists the two primary reasons for government to contract with the private sector for service delivery as (1) lack of staff; and (2) to reduce costs. Lack of qualified staff is the principal reason for contracting, however, reduction of costs has become more important in recent years with governments facing recurring budget shortfalls. Cost reduction can result from more effective and efficient management and service delivery in the private sector (Blodgett, 1989: 3).

Savas, in 1982 research, suggests three reasons for government to contract for services. First, demand for more government services by the recipients has increased. Secondly, suppliers want more work. This can lead to special interest lobbying efforts in favor of privatization. Finally, inefficiencies in government cause government to spend more to provide the same services. This contributes to existing budget shortfalls (Savas, 1982:12-19).

Savas (1987) listed four more specific conditions for government to privatize by contracting. First, government must be experiencing fiscal stress. Second, there must be significant monetary savings achievable by contracting without reductions in the quality of service. Third, contracting must be feasible with constituents, employees, and other beneficiaries. Finally, there must be some precipitating event which serves as an impetus to contracting (Savas, 1987: 255-6).

Federal guidelines also exist to assist governments with the decision to contract. "Contracting should be done only if the expected savings exceed ten percent of the personnel-related costs of performing the work in-house." For agencies, contracting would have to demonstrate that private sector provision could save at least ten percent on personnel costs and twenty-five percent on the cost of facilities and materials that the government would normally have to provide to deliver the service (Savas, 1987: 261).

#### Aspects of Contract Administration

Aspects of contract administration are fourfold. First, contract specifications should be considered. "The key to specification is understanding desired service output" (Shields, 1988: 286). There are two important areas of specification: bid specifications and contract specifications. Bid specifications involve the criteria to be met regarding the service being contracted, such as the number of times a week that a service is to be provided. Contract specifications should address performance criteria used to judge the business contracting to provide the service, such as the percentage reduction in school dropouts resulting from crisis counseling by a private firm. Contract specifications may also include requirements of federal, state and local law with which the private sector firm must comply (Shields, 1988: 286).

Blodgett points out that before developing bid and contract specifications, the agency should determine if the solicitation

should be for an invitation for bids (IFB), or for a request for proposals (RFP). IFBs are used when the service is clearly defined and several qualified contractors exist. RFPs are used when the service is not clearly defined. Usually, the agency is looking for definition in the proposal requested (Blodgett, 1989: 8).

The second aspect of contract administration is the award of the contract. Government officials must maintain and adhere to goals of cost reduction and service quality when awarding a contract. The procedure should promote a competitive environment and should utilize bid bonds and performance bonds to ensure bidding and contract performance. Nonprofit or other governments should also be given considerations for service provision (Shields, 1988: 286-7).

Blodgett adds that the procedure for award of contract should follow five steps. First, an evaluation team should be used. Second, the proposals or bids should be ranked according to the criteria developed by the evaluation team. The third step is the recommendation of the award of contract. Fourth, a written report should be drafted detailing the decision and how the decision was made. Finally, the report should be accompanied by the documentation of the decision (Blodgett, 1989: 10).

The third aspect of contract administration is contract monitoring. Proper contract monitoring assures that public funds are expended properly and accounted for to government and the taxpayers. Government monitoring of contract compliance, cost,

and performance should verify private sector effectiveness and efficiency. The monitoring function should serve as the basis for the evaluation of service delivery by the private sector company, and as a basis for the decision to renew the contract (Shields, 1988: 287).

The fourth aspect of contract administration is evaluation of private sector service delivery. The evaluator should actively seek the opinion of the audience served by the program. In a decentralized program with dispersed authority, the evaluator must take an active role in defining the needs of the various audiences. The evaluator must also take care that objectivity is not abused, but that the evaluation does address actions that might be taken by the dispersed authorities. The relationship of the audience to the program must also be considered. This relationship must be examined from three different perspectives: (1) the past influence of audiences on the program; (2) the prescribed role of audiences in the program; and (3) relationships within the audiences in the program. From this established perspective, the evaluator must assess potential threats, benefits and expectations of the audiences (Fitzpatrick, 1989, 573).

The evaluator should attempt to gain not just the cooperation and trust of the audiences, but their interest and involvement, as well. The person responsible for the evaluation should play an active role in identifying actors and their decision-making roles. Actors should be encouraged to consider

new issues and take responsibilities when vacuums in the program emerge (Fitzpatrick, 1989, 576-7).

Blodgett (1989) details the criteria for evaluating the use of service contracting. The first criteria is cost. Reducing costs or improving efficiency of service delivery, without increasing costs, is a primary reason for contracting out. The best method to determine if contracting for service delivery is the most efficient approach is by a cost comparison. A cost comparison should consider total costs, both recurring and nonrecurring, over a minimum of three years, and should include administrative costs for government and business in the comparison. A detailed description of the service to be provided should be a part of the comparison (Blodgett, 1989: 11). The cost related efficiencies of contracting out need to be evaluated on a case-by-case basis" (Blodgett, 1989: 12).

The second criteria for evaluation of service contracting is effectiveness, quality of service, and the levels of service delivered. Measures used to evaluate effectiveness should focus on how privatized service delivery achieves objectives. Input/output measures are a popular method to evaluate effectiveness, however, output for intangible services is more difficult to gauge. Another method of measuring effectiveness is the amount of revenue generated by private sector delivery (Blodgett, 1989: 13).

The third criteria to evaluate the use of contracting for services is the impact on other services. Contracting can have

spillover effects on other parts of government. Areas of overlap can create the potential for conflict. Employees may be displaced. Contracting must be viewed from a multi-dimensional perspective (Blodgett, 1989: 14).

The potential for service disruption is another criteria to be examined in evaluating private sector service delivery. This possibility must be considered for any alternative method of service delivery. Use of a performance bond can guard against service disruption (Blodgett, 1989: 15).

The fifth criteria to evaluate private sector service delivery is the responsiveness of the contractor to the citizens' needs and expectations. How quickly are requests for service answered? How are complaints resolved? What is required of contractor personnel? What are record-keeping requirements (Blodgett, 1989: 15)?

Other criteria to consider when evaluating contracting for service delivery include: legal constraints; personnel issues, availability of suppliers (availability of suppliers provides a more competitive environment which can reduce costs); political support; administrative control; transition factors (highly visible services require very delicate handling); the potential for waste, fraud, and abuse; capital investment requirements; service equity; and the size of the government or government agency (Blodgett, 1989: 15-20).

#### Problem Areas of Contract Administration

Most current research has viewed problem areas in contract administration from the public sector perspective. Discussions of differences between the public and private sector, advantages and disadvantages of privatization, criteria for contracting, and contract administration, all highlight problem areas from the public-sector perspective. Second, research addressing contracting issues from the point-of-view of the constituent. Hence, most research on privatization focuses on the demand side - governments and citizens who use the services.

Literature dealing with the supply side is scarce and narrowly focused. Elementary descriptive information such as private-sector perceptions of public-sector contracting is unavailable. An assessment of privatization would be incomplete without private-sector opinions on problem areas in contract administration.

