

## Pragmatism over Politics: Alternative Service Delivery in Local Government, 1992–2002

**Mildred Warner**

*Department of City and Regional Planning  
Cornell University*

**Amir Hefetz**

*Former Research Assistant  
Cornell University*

In response to increased interest in privatization, the International City/County Management Association (ICMA) has been tracking local governments' use of alternative service delivery approaches since 1982. Although almost all governments responding to the ICMA surveys use at least one form of alternative service delivery, survey results show that direct public delivery is still the most common approach and that, in the last ten years, delivery by public employees entirely has increased somewhat. Among alternative service delivery approaches, for-profit privatization and intergovernmental contracting are the most common, and their usage for nearly one-fifth of all government services has remained relatively steady over the decade. Use of nonprofit contracting has been stable as well, although at less than half the rate of for-profit privatization. Use of franchises, subsidies, and volunteers remains the least common approach. Of interest is how little these trends have changed over the 1992–2002 time period; the only truly dramatic change has been in the increased use of mixed public-private provision.

Although the use of privatization has often been presented by both supporters and detractors as politically motivated,<sup>1</sup> the ICMA surveys tell a different story. The stability of the trends as described above suggests that local governments are mature and experienced in their use of alternative service delivery. According to the 2002 survey results, problems with contractor performance and a lack of competitive markets account for the relative flatness of the trends.

As pragmatic professionals, local government managers recognize that the delivery form that works best varies for each service and each location, that markets for public services are not uniform across all municipalities, and that market-based service delivery needs to be carefully managed. Two aspects of the 2002 survey show this clearly. First, survey results reveal dramatic growth in the use of mixed public-private provision in jurisdictions where government managers recognize the important role they play

in creating competition and managing markets for public services. Rowan Miranda and Allan Lerner pointed out the importance of such internal benchmarking after reviewing the 1992 data.<sup>2</sup> In the last ten years, use of mixed public-private contracting has increased by 35% and now comprises 23% of all service delivery on average. Second, the 2002 survey added a new question on the stability of privatization and found that a fifth of all governments reported contracting back in previously privatized services. The primary reasons were failure to maintain service quality by alternative providers (73%) and failure to achieve cost savings (51%). This may help explain why the use of mixed provision has increased.

According to the 2002 ICMA survey results—and as discussed in detail further on—the average level of services provided by local government has gone down since 1992 but public involvement in the delivery of the remaining services has increased. Proponents of the New Public Management (NPM) theory have argued that governments can separate the policy decisions about provision from the actual service delivery process. David Osborne and Ted Gaebl, in their famous 1992 book *Reinventing Government*, exhorted government managers to steer and not row.<sup>3</sup>

However, critics of NPM have argued that more attention needs to be given to serving the public,<sup>4</sup> and the 2002 survey shows that after ten years of experience with alternative service delivery, managers recognize that they must be directly involved in the rowing if they want to keep the ship of government on course. The 2002 ICMA survey presents a profile of professional local government managers who are using market forms of provision where they can but are paying careful attention to balancing a combination of concerns: cost savings, service quality, and citizen satisfaction. The growth in direct government involvement in the service delivery process reflects these concerns.

In short, privatization at the local level should not be characterized as a politically motivated

### Selected Findings

*Except for the dramatic rise in mixed public-private provision, trends in the use of alternative service delivery approaches over the decade have been flat. Yet nearly twice as many local governments in 2002 as in 1992 reported studying the feasibility of alternative service delivery (58% vs. 31%), driven primarily by internal attempts to cut costs (88%) and external fiscal pressures (50%), as well as by proposals from service providers (21%). Considerably fewer respondents cited such factors as politics, citizen groups, and government mandates. At the same time, 22% of governments reported contracting back in services that were previously contracted out. These findings show that alternative service delivery is primarily a pragmatic management effort rather than a politically motivated decision, and that its lack of growth most likely reflects a lack of potential for additional cost savings or quality improvements.*

decision. Pragmatic government managers are aware of the potential benefits from privatization, but they are also aware of its limits. To ensure the preservation of public values in public service delivery, local government managers understand that they have a critical managerial role to play.