The few authors that have studies of private-sector perceptions examine very specific areas of contracting. One of these articles, by Ammons and Glass, examined slow growth in the use of executive search firms in government management recruitment. Attitudes of key private- and public-sector officials toward the use of headhunters were studied. The single resulting private sector attitude revealed in the research was the perception of increased complexity in government (Ammons and Glass, 1988: 687-93).

Roger M. Harrison (1982) wrote the only article specifically addressing the private sector perspective of government

administration of service contracts with business. Harrison was a corporate executive with the American Restaurant Association (ARA). ARA is a world-wide corporation that contracts for food service and other areas of service delivery with government entities. Harrison discussed private sector perspective of government actions around contracting for private-sector delivery of food services. Potential problems included: governments' adequate knowledge of the service being contracted, governments' ability to follow through with the decision, development of bid specifications and performance criteria, award of contract based on low bid, one year contract periods, displacement of workers, and the use of a transition plan to implement private-sector service delivery (Harrison, 1982: 5).

#### DEVELOPMENT OF KEY CONCEPTS

Little research has been conducted concerning private sector perceptions developed from contracting with state and local governments. The key concepts examined in this study will focus on certain aspects discussed in the Harrison article. The first concept developed will be the degree of understanding of the government agency for the service to be contracted. The second concept developed will be the ability of government agencies to design accurate bid specifications for service delivery. The third concept will be the ability of the agency to develop realistic performance criteria for private sector service delivery. The next key concept studied will be the criteria employed for the award of contract. The fifth concept used is

the length of the contract term. Finally, this research will focus on the use of a transition plan and attempts to prevent the displacement of workers as a result of privatization.

### Understanding the Area of Service Delivery

Ultimately, it is the contractor who must satisfy the criteria set forth in the contract. One important way to judge whether the public sector contract managers understand the nature of the service to be contracted is to ask the private sector employees under contract to provide the service. The degree to which the public sector contract managers understand the nature of the service to be contracted can be in part judged by the private sector employees which are contracting to provide the service. Does the contractor feel that the agency has a proper understanding of the service to be delivered?

According to traditional public sector oriented literature, the first step in understanding the service delivery process is to examine the function of the service. This procedure is often referred to as a "needs analysis." The agency should then distinguish between providing the service and producing the service (Ferris and Graddy, 1986: 332; Kolderie, 1986: 285; Dahl and Glassman, 1991: 488). A "do" or "buy" study should be conducted (Blodgett, 1989: 8). All aspects of costs and quality should be examined (Blodgett and Chapman, 1986: 156).

### Development of Bid Specifications

Detailed bid specifications should be developed and worded into the contract document. Individuals responsible for monitoring

should have input in the development of the bid specifications and performance criteria (Blodgett and Chapman, 1986: 157). Frequently, the needs analysis of the service will provide the data for development of the bid specifications. Bid specifications set the specific criteria for the contract which are to be met in provision of the service by the contractor. Specifications must be detailed and accurate for successful delivery of the service (Bloom, 1992: interview).

#### Development of Performance Criteria

The needs analysis of the service will also provide the data for development of performance criteria. Performance criteria serve as the basis for evaluation of the service and the decision to renew the contract. Performance criteria usually indicate the number of clients served, or similar productivity data. Client satisfaction may also be used to evaluate performance (Bloom, 1992: interview).

But the questions remain, how effective are government agencies, from the private sector point of view, in conducting a needs analysis, or designing bid specifications and performance criteria? Can agencies properly conduct the bidding process? What is the private sector perception of the information provided by the agency? Is the data specific? Is the data accurate? Is a contractor able to effectively provide the service while justifying the action with some measure of profitability? These questions may be most realistically answered by the people in the private sector responsible for service delivery.

### Criteria for the Award of Contract

The next concept studied is the criteria used by the agency for award of contract. Again, the picture is incomplete without the perceptions of private sector bidders. Did the criteria used to rank prospective bidders skew the results to a preferred bidder? Sometimes criteria such as excessive insurance certification or bonding requirements can cause the ranking of a bidder to suffer (Perkins, 1992: interview). Did the criteria represent a barrier to entry for a first-time-bidder in the form of some restrictive prior experience requirement? This type of criteria can cause a lower ranking for smaller companies, or companies which have not yet broken into the market being contracted. The best sources for identification of any problems with the criteria used for award of contract will be the prospective bidders for that contract (Perkins, 1992: interview).

### Length of the Contract Period

Harrison (1982: 5) also discussed the impact of short-term contracts on availability of potential bidders and on the cost of service delivery. Most government contracts for service delivery are for one year. Some have options for one year renewals without rebidding. This short-term requirement eliminates many bidders from the market. Many contracts involve substantial capital outlay which cannot be recouped in a year. Capital expenditures are amortized in the private sector over the useful life of the asset and expensed by the company from taxes to be paid. Amortization of assets over a period greater than one year

in a privatized service delivery contract would be beyond the scope of a one year contract. Amortization of substantial capital expenditures over the one year of the contract period would make the costs of the service delivery prohibitive (Bloom, 1992: interview). How does the short-term contract affect potential bidders? What are the impacts on the cost of the service from large capital outlays required of the private sector producer in the contract?

#### Use of a Transition Plan

Harrison also recommends the use of a transition plan for a fluid move from the public- to private-sector (Harrison, 1982: 5). Service disruption is a possibility to be considered in any privatization option examined (Shields, 1988: 284). A transition plan can be crucial to prevent continued service to constituencies. Do government agencies use a transition plan when initiating a new contract? What are the benefits from the business viewpoint of a transition plan? Private sector perceptions of this method are crucial in understanding the effectiveness of the technique.

Another important aspect of using a transition plan when contracting for service delivery with the private sector is the prevention of worker displacement. Impacts of displaced workers on cost and quality of service delivery, as described by Conlan, were discussed in a previous section of this research. A transition plan may reduce problems resulting from displaced workers. Frequently, transition plans will give the public

sector employees and the private sector contractor time to understand the capabilities of the other and demonstrate expectancies concerning service provision. Existing employees can provide important continuity and perspective in service delivery. The time during the transition can relieve worker fears and insecurities, and can often reduce worker displacement (Bloom, 1992: interview). How do private sector contractors view transition plans to prevent displacement of workers? What are the perceptions of business contractors concerning use of existing workers, from either government or a previous contractor?

### CONCLUSION

During the course of this review of literature, a sample of current research on relevant issues of the privatization phenomenon has been presented. Throughout the review of existing literature on privatization, the author noticed a conspicuous absence of research conducted on private sector perceptions of certain aspects of contracting with state and local governments. From the aspects of contracting for privatized service delivery that were studied, six conceptual areas have been identified to determine private sector perceptions. Those six areas are:

1. The degree of understanding of key government agency employees of the service to be contracted;
2. The ability of government agency employees to design accurate bid specifications;

3. The ability of the agency employees to develop realistic performance criteria for private sector service delivery;
4. The criteria used for the award of contract;
5. The implications of short-term contracts;
6. The use of a transition plan for fluid transition and to prevent worker displacement.