### SURVEY METHODOLOGY AND RESPONSE

ICMA's *Profile of Local Government Service Delivery Choices, 2002–2003* survey was conducted in fall 2002 and spring 2003. Letters were mailed to the chief administrative officers (CAOs) in municipalities with populations of 10,000 and over, in counties with populations of 25,000 and over, and to a random sample of one in eight municipalities from 2,500 to 9,999 in population and one in eight counties with populations from 2,500 to 24,999. The letter provided each local government with a Web address (URL), where they could either download and complete a hard-copy PDF file and mail it in or complete the survey online in a Web form.

Of the 5,370 municipalities and counties that received surveys in 2002, 1,283 responded (24%) (Table 2/1). Although the response rate is 8 percentage points lower than that in 1997, ANOVA tests show the respondents to the 1992, 1997, and 2002 surveys represent the same population of municipalities as described by population size and per capita income. The 1,283 municipalities that responded to the 2002 survey represent a sample sufficiently large enough to permit careful analysis of service delivery detail. As in the past, the response rate was higher among cities than counties (27% vs. 18%), with the very largest cities showing an even higher rate than they did in 1997. Central and suburban places were more likely than independent rural areas to respond. Responses were highest from the Pacific Coast and South Atlantic regions, and lowest from the East South-Central, Mid-Atlantic, and New England regions.

**Table 2/1 SURVEY RESPONSE**

Classification	2002			1997 Percentage responding
	No. surveyed	No. responding	Percentage responding	
All .....	5,370	1,283	24	32
Cities <sup>1</sup> .....	3,689	985	27	36
Counties <sup>1</sup> .....	1,681	298	18	23
Population group				
Over 1,000,000 .....	38	15	40	36
500,000–1,000,000 .....	88	21	24	27
250,000–499,999 .....	146	45	31	28
100,000–249,999 .....	455	132	29	33
50,000–99,999 .....	785	182	23	32
25,000–49,999 .....	1,412	314	22	30
10,000–24,999 .....	1,903	456	24	34
5,000–9,999 .....	281	66	24	30
2,500–4,999 .....	262	52	20	37
Geographic division				
New England .....	447	78	17	28
Mid-Atlantic .....	740	111	15	22
East North-Central .....	1,058	266	25	32
West North-Central .....	498	120	24	35
South Atlantic .....	780	253	32	39
East South-Central .....	397	49	12	17
West South-Central .....	560	119	21	30
Mountain .....	296	88	30	41
Pacific Coast .....	594	199	34	45
Metro status				
Central .....	999	281	28	32
Suburban .....	2,587	650	25	34
Independent .....	1,784	352	20	29

<sup>1</sup>For a definition of terms, please see "Inside the Year Book," xi.

## LOCAL GOVERNMENT PROVISION AND DELIVERY OF SERVICES

ICMA's survey asks local government managers about the provision of services in their jurisdiction. First, it queries if a service is currently being provided by the government, has recently been shed, or has never been provided by the government. If the service is currently being provided, the survey then asks whether public employees are used in its delivery and whether these employees are used entirely or only in part (mixed public-private delivery). Finally it asks about the use of six different alternative forms of service delivery: intergovernmental contracting; for-profit privatization; nonprofit privatization; and the use of franchises, subsidies, and volunteers. These questions are asked separately for each of 67 different services. In addition, a new column was added to the most recent survey asking whether the method of service delivery had changed over the last five years. However, less than 2% of the sample checked this column, so the responses are not reported here.

ICMA's survey also asks a series of questions about why governments explore the option of alternative service delivery, who they involve in evaluating its feasibility, and how they ensure success in implementing private service delivery. For the 2002–2003 survey, a new question was added about the stability of alternative service delivery—specifically, whether the governments had contracted back in previously privatized work. This question was posed in recognition of the dynamics of the service delivery choice process reported in the *Municipal Year Book 2003*.<sup>5</sup>