Since the purpose of the research is to explore and describe perceptions of private sector firms contracting with state and local government, there are no hypotheses offered. The usefulness of the research should result from the exploration and description of previously unexamined private sector perceptions. Possible hypotheses and conclusions can only be discussed as topics for future research after the data has been collected in this study. Examination of private sector perspectives should reveal information which will allow for a more complete and accurate perspective of privatization. The next chapter will be a discussion of the background and regulatory setting for businesses contracting with state and local governments in Texas.

## CHAPTER 3

### RESEARCH SETTING

#### INTRODUCTION

The purpose of this chapter is to discuss the statutory and regulatory environment in which businesses contract with Texas agencies and Texas school districts. The discussion will be focused on the two areas of state and local contracting surveyed in this study, Texas school districts and Texas agencies. Differences in funding sources dictate whether federal, state or local district statutes and regulations apply. In both instances, however, businesses must comply with all aspects of applicable federal, state or local statutes and regulations for a contract to be executed and reimbursements initiated.

#### TEXAS SCHOOL DISTRICTS - CONTRACTING FOR FOOD SERVICES

##### Federal Regulations

Food service for children in Texas public schools is provided almost entirely by federal funding through the United States Department of Agriculture (USDA), Food and Nutrition Service (FNS). The monies are administered at the state level by the Texas Education Agency (TEA) which reimburses Texas school districts for meals served that meet federal meal pattern requirements. These meal pattern requirements are determined by USDA and districts are monitored for compliance at the state level by TEA. Claims for approved meals are submitted to TEA by

school districts, and the state agency issues a reimbursement to the district. TEA annually reimburses approximately \$500 million to Texas school districts for approved meals served (Hildebrand, 1992: interview).

Most of the over 1,000 school districts in Texas provide food service to students by the use of school district employees and management. Some districts elect to contract for provision of food service with the private sector. Currently, there are 65 school districts in Texas that contract with five food service management companies for food service. The lines of accountability in this process extend from USDA, through TEA, and to the school district. It is the school board that is responsible to USDA and TEA. The board is responsible for ensuring that accountability is passed on to the private food service management company in the contract into which both parties agree to enter. The management company, however, is responsible only to the school district, and it is the school district who is accountable to TEA and USDA (Hildebrand, 1992: interview).

A contract between a food service management company and a school district must be approved by TEA for compliance with federal and state statutes and regulations. Since the monies reimbursed to school districts for food service are federal funds, the school districts must comply with applicable federal, state and school district regulations. Federal regulations governing the contracting process with school districts for food

service are found in three areas. The first area of federal rules is the National School Lunch Program Regulations, (7 CFR, Part 210). This rule sets federal standards for local districts that contract with food service management companies (7 CFR, Part 210.16). Monitoring responsibilities are also listed (7 CFR, Part 210.18d). Finally, procurement standards are detailed for school districts (7 CFR, Part 210.21).

The second area of federal regulation is found in the Uniform Federal Assistance Regulations where additional procurement standards are described for school districts contracting for food service provision. The regulation of the procurement of food products and supplies is necessary when a private contractor is involved. In the public sector, any purchases during a year which accrue to more than \$10,000 must be competitively bid. These competitive bidding requirements are necessary to preserve principles of equity which are required in the provision of public services. These practices are seldom found in the private sector. The regulations also address standards of conduct, open and free competition, access to contractor records, and equal employment opportunity (Uniform Federal Assistance Regulations, 7 CFR, Part 3015, Subpart S).

The third area of federal regulations for school districts contracting for food service provision is found in Office of Management and Budget (OMB) Circulars A-110 and A-102. OMB Circular A-110 states the responsibilities of the state agency in the monitoring process (OMB Circular A-110). OMB Circular A-102

outlines specific responsibilities of the school district in contracting, procurement, conduct, pricing, provision, and contract administration (OMB Circular A-102, Attachment O).

### State Regulations

State regulations for school districts contracting for provision of food service are found in the Texas Education Code. These statutes expand on federal regulations in the areas of contracts and competitive bidding (Texas Education Code, Subchapter Z, 21.901). State competitive bidding regulations are detailed in the Handbook for Competitive Bidding for Texas Public Schools. The document lists a code of purchasing ethics; gives answers to questions concerning different areas of purchasing such as personal property, services and construction; and cites examples of proper purchasing procedures. The handbook is adopted by TEA as the purchasing rules for Texas school districts (Texas Education Agency, Handbook for Competitive Bidding for Texas Public Schools: 1992).

### School District Regulations

Local school districts may also adopt rules pertaining to the competitive bidding process. These regulations must not conflict with federal and state rules on the contracting process. For example, many school districts in Texas choose to utilize a district code of ethics. This practice is allowable as long as the rules supplement existing regulations (Hildebrand, 1992: interview).

Federal regulations on contracting, as a rule, are the most general. State regulations are usually more specific, and in most instances set the detailed guidelines for the contracting process. When local districts do choose to adopt rules, the regulations are generally the most specific and restrictive. School districts that contract with the private sector for food service are responsible for designing specifications, conducting the bidding process, and awarding the contract. However, school districts frequently elect to sign a contract written by the bidder and not drafted by school business officers or school district attorneys.

School district officials often see food service as not pertaining directly to education. These officials attempt to absolve themselves from food service completely. This attitude often allow the food service management companies to design the bid specifications as well as write the contract. The result is that, in many instances, school officials enter into an agreement that is not in the district's best interest. Such practices have led USDA to recommend to the TEA that the state agency draft a standardized contract with standardized bid specifications to be used by districts contracting with the private sector for food service. This document is currently in the drafting phase with the goal of implementation in 1993 (Hildebrand, 1992: interview).

## TEXAS AGENCIES - CONTRACTING FOR SERVICES

### State Statutes

Contracting with state agencies in Texas is coordinated through the Texas General Services Commission. This agency conducts bidding for almost all products used by Texas agencies. Services are contracted by the individual agency that administers the service. Bid lists are developed for each category of service and maintained by the General Services Commission, however, other agencies may access the information and conduct the bidding process independently (Bloom, 1992: interview).

Agencies contracting with businesses for service delivery funded by state monies must adhere to state laws and General Service Commission regulations. State laws addressing contracting for services are found in Article 601b, Vernon's Texas Civil Statutes. These statutes outline the purchasing process at the state level and provide for the General Services Commission to be the agency responsible for developing specific criteria and responsibilities. State laws also detail the proper purchasing procedure to be used when contracting with the private sector. Finally, these statutes address specific areas of contracting which may require special procedures (Vernon's Texas Civil Statutes, Article 601b, Sections 3.01-3.31).

### General Service Commission Rules

General Service Commission rules are in two areas: purchasing ethics and instructions to bidders. Purchasing ethics provide standards for conflict of interest; define and prohibit

gratuities, kickbacks and contingent fees; and detail criteria that can lead to disqualification from bidding. Use of confidential information and collusion are also defined and prohibited (Texas General Services Commission, State of Texas Commodity Book, "Purchasing Ethics": 1992).

General Services Commission "Instructions to Bidders" detail the specific steps in each area of the purchasing process. The procedures addressed include the compilation of the bidder's list; instructions for invitations for bids; rules for bids and bid submission; specifications; procedures for bid opening and the award of contract; purchase orders and delivery of services; and payment. These instructions serve as the basis for businesses to participate in the contracting processes with state agencies (Texas General Services Commission, State of Texas Commodity Book. "Instructions to Bidders": 1992).