### Public Provision of Services Is Shrinking

Local government service provision is dynamic. Old services are continually being shed while new services are being brought in; for example, job training and welfare programs were new services added to the 2002 survey. Nevertheless, findings from that survey reveal that overall government responsibility for provision of services in 2002 averaged 57%, down from 69% in 1992 (not shown), and that local government provision over the past decade dropped for all but 3 of the 67 services surveyed while significant increases were found in only utility billing and disposal of hazardous materials. Services with the largest drop in government provision were health and human services (hospitals, drug and alcohol treatment, mental health programs, prisons, and homeless shelters), support functions (tax assessing and collection, and title records), public safety (ambulance service and vehicle towing), and public works (solid waste and sludge disposal). This is not surprising, given that alternative forms of service delivery have been high in these services and that contracting sometimes leads to the eventual shedding of local government service responsibility altogether. In such cases, either citizens purchase the service directly from private providers, or a level of government higher than the municipality returning the survey assumes responsibility for the service on a regional basis.

### Local Government Delivery Is Rising

ICMA treats the data on service provision separately from the data on service delivery. Respondents were first asked whether they provided the service. Those that provide the service were then

asked to provide information on how that service was delivered. The base for all percentages reported in the three service delivery tables that follow is the number of governments reporting how they delivered a particular service they provide. Thus in Tables 2/2, 2/3, and 2/4, the relevant base for the percentages is not the entire sample but the number of respondents who provide the service and who checked at least one option about how the service was delivered. This number varies for each service and is presented in the first three columns of Table 2/2. And since the base number reporting is different for each service, comparison between services should be treated carefully.

While the percentage of services provided by local government is shrinking, the level of direct government delivery of those services that are provided is actually rising. The use of employees entirely increased on average from 48% in 1992 to 52% in 2002 (Table 2/2). The highest levels of direct public delivery (more than 80%) were found primarily in support functions (payroll, secretarial services, personnel, and public relations). Public works (street cleaning, snow plowing, inspection, water distribution and treatment, and parking meter maintenance and collection), crime and fire prevention, traffic control, and recreation facilities all used public employees entirely in 70% or more of responding governments. The lowest use of public employees entirely (below 35%) was found in more than half of the functions in health and human services, as well as in commercial solid waste collection and disposal, transit systems, disposal of hazardous materials, gas utilities, vehicle towing, cultural and arts programs, museums, and legal services. The largest increases (10 percentage points or more) in the use of public employees entirely were in commercial waste collection, public utilities, ambulance service, sanitary inspection, insect and rodent control, animal shelters, day care facilities, child welfare programs, prisons, tax assessing and processing, and title records (Table 2/2). These are some of the same areas where experimentation with alternative service delivery has been high. This return to the use of public employees entirely needs to be better understood.

Mixed public and private provision shows a dramatic increase over the decade from 17% to 23% of all services on average (Table 2/2). The services with the highest levels of mixed provision (more than 40%) were those that also had high levels of contracting (street repair, traffic signs, tree trimming, programs for the elderly, cultural and arts programs, and fleet management). Mixed provision increased for practically all services. The only significant decreases were in commercial waste collection, utility billing, and secretarial services—services that had large increases in the use of public employees entirely. The largest percentage point increases (more than 15%) in mixed public-private provision were in health and human services (day care facilities, child welfare programs, public health programs, drug and alcohol treatment, and mental health programs). Mixed provision also

**Table 2/2 USE OF DIRECT PUBLIC DELIVERY BY EMPLOYEES ENTIRELY OR IN PART, 1992-2002**

Service	No. reporting			Public employees entirely			Public employees in part			Change in percentage points 1992-2002	
	1992	1997	2002	1992 %	1997 %	2002 %	Change in percentage points 1992-2002	1992 %	1997 %	2002 %	
							1992-2002				
Average .....	971	801	596	48.0	49.0	52.0	4.0	16.7	17.0	23.0	6.0
<b>Public works/transportation</b>											
Residential solid waste collection .....	912	882	620	46.7	36.8	44.5	-2.2	9.8	8.5	10.5	0.7
Commercial solid waste collection .....	712	649	408	23.3	23.1	33.3	10.0	22.1	11.4	18.1	-4.0
Solid waste disposal .....	922	794	504	31.5	30.0	32.7	1.2	11.8	9.9	17.7	5.9
Street repair .....	1,370	1,191	971	42.6	39.3	41.7	-0.9	52.0	54.2	52.9	0.9
Street/parking lot cleaning .....	1,203	1,025	787	70.0	67.5	70.9	0.9	19.2	19.2	18.8	-0.4
Snow plowing/sanding .....	1,035	902	739	75.5	71.3	75.2	-0.3	22.1	24.3	21.9	-0.2
Traffic sign/sign installation/maintenance .....	1,297	1,126	864	43.1	50.6	43.4	0.3	33.9	35.7	41.2	7.3
Parking meter maintenance/collection .....	344	287	229	80.2	74.9	79.5	-0.7	9.9	11.8	14.8	4.9
Tree trimming/planting on public rights-of-way .....	1,251	1,100	904	43.6	40.2	39.6	-4.0	45.5	46.5	49.4	3.9
Maintenance/administration of cemeteries .....	574	472	384	66.9	64.4	67.7	0.8	15.0	13.6	21.6	6.6
Inspection/code enforcement .....	1,379	1,210	981	82.6	82.4	82.3	-0.3	14.5	13.9	15.2	0.7
Operation of parking lots/garages .....	525	434	379	68.2	67.5	65.4	-2.8	16.0	14.7	22.2	6.2
Operation/maintenance of bus transit system .....	437	378	258	24.5	22.5	30.2	5.7	10.1	11.4	21.3	11.2
Operation/maintenance of paratransit system .....	395	350	240	22.5	20.6	30.4	7.9	12.2	17.1	21.3	9.1
Operation of airports .....	513	437	302	36.1	34.3	42.4	6.3	16.6	20.8	28.5	11.9
Water distribution .....	1,079	812	694	74.6	74.6	75.9	1.3	8.7	8.3	14.3	5.6
Water treatment .....	988	820	619	66.6	69.8	71.4	4.8	6.4	6.6	12.3	5.9
Sewage collection/treatment .....	1,113	912	743	56.7	59.3	60.8	4.1	17.9	17.2	22.5	4.6
Disposal of sludge .....	971	763	559	43.3	41.9	42.0	-1.3	10.0	13.1	19.3	9.3
Disposal of hazardous materials .....	710	556	399	16.1	18.9	22.8	6.7	24.4	22.5	31.6	7.2
<b>Public utilities</b>											
Utility operation/management: electric .....	414	341	172	32.4	36.7	48.3	15.9	2.2	4.1	8.7	6.5
Utility operation/management: gas .....	351	255	113	12.3	18.4	28.3	16.0	3.1	0.4	6.2	3.1
Utility meter reading .....	784	715	593	65.4	73.4	77.6	12.2	9.8	5.5	9.4	-0.4
Utility billing .....	633	757	637	47.2	78.7	76.1	28.9	18.3	6.9	13.3	-5.0
<b>Public safety</b>											
Crime prevention/patrol .....	1,406	1,204	1,001	88.4	89.1	85.6	-2.8	7.8	6.6	9.4	1.6
Police/fire communications .....	1,388	1,196	925	71.8	73.4	69.1	-2.7	13.8	11.6	18.3	4.5
Fire prevention/suppression .....	1,299	1,040	821	70.3	71.3	74.4	4.1	9.5	10.4	12.3	2.8
Emergency/medical service .....	1,200	961	724	42.7	46.5	52.2	9.5	19.1	19.9	28.5	9.4
Ambulance service .....	1,102	820	575	32.6	37.2	45.9	13.3	9.3	11.2	19.8	10.5
Traffic control/parking enforcement .....	1,243	1,088	854	88.0	86.5	85.4	-2.6	7.7	7.4	9.8	2.1
Vehicle towing and storage .....	993	731	473	5.0	8.1	7.2	2.2	8.7	9.3	13.3	4.6