#### CONCLUSION

Statutes and regulations which apply to contracting for service delivery are complex and often confusing. The complexities result from attempts by public officials to maintain an equitable environment which creates maximum open and free competition in the contracting process. If adherence to federal, state and local regulations is necessary, then the contracting process may become confusing. Frequently, duplications of regulations occur between the three levels of government. Unfortunately, these duplicate regulations may contradict regulations at another level of government. An example is the

dollar amount of yearly purchases that must be competitively bid at the federal level is \$25,000. At the state level, the amount is \$10,000. The state requirement takes precedent. While inconsistencies may occur, the protection of equitable standards in the contracting environment are necessary for contractors to be accountable to the public sector. The next chapter will discuss the methodology used to gather information on private sector perceptions about contracting with Texas government and Texas school districts.

## CHAPTER 4

### METHODOLOGY

#### INTRODUCTION

The purpose of this chapter is to discuss the methods used to gather data which will describe perceptions of the private sector managers who supervise the contracting process with Texas agencies and school districts. First survey research is discussed as the technique used to gather data from private sector managers. Advantages and disadvantages of survey research are included. Second a description of the data source, as well as the problems with the structure of the data are discussed. Finally, methods of variable measurement applied to the data collected are examined.

#### TECHNIQUE

This study uses survey research to examine the research question (See attached questionnaires, Appendix A). Basic strengths and weaknesses make this technique the most desirable method of data collection. A discussion of these strengths and weaknesses from The Practice of Social Research (Babbie, 1986) will follow. Use of survey research allowed for many questions to be asked on each key concept, which provided adequate flexibility to address each concept. The survey instrument contain 16 standard items which were used to assess perceptions of private sector contract supervisors.

Since the purpose of this research was to explore and describe, the questionnaire was the best technique to draw unknown information on the key concepts of the study. Surveys can reveal unknown information, often with amazing accuracy. Unreliability can be easily remedied by the structured nature of a survey. Proper wording of the questionnaire can also increase the reliability of the information drawn from the respondent.

Surveys are not well suited to assess social values. This represents a potential weakness that could skew the results of the questionnaire. The structured nature of the instrument can easily miss what is most important. This research will attempt to assess perceptions of private sector companies. These perceptions can, and frequently are affected by social values or feelings of the respondent. Therefore the validity of the results may be weakened somewhat, but in an initial, exploratory attempt to collect data, the results should still provide revealing unknown information.

The units of analysis for this study were businesses managers who are potential contractors with state government and local school districts in Texas. This research surveyed the entire population of bidders available from categories of services chosen by the author and compiled at the state agency level in Texas. By using this approach, the accuracy of the information should be increased, as opposed to use of just a sample from the population. The key to the success of this

study, however, will be in the arrangement or structure of the categories surveyed.

#### DATA SOURCE

Since the purpose of this research was to examine private sector perceptions developed from contracting with state and local governments, the source of the data collected came from bidder's lists developed at the state level. Food service management companies contracting with local Texas school district were used as a local government data source. The entire population of these management companies was surveyed. The bidder's list for food service management companies is compiled at the state level by the Texas Education Agency.

Additionally, bidder's lists from categories of services which are contracted at the state level in Texas were surveyed as the state government data source. Again, the entire population will be surveyed. Categories from the Human Services, Class 952, from the State of Texas Commodity Book were selected for the survey. Those categories are:

1. Barber and Beautician Service;
2. Counseling Services;
3. Emergency Food Services;
4. Family Planning Services;
5. Food Stamp and Coupon Services;
6. Job Search Workshop Services;
7. Supplemental Food Services;
8. Services Not Otherwise Classified.

## Problems with Data Collection

A problem, and possibly the key to the success of this research, centers around the physical distribution or structure of bidder's lists compiled at the state level of government. Professional services are bid at the individual agency level in Texas. Therefore bidder's lists are compiled by each agency, and coordinated through the Texas General Services Commission, making it difficult to get a true picture of perceptions of statewide practices and methods.

Also, the availability of the data to a college researcher, as well as a state employee, was limited to the Texas Education Agency, where the author was employed. Attempts to gain access to other state agency bidder's lists were hampered by the amount of time and cost it would require to access and print the data from other agency mainframe computers. Since the information was collected on a mainframe, and not on the personal computers of the individuals responsible for data collection at other state agencies, access was restricted, because of demand for mainframe time.

The entire population of the bidder's lists of all the nine categories of service delivery chosen for this study yielded a total of 36 bidders, not actual contractors, to be surveyed. Overlap of companies among categories was also commonplace and confusing. It is hard to understand how a business on the list to produce Barber and Beautician Services, could also be on the

list to produce Emergency Food Services, and also be on the list for the category of Services Not Otherwise Classified.

#### Questions About the Structure of Data

The complicated and confusing nature of this attempt at data collection on this topic raises some interesting questions for future research. First, the structure of the data compiled makes a complete bidder's lists hard to access for all state agencies. How could this information be compiled for easier access and analysis? Second, the overlap among categories raises the question of the credibility of the companies on the bidder's lists. With the exception of the food service management company list, overlap of bidders among categories of service was commonplace. Are companies registering for categories for which they are not qualified? The purpose of these questions was supported by the responses received from the survey. Of the 36 questionnaires mailed, four were sent back, "return to sender." How frequently are the lists updated? Do the businesses on the list even maintain a structure without an executed contract? How can this overlap be prevented? How should the state qualify bidders?

For the purposes of this research, the response rate of businesses surveyed is important. The nine categories chosen yielded only 36 potential contractors. Of the 36 surveys mailed, four were returned "Return to Sender." A limited response could jeopardize the validity of the survey results. In an attempt to increase validity, telephone calls were made to the recipients of

the survey to inspire a response or even to ask for responses in a telephone interview. These telephone interviews were limited by the researcher's budget, however no additional information resulted these attempts. Telephone calls were made to business that did not answer, and when messages were left with a receptionist or answering machine, there was no response.

### VARIABLE MEASUREMENT

Due to the exploratory nature of this research, there will be no hypotheses to test. The variables in this study will be descriptive and explore the topic by drawing information by questionnaire. Responses to the survey were of four types. The first type was responses to questions concerning information about the business in the contracting process. The second type of response was Yes/No/Don't Know/Does Not Apply, and was used to determine face value of the key concepts about business manager perceptions. These responses were arranged according to frequency and percentage distribution of the Yes/No/Don't Know/Does Not Apply options.

The third type of response used a Likert scale with ranges from Strongly Disagree to Strongly Agree. This data will also be measured according to frequency and by the percentage distribution of the responses. Finally, there was an open-ended question which asked the respondent to list additional problem areas resulting from contracting with state agencies or local

school districts. Analysis of responses to the open-ended question can occur based on frequency or percentage distribution only if the same or similar problem areas are identified. However, the information could prove useful in determining topics for future research. Results of the information gathered from the survey will be organized around the key concepts developed in the literature review chapter of this study. Table 1 indicates which questions in the survey correspond which key concept of this research. The next chapter will be a discussion of the results of the survey.