<b>Health and human services</b>											
Sanitary inspection .....	981	740	520	42.4	55.0	59.0	16.6	13.6	10.0	17.7	4.1
Insect/rodent control .....	848	620	409	34.1	40.2	45.0	10.9	17.2	14.8	27.1	9.9
Animal control .....	1,226	1,089	809	59.2	56.9	63.4	4.2	12.7	13.5	14.6	1.9
Operation of animal shelters .....	988	832	508	34.3	36.1	44.5	10.2	7.1	9.4	15.0	7.9
Operation of day care facilities .....	417	294	124	6.2	16.0	29.0	22.8	13.7	10.5	29.8	16.1
Child welfare programs .....	545	416	248	15.8	23.1	28.2	12.4	19.3	23.1	34.7	15.4
Programs for the elderly .....	977	782	614	20.6	26.1	27.5	6.9	45.1	41.6	51.3	6.2
Operation/management of hospitals .....	390	255	67	8.5	5.1	14.9	6.4	3.8	3.9	14.9	11.1
Public health programs .....	741	566	350	24.6	27.0	30.9	6.3	20.0	24.2	36.6	16.6
Drug and alcohol treatment programs .....	704	425	256	7.1	10.8	9.4	2.3	17.3	22.1	37.1	19.8
Operation of mental health/mental retardation programs and facilities .....	635	386	201	6.5	10.4	14.9	8.4	10.6	18.4	30.3	19.7
Prisons/jails .....	939	709	457	38.7	52.5	61.3	22.6	17.0	12.6	19.5	2.5
Operation of homeless shelters .....	510	287	124	0.6	1.7	6.5	5.9	4.7	5.6	16.1	11.4
Job training programs .....	—	—	261	—	—	18.8	—	—	—	37.2	—
Welfare programs .....	—	—	219	—	—	49.3	—	—	—	19.2	—
<b>Parks and recreation</b>											
Operation/maintenance of recreation facilities .....	1,308	1,145	940	74.8	69.7	70.0	-4.8	18.7	21.8	26.4	7.7
Parks/landscaping maintenance .....	1,309	1,155	949	73.7	65.9	66.3	-7.4	19.8	24.7	27.7	7.9
Operation of convention centers/auditoriums .....	421	387	274	57.0	55.8	54.7	-2.3	14.5	12.1	20.4	5.9
<b>Cultural and arts programs</b>											
Operation of cultural and arts programs .....	679	554	417	16.6	22.2	23.7	7.1	38.7	34.1	49.2	10.5
Operation of libraries .....	1,019	800	617	49.2	49.6	55.9	6.7	10.2	11.1	13.1	2.9
Operation of museums .....	542	442	290	18.8	14.9	24.8	6.0	11.6	18.1	25.9	14.3
<b>Support functions</b>											
Buildings and grounds maintenance .....	1,401	1,232	1,028	65.5	58.8	58.3	-7.2	32.0	37.6	39.1	7.1
Building security .....	1,129	847	799	78.0	72.1	70.8	-7.2	14.6	15.6	19.9	5.3
Fleet management/vehicle maintenance:											
Heavy equipment .....	1,357	1,176	963	55.3	51.8	50.9	-4.4	36.8	40.9	45.1	8.3
Emergency vehicles .....	1,290	1,113	907	52.2	48.5	45.8	-6.4	35.6	39.6	44.7	9.1
All other vehicles .....	1,350	1,182	972	56.1	52.9	53.8	-2.3	35.9	38.2	39.8	3.9
Payroll .....	1,422	1,279	1,024	92.3	90.5	92.3	0.0	5.1	5.7	5.8	0.7
Tax processing .....	1,197	—	674	52.7	—	66.8	14.1	11.2	—	16.8	5.6
Tax assessing .....	1,110	876	546	41.0	51.8	58.1	17.1	7.6	11.4	13.6	6.0
Data processing .....	1,376	1,177	938	80.2	75.5	74.0	-6.2	14.9	20.3	22.8	7.9
Collection of delinquent taxes .....	1,198	939	653	47.9	51.3	52.8	4.9	12.6	17.3	23.3	10.7
Title records/plant map maintenance .....	1,153	833	565	41.9	55.7	63.4	21.5	19.7	16.8	21.4	1.7
Legal services .....	1,322	1,066	838	38.2	35.7	31.9	-6.3	24.8	27.9	32.5	7.7
Secretarial services .....	1,386	1,157	960	90.3	89.5	91.9	1.6	9.4	9.8	7.8	-1.6
Personnel .....	1,392	1,199	982	91.4	89.9	88.0	-3.4	8.0	8.4	10.8	2.8
Public relations .....	1,326	1,118	944	84.5	81.7	82.3	-2.2	13.2	15.5	15.7	2.5