KEY CONCEPT	QUESTIONNAIRE NUMBER
1. Understanding of the service to be contracted	Questionnaire # 1, 2, & 3
2. Ability to design accurate bid specifications	Questionnaire # 4, 5, 6, & 7
3. Ability to develop realistic performance criteria	Questionnaire # 8 & 9
4. Criteria for award of contract	Questionnaire # 10 & 11
5. Implications of short-term contracts	Questionnaire # 12 & 13
6. Use of a transition plan	Questionnaire # 14 & 15

## CHAPTER 5

### RESULTS

#### INTRODUCTION

The results of this study are discussed in this chapter. The results are organized around the six key concepts developed in Chapter 2 of this research. The survey was mailed in late September 1992 and the results were written in October of that same year. The response, in general, to the questionnaire was disappointing. Of the 36 surveys mailed, only 11 were returned. Four of those 11 were mailed back "Return to Sender." Another four of the 11 surveys that were returned had no usable responses. These recipients either had not executed contracts with school districts or agencies in Texas, or declined to provide the information requested because it was viewed as sensitive. Hence, only three surveys had usable information.

#### Questions Resulting from the Response Rate

Several different questions were raised about aspects of the response rate and the responses. The first concerned those businesses who did not respond and those whose address was no longer correct. Of those that did not respond, the assumption can be made that there had been no previous contract experience with government, or that the business chose not to provide responses. Why did businesses contracting with the public sector choose not to reveal basic demographic information or perceptions

of the public contracting process? Were businesses concerned that government agencies or school districts, upon learning specifics about how services are provided for profit, might require reductions in areas of inflated costs? Is government not the consumer in this instance? Does government not protect the constituency in the contracting process while remaining accountable to the taxpayer?

#### Accuracy of the State Bidder's List

Another question raised concerned the accuracy of the state bidder's list. As previously mentioned, considerable overlap was found among categories in the bidder's list. How can a business qualified to contract with the state for barber and beautician services be qualified to provide emergency food services, as well as food stamp and coupon services? This problem was encountered repeatedly. What are the qualifications for businesses to be placed on the state bidder's list? In Texas, a business must simply be registered with the Office of the Secretary of State of Texas and be assigned a tax identification number. No additional qualifications exist.

#### Currency of the State Bidder's List

Another question was of the currency of the state bidder's list. How often is it updated? Four questionnaires were mailed back "Return to Sender." If businesses are not stable enough to maintain a mailing a current address with the state, should they be allowed to be on the list?

## Accessibility to Information

Still another question would address the accessibility of the information necessary to determine perceptions about the government contracting process. This information can only be accessed through mainframe computers at each respective agency. Mainframe time at agencies is in great demand and is also very expensive. The researcher was limited only to agency mainframe access where he worked, therefore the bidder's list was restricted to the businesses that were listed to provide service to that agency. This restriction provided only nine categories with 36 potential contractors to survey.

Of the questionnaires sent to the food service management companies that contract with Texas school districts, only one was returned. One company responded by stating that the demographic information requested was too sensitive to be released by a privately held company in an extremely competitive environment. The company chose not to respond to any part of the survey. Again, why is basic demographic information so sensitive? Is government not the consumer in the contracting process? In the public sector environment is not all pertinent information part of the public record for scrutiny by all interested? The following section will address the results from those businesses that did respond to the survey.

## RESULTS OF RESPONDENTS

### Demographic Data

Results of the survey from the three responding businesses were interesting, though by no means conclusive. Two of the businesses in the human services category contracted with the Texas Education Agency. One company contracted with local Texas school districts for food service management. All three respondents had a minimum of three years on the state bidder's list and had multiple contract renewals. The food service management company had renewed contracts with school districts 22 times. The two businesses contracting with TEA required no more than five persons to provide the service. The food service management company contracting with school districts required over 100 full time employees. Annual sales resulting from government contracts for all three companies were in excess of \$100,000.

### Questionnaire on Perceptions Regarding Key Concepts

Some consistencies in responses were evident in the section of the survey used to assess perceptions about contracting with state and local governments. This part of the survey instrument was focused around the key concepts. Questions asked and responses will be listed under subheadings for the key concepts and also in Table 1 (See Table 1, page ??).

### Government Understanding of the Service to be Contracted

The first three questions address the degree of understanding of key government agency employees of the service to be contracted

(See Appendix A). In all three of the responses, the government entity had provided the service prior to privatizing. Also, all of the respondents felt that the agency/school district had accurately determined the needs for the service to be provided. Only once in three contracts did the agency/school district conduct a needs analysis. These responses indicate that there was an adequate understanding by government of the service to be contracted. Perhaps this perception occurred as the result of the agency/school district providing the service prior to privatization.

#### Design of Accurate Bid Specifications

Questions 4 through 7 address the ability of government to design accurate bid specifications. Only once were bid specifications required to be altered before the award of contract. Both state agency contractors participated in a pre-bid conference. The school district contractor did not. One state agency contractor did not feel that the agency did a good job in the development of adequate contract specifications. However, both state agency contractors disagreed with the statement that the agency did a good job in the development of bid/contract specifications. This raises a question about the ability of the agency to incorporate bid specifications into the contract.

#### Use of Realistic Performance Criteria

The next two questions in the survey explored the ability of the agency to develop realistic performance criteria for service

delivery. Two of the three contractors responding acknowledged the use of performance criteria in the evaluation of the service being contracted. Only once were the performance criteria incorporated into the contract. Also, only one contractor thought the performance criteria were adequately linked to the bid/contract specifications. One of the two contractors with exposure to performance criteria thought the performance criteria used were realistic. Though not conclusive, these responses seem to indicate that the use of performance criteria in evaluation of service delivery has not yet benefited from full and proper application.

#### Criteria for Award of Contract

The next section of the questionnaire, questions 10 and 11, pertain to the criteria used for the award of contract. Only one business reported that the award of contract was based on low bid. However, two of the three respondents stated that the contract contained requirements which were restrictive or presented a barrier to entry into the market. These perceptions of restrictive specifications focused on insurance requirements, bonding requirements, and capital expenditures necessary to execute the contract.

#### Term of Contract

The comment about excessive capital expenditures relates to the next key concept, the implications of short-term contracts. Questions 12 and 13 address the contract term. Two of the three respondents contracted only for one year periods. Two of the

three respondents stated that there were extensive capital expenditure requirements necessary to execute the government contracts. Private companies cannot accept these huge expenditures without passing them on to the agency/school district. A one year term for a contract costs the taxpayer in contracts that require extensive capital expenditure.

#### Use of a Transition Plan

Questions 14 and 15 relate to the use of a transition plan for fluid transition and to prevent worker displacement by the agency/school district. Only one of the three respondents reported the use of a transition plan, and only one business described provisions for assimilation of displaced workers into the workforce.

#### Overall Perception of the Contracting Experience

Finally, question 16 asked for the perception of business as to the contracting experience with Texas agencies/school districts. The three responses were mixed with one company's perception being very positive, one neutral, and one negative. No conclusions can be drawn from this response, other than if applied to a Likert scale of -2 to +2 with neutral being 0, the result would be a +1.

#### Open-ended Questionnaire

Responses to the open-ended question in the survey did generate some perceptions of business managers of problem areas in contracting which were not developed as key concepts in the conceptual framework of this paper. Some of these responses can

be related to key concepts developed in this research. Others cannot. All, however, can be viewed as what is on the mind of the three respondents regarding problems resulting from their business contracting with state agencies and local school districts.

### State Agency Contractors

#### *Long Turnaround Time for Payment*

Of the two business managers contracting with state agencies that responded to the questionnaire, both commented on the long turnaround time for payment for services. These managers complained that because their business is under contract with the state, the company is required to enter into a contract with which the state agency does not always adhere. The terms of the contract require payment to the business in a designated number of days. The state, according to these two respondents, rarely lives up to the contract standard on payment terms. The business has little recourse, but to walk away from the job facing larger losses than just one payment. A double standard has been created, because payment for a contract is not made by the agency, but by the Office of the Comptroller of Texas. Time in processing of the warrant for payment often exceeds the terms of the contract.

What is the effect of late payment by the state on a business? If the business is dependent on cash flow, the effects can be devastating. Purchases necessary for service delivery can be halted resulting in lesser service provision or no service

provision at all. Payrolls of businesses must continue along with payments of payroll taxes, worker's compensation, federal unemployment taxes, state employment taxes, etc. The business manager has few if any options.

One respondent suggested the use of direct deposit by the state for payment of private sector service provision. This would speed the process, somewhat. The same respondent commented that the problem and costs around payment term violations by the state restrict the ability of the company to deliver a competitive bid.

#### *Lack of Working Capital*

One of the two company managers who contract with state agencies also stated that lack of working capital, or advance funds, was also a problem. This point was related to the key concepts regarding extensive capital expenditures and the inability of a business to amortize those expenditures in a short term contract. This manager stated that if his company could not amortize extensive capital expenditures, then the expenditures must be added to the cost of the contract, costing the taxpayer more for the service.

#### *Emphasis on Low-bid*

Other comments made concerned the emphasis on low-bid for award of contract. This problem related to the key concept concerning criteria for award of contract. According to this manager, emphasis on low-bid lowers the quality of service provision. Stress placed on costs by state agencies also lowered

the quality of service provided to constituencies. This significance placed by state agencies in these areas leaves private sector managers little flexibility to adjust operations to improve services.

Other suggestions made by company managers who contract with state agencies were also related to key concepts. First, one respondent stated that it should be mandatory for a state agency to conduct a needs analysis prior to designing bid specs. The same respondent suggested that agencies use industry advisors to participate in needs analyses and the determination of bid specifications. This consultant could not, however, bid on the contract. This practice would also serve to inflate costs, to the taxpayer, of the service provided.

#### Texas School District Contractors

##### *Distrust of the Private Sector by Government*

The respondent who contracted with Texas school districts also listed perceptions of problems in contracting in the open-ended part of the questionnaire. This individual was the regional manager for a billion dollar international corporation that conducted business in all areas of food service, retail, wholesale and institutional contracting. This manager was inspired enough to include two additional pages in response to the open-ended question. The perceived problems listed were in four areas. The first focused on a distrust of private industry by government at both state and local levels. This manager felt that this distrust led to increased scrutiny that is not applied

within the agency/school district. The feeling was that the private sector builds enough checks into the system.

#### *Emphasis on Low-bid*

The second perceived problem also addressed the low-bid mentality of government. The manager states that services are not products, but contain certain intangibles with which exact costs cannot be determined, and should not, for the service to be provided. Expertise and quality cannot be measured in exact quantities.

#### *Lack of Understanding of Contracting*

The third problem identified was a general lack of understanding of the contracting process by the school district. The contract should be viewed as a partnership between the school district and the business entity. This partnership would provide adequate service provision with enough flexibility for quality standards to be met.

#### *State Intervention*

Finally, the manager stated that state intervention, by monitoring for compliance with federal and state laws and conducting audits, fed the attitudes of distrust at the local level. The manager felt that this was excessive, and there was no balance between state involvement in the processes and the results. The next chapter will address conclusions drawn from the results of this research.

## CHAPTER 6

### CONCLUSION

The conclusion to this study will focus on information gathered in the questionnaire and discussed in Chapter 5, and the problems that occurred in accessing necessary detailed information for the research. The discussion of the data will center around two shortcomings: first, the structure of the data at the state level; and second, attitudes of business managers about giving information necessary for academic research. Validity and reliability of the results are discussed. Finally, subjects for future research are addressed.

#### Government Structure of Bidder's Lists

While the response rate left something to be desired, results of the three respondents about perceptions of contracting with state agencies and local school districts were interesting and somewhat revealing. Due to the low response rate, none of the data gathered can be viewed as conclusive. However, since the purpose of this research was to explore and describe perceptions of businesses about contracting with Texas agencies and school districts, validity was not the first objective. Research conducted in areas, where little or no previous study has occurred, often lacks conclusive data, other than topics for future research. These topics for future research can represent

a valuable first step in the examination of unexplored areas. Such is the case in this effort.

Degrees of reliability of the data collected would probably be higher than those of validity. Unfortunately, the same data would probably be collected in a repetition of this study. Unless changes are made in the maintenance of the data by the state and in attitudes of business managers concerning the provision of information, results of this study if conducted at a future time would probably remain very similar.

During this research, the author was frustrated by the lack of accessibility to information necessary to determine perceptions of business managers about contracting with state agencies and school districts. Institutionalized problems at the agency level and lack of willingness to respond by private sector managers were encountered repeatedly. Why do the problems exist? What can be done to ameliorate the gathering of information used to improve the contracting process?

Access to information concerning qualified bidders was the first problem encountered by the researcher. Information compiled at the state level is accessed at the agency level. These bidder's lists drawn from state agencies are agency specific - that is that they contain bidders who only contract for service delivery with that specific agency. Therefore, data gathered are agency specific, also. In addition, the information is stored on the agency mainframe computer, and cannot be accessed by personal computer. Accessibility to mainframe

computers at agencies is restricted due to demands for mainframe time.

Another problem in gathering information was the currency of data. Results indicate that mailing addresses were incorrect. Bidders, who were on the bidder's list, were no longer operating. How frequently is the bidder's list updated? Who is responsible for the updates? What are the procedures?

The lack of emphasis by the state given to maintenance and structure of the state bidder's list raises questions about the understanding and commitment of state officials to the contracting process. Without current data, how can state managers properly monitor the contracting process? Without current data, how can state managers extract information which can provide trends or other data which can improve the process. The answer is that without current data state managers cannot. Timeliness is the foundation necessary for information gathering. Lack of currency would indicate a lack of commitment on the part of the state. Do state officials view contracting as a method to absolve the state from constituent related responsibilities? Can proper emphasis be given to monitoring a contract when the state lacks commitment to something so basic as the currency of data? Does the structure of the bidder's list protect this lack of commitment on behalf of state officials?