Table 2/3 USE OF ALTERNATIVE SERVICE DELIVERY, 1992–2002

Service	Another government or authority				Private, for-profit				Private, nonprofit				Change in percentage points 1992–2002	
	1992 %	1997 %	2002 %	Change in percentage points 1992–2002	1992 %	1997 %	2002 %	Change in percentage points 1992–2002	1992 %	1997 %	2002 %	Change in percentage points 1992–2002		
Average .....	21.1	18.0	16.5	-5.3	16.4	19.5	18.0	2.0	7.1	7.4	8.2	0.8		
<b>Public works/transportation</b>														
Residential solid waste collection .....	2.2	3.1	3.5	1.3	37.1	48.8	39.4	2.3	1.2	0.2	0.6	-0.6		
Commercial solid waste collection .....	2.1	3.4	3.9	1.8	53.5	60.1	43.1	10.4	0.8	0.2	0.2	-0.6		
Solid waste disposal .....	27.2	20.5	18.1	-9.1	32.1	40.4	38.1	6.0	0.8	0.4	1.4	0.6		
Street repair .....	4.9	6.3	6.8	1.9	29.0	34.4	35.3	6.3	0.5	0.4	0.6	0.1		
Street/parking lot cleaning .....	3.1	3.1	3.4	0.3	18.5	19.5	18.3	1.8	0.7	0.5	0.9	0.2		
Snow plowing/sanding .....	4.6	6.3	6.2	1.6	10.3	13.4	12.6	2.3	0.3	0.1	0.1	-0.2		
Traffic sign/sign installation/maintenance .....	18.7	14.6	17.5	-1.2	24.1	23.6	27.1	3.0	0.7	0.3	0.2	-0.5		
Parking meter maintenance/collection .....	8.1	9.1	3.5	-4.6	5.5	10.1	9.6	4.1	0.3	1.0	0.0	-0.3		
Tree trimming/planting on public rights-of-way .....	3.8	4.3	5.5	1.7	30.7	35.9	38.3	7.6	1.6	1.5	2.7	1.1		
Maintenance/administration of cemeteries .....	7.1	7.0	3.4	-3.7	11.3	14.0	12.2	0.9	6.4	8.5	4.4	-2.0		
Inspection/code enforcement .....	6.5	4.9	5.4	-1.1	5.4	7.7	7.2	1.8	0.3	0.3	0.2	-0.1		
Operation of parking lots/garages .....	8.0	7.4	4.2	-3.8	13.3	15.4	20.6	7.3	2.3	2.3	2.1	-0.2		
Operation/maintenance of bus transit system .....	48.7	44.4	34.5	-14.2	14.2	22.0	20.9	6.7	8.0	8.5	11.2	3.2		
Operation/maintenance of paratransit system .....	38.2	36.0	32.1	-6.1	19.5	22.3	19.2	-0.3	15.2	15.7	15.8	0.6		
Operation of airports .....	34.9	33.0	25.8	-9.1	16.2	18.8	20.5	4.3	2.5	1.1	1.3	-1.2		
Water distribution .....	15.6	14.9	14.1	-1.5	4.9	7.3	7.2	2.3	0.8	0.9	0.4	-0.4		
Water treatment .....	26.1	22.1	17.9	-8.2	4.1	5.1	6.3	2.2	1.0	0.9	0.6	-0.4		
Sewage collection/treatment .....	32.6	27.2	25.7	-6.9	4.6	7.9	8.3	3.7	1.2	0.4	0.4	-0.8		
Disposal of sludge .....	32.9	25.8	20.4	-12.5	17.2	27.5	30.8	13.6	1.5	0.7	1.1	-0.4		
Disposal of hazardous materials .....	37.2	35.6	28.1	-9.1	35.4	37.4	38.3	2.9	3.2	1.8	4.3	1.1		
<b>Public utilities</b>														
Utility operation/management: electric .....	12.8	12.3	16.3	3.5	37.2	39.6	26.7	-10.5	4.3	2.9	4.1	-0.2		
Utility