The atmosphere of prevailing secrecy by business, when internal demographics or other information concerning provision of service are requested, is troubling and reeks of hypocrisy.

When a business enters into the public sector contracting environment, the business processes must become a matter of the public record in order for lines of accountability to be maintained on behalf of the taxpayer. The public service is provided with taxpayer dollars, and government, and its constituencies, are the consumer. Businesses willingly accept the public sector dollars. Businesses must be more willing to participate in the processes of exploration, discovery and evaluation with regard to improving government contracts. The prevailing attitude seems to be best expressed in the translation of the Latin phrase "let the buyer beware."

#### Topics for Future Research

Finally, topics for future research are abundant. The most pressing topics, however, would address the seeming attitudes of absolution of responsibility and indifference on the part of state officials and managers. Another equally high priority topic could concern the attitudes of business managers about providing information about business demographics, perceptions and processes. What precedents have caused these attitudes?

Other areas of question raised by the limited results of this research concerned methods of full and proper utilization of performance criteria in the evaluation of service contracts. Another topic for future research could address methods of formulating adequate bond and insurance requirements. These requirements should not represent a barrier to entry for new businesses in the contracting process. Another issue raised by

this research is the problem of extensive capital expenditures required in short-term contracts. How can this burden be eased on the business manager that results in a savings for the taxpayer? Can use of performance criteria and regular evaluations replace the accountability standards of a short-term contract?

The contracting process can be conducted in an environment which benefits all involved - taxpayers, constituents, business, and government. However, for this to occur, problems must be overcome. These problems are the prevailing attitudes of government and business. Government and business are the two entities that participate in an agreement on behalf of the constituent and in the best interest of the taxpayer. The attitudes can be seemingly best described as a lack of interest, sometimes to the point of apathy, on the part of government, and an excess of interest, sometimes to the point of paranoia, on the part of business. How can interest be stimulated for government, while concerns are reduced for the private sector contractors?

The most substantive conclusions drawn from the results of this study are the topics for future research. Until changes are made in attitudes and structure, however, little will be revealed. The current prevailing perception of business managers about contracting with government must be concluded as: the less information provided or collected, the more secure the company in a competitive contracting environment.

APPENDIX A - PART 1

**SURVEY FORM**  
Texas School District Contractors

PART 1 - Business Information

This questionnaire is for supervisors of the bidding process /or contract managers for businesses contracting with public school districts in Texas. Please circle the most appropriate response or fill in the blank.

Number of years on state bidders list:

- a. 1 - 3 years;
- b. 3 - 5 years;
- c. 5 - 10 years;
- d. More than 10 years.

Number of executed contracts with Texas school districts:

- a. 1 - 3;
- b. 3 - 5;
- c. 5 - 10;
- d. 10 or more.

Number of contract renewals: \_\_\_\_\_

Number of employees (FTEs of the business):

- a. Less than 25;
- b. 25 - 50;
- c. 50 - 100;
- d. More than 100.

Number of employees (FTEs) required to produce the service:

- a. 1 - 5;
- b. 5 - 10;
- c. 10 - 25;
- d. More than 25.

Annual Sales:

- a. Less than \$100,000;
- b. \$100,000 - \$500,000;
- c. \$500,000 - \$1,000,000;
- d. \$1,000,000 - \$100,000,000;
- e. More than \$100,000,000.

Annual Sales resulting from school district contracts in Texas:

- a. Less than \$10,000;
- b. \$10,000 - \$25,000;
- c. \$25,000 - \$50,000;
- d. \$50,000 - \$100,000;
- e. More than \$100,000.

PART 2 - Survey

Title: \_\_\_\_\_  
ional)

se circle the best answer.

The school district has accurately determined the needs for the service to be provided by contracting with your business?

ngly Agree    Agree    No Opinion    Disagree    Strongly  
gree

Did the school district conduct a needs analysis before developing bid specifications?

Yes                      No                      Don't Know

Did the school district provide the service prior to contracting with your firm?

Yes                      No                      Don't Know

Did bid specifications have to be altered before the award of contract?

Yes                      No                      Don't Know

Was there a pre-bid conference for bidders?

Yes                      No

Were the contract specifications developed by the school district adequate for service production?

Yes                      No                      Don't Know

I feel the school district did a good job in the development of bid/contract specifications.

Strongly Agree    Agree    No Opinion    Disagree    Strongly  
Disagree

Did the school district develop specific performance criteria to be used in evaluation of the service your business was to produce?

Yes                      No                      Don't Know

If Yes, go to questions 8a, 8b and 8c.

8a. Were the performance criteria incorporated into the contract?

Yes No

8b. The performance criteria were adequately linked to the bid/contract specifications.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

8c. The performance criteria developed by the school district were realistic.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

9. The criteria used by the school district for the award of the contract were realistic.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

10. Was the award of the contract based on the low bid?

Yes No Don't Know

11. Did the contract contain requirements which were restrictive or presented a barrier to entry into the market?

Yes No Don't Know

If Yes, go to question 11a.

11a. Such as:

Insurance requirements:	Yes	No
Bonding requirements:	Yes	No
Product specifications:	Yes	No
Government regulations:	Yes	No
Capital expenditure:	Yes	No

12. Was the contract term for a one year period?

Yes No

13. Did the contract require extensive expenditure of capital to meet to meet the criteria for award?

Yes No

14. Did the school district provide for a transition plan for the change from one service producer to another?

Yes No Don't Know Does Not Apply

15. Were provisions made for assimilation of displaced workers, as a result of contracting with your business, into the workforce?

Yes No Don't Know Does Not Apply

16. My experience in contracting with Texas school districts has been:

Very Positive Positive Neutral Negative Very Negative



APPENDIX A - PART 2

SURVEY FORM  
Contractors with State Agencies

PART 1 - Business Information

This questionnaire is for supervisors of the bidding process and/or contract managers for businesses contracting with agencies of the State of Texas. Please circle the most appropriate response or fill in the blank.

Number of years on state bidders list:

- a. 1 - 3 years;
- b. 3 - 5 years;
- c. 5 - 10 years;
- d. More than 10 years.

Number of executed contracts with the State of Texas:

- a. 1 - 3;
- b. 3 - 5;
- c. 5 - 10;
- d. 10 or more.

Number of contract renewals: \_\_\_\_\_

Number of employees (FTEs of the business):

- a. Less than 25;
- b. 25 - 50;
- c. 50 - 100;
- d. More than 100.

5. Number of employees (FTEs) required to produce the service:
- a. 1 - 5;
  - b. 5 - 10;
  - c. 10 - 25;
  - d. More than 25.
6. Annual Sales:
- a. Less than \$100,000;
  - b. \$100,000 - \$500,000;
  - c. \$500,000 - \$1,000,000;
  - d. \$1,000,000 - \$100,000,000;
  - e. More than \$100,000,000.
7. Annual Sales resulting from state agency contracts in Texas:
- a. Less than \$10,000;
  - b. \$10,000 - \$25,000;
  - c. \$25,000 - \$50,000;
  - d. \$50,000 - \$100,000;
  - e. More than \$100,000.

PART 2 - Survey

Your Title: \_\_\_\_\_  
 (Optional)

Please circle the best answer.

1. The agency has accurately determined the needs for the service to be provided by contracting with your business?

Strongly Agree    Agree    No Opinion    Disagree    Strongly Disagree

2. Did the agency conduct a needs analysis before developing bid specifications?

Yes                      No                      Don't Know

3. Did the agency provide the service prior to contracting with your firm?

Yes                      No                      Don't Know

4. Did bid specifications have to be altered before the award of contract?

Yes                      No                      Don't Know

5. Was there a pre-bid conference for bidders?

Yes                      No

6. Were the contract specifications developed by the agency adequate for service production?

Yes                      No                      Don't Know

7. I feel the agency did a good job in the development of bid/contract specifications.

Strongly Agree    Agree    No Opinion    Disagree    Strongly Disagree

8. Did the agency develop specific performance criteria to be used in evaluation of the service your business was to produce?

Yes                      No                      Don't Know

If Yes, go to questions 8a, 8b and 8c.

8a. Were the performance criteria incorporated into the contract?

Yes No

8b. The performance criteria were adequately linked to the bid/contract specifications.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

8c. The performance criteria developed by the agency were realistic.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

The criteria used by the agency for the award of the contract were realistic.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

9. Was the award of the contract based on the low bid?

Yes No Don't Know

10. Did the contract contain requirements which were restrictive presented a barrier to entry into the market?

Yes No Don't Know

If Yes, go to question 11a.

11a. Such as:

Insurance requirements:	Yes	No
Bonding requirements:	Yes	No
Product specifications:	Yes	No
Government regulations:	Yes	No
Capital expenditure:	Yes	No

1. Was the contract term for a one year period?

Yes No

2. Did the contract require extensive expenditure of capital to meet to meet the criteria for award?

Yes No

3. Did the agency provide for a transition plan for the change from one service producer to another?

Yes No Don't Know Does Not Apply

4. Were provisions made for assimilation of displaced workers, as a result of contracting with your business, into the workforce?

Yes No Don't Know Does Not Apply

My experience in contracting with Texas agencies has been:

Very Positive Positive Neutral Negative Very Negative



## BIBLIOGRAPHY

### SELECTED AUTHORS AND PRACTITIONERS

- Ammons, David N. and James J. Glass. "Headhunters in Local Government: Use of Executive Search Firms in Managerial Selection." Public Administration Review 48 (May/June 1988): 687-93.
- Babbie, Earl. The Practice of Social Research. Belmont, California: Wadsworth Publishing Co., 1986.
- Blodgett, Terrell. Service Delivery in the 90s: Alternative Approaches for Local Governments. Washington D.C.: International City Management Association, 1989. viii-21.
- Blodgett, Terrell, and Jerome Chapman. Contracting Selected State Government Functions: Issues and Next Steps, a report by the Contracting State Government Functions Policy Research Project, The University of Texas at Austin, 1986, 137-78.
- Bloom, Larry. General Services Commission, Purchasing Officer. interview by author, 30 June 1992, Austin.
- Bozeman, Barry. All Organizations Are Public. San Francisco: Jossey-Bass Publishers, 1987.
- Conlan, Kitty. "Contracting Out: A Labor Perspective." Urban Resources 2 (Summer 1985): 17-20.
- Coursey, David and Barry Bozeman. "Decision Making in Public and Private Organizations: A Test of Alternative Concepts of Publicness." Public Administration Review 50 (September/October 1990): 525-35.
- DeHoog, Ruth Hoogland. Contracting Out for Human Services. Albany, New York: State University Press, 1984.
- Dahl, Joan G. and Alan M. Glassman. "Public Sector Contracting: The Next "Growth Industry" for Organizational Development." Public Administration Quarterly 14 (Winter 1991): 483-97.

- Ferris, James, and Elizabeth Graddy. "Contracting Out: For What? With Whom?" Public Administration Review 46 (July/August 1986): 332-44.
- Fitzpatrick, Jody L.. "The Politics of Evaluation with Privatized Programs." Evaluation Review 13 (December 1989): 563-78.
- Harrison, Roger M.. "Private Industry Perspective." Public Management. 64 (October 1982): 5.
- Hatry, Harry P.. "Privatization Pros and Cons - And Ways to Make Government Agencies More Competitive." Urban Resources 2 (Summer 1985): 15-7.
- Hildebrand, Susan, Information Director, Texas Education Agency, Child Nutrition Division. Interview by author, 8 October 1992, Austin.
- Johnson, Gerald W. and John G. Heilman. "Metapolicy Transition and Policy Implementation: New Federalism and Privatization." Public Administration Review 47 (November/December 1987): 468-78.
- Kolderie, Ted. "Rethinking Public Service Delivery." Public Management 64 (October 1982): 6-9.
- Kolderie, Ted. "The Two Different Concepts of Privatization." Public Administration Review 46 (July/August 1986): 285-91.
- Moe, Ronald C.. "Exploring the Limits of Privatization." Public Administration Review 47 (November/December 1987): 453-60.
- Perkins, Pam. Investigator, Office of the Attorney General of Texas, Antitrust Division. Interview by author, 1 July 1992, Austin.
- Rainey, Hal G.. "Perceptions of Incentives in Business and Government: Implications for Civil Service Reform." Public Administration Review 39 (September/October 1979): 440-8.
- Savas, E.S.. Privatizing The Private Sector. Chatham, New Jersey: Chatham House Publishers, Inc., 1982.
- Savas, E. S.. Privatization the Key to Better Government. Chatham, New Jersey: Chatham House Publishers, Inc., 1987.
- Shields, Patricia. "Controlling Local Government Expenditures." Handbook of Governmental Accounting and Finance. Nicholas G. Apostolou and Larry D. Crumbley, ed. New York: John Wiley and Sons, 1988. 279-96.

Stevens, Barbara J.. "Comparing Public- and Private-Sector Productive Efficiency: An Analysis of Eight Activities." National Productivity Review 3 (Autumn 1984): 395-406.

Sullivan, Harold J.. "Privatization of Public Services: A Growing Threat to Constitutional Rights." Public Administration Review 47 (November/December 1987): 461-67.

Timmins, William M.. "Impacts of Privatization Upon Career Public Employees." Public Administration Quarterly 10 (Spring 1986): 50-9.

## STATUTES AND REGULATIONS

### FEDERAL

United States. National School Lunch Program Regulations, 7 CFR, Part 210.21.

United States. Uniform Federal Assistance Regulations, 7 CFR, Part 3015, Subpart B.

United States. Office of Management and Budget, Circular A-102, Attachment O.

United States. Office of Management and Budget, Circular A-110.

### STATE

Texas. Texas Education Code, Subchapter Z, 21.901. 1992.

Texas. Texas Education Agency. Handbook for Competitive Bidding for Texas Public Schools. 1992.

Texas. Vernon's Texas Civil Statutes, Article 601b, Section 3.01-3.31. 1992.

Texas. Texas General Services Commission. State of Texas Commodity Book, "Purchasing Ethics." 1992.

Texas. Texas General Services Commission. State of Texas Commodity Book, "Instructions to Bidders." 1992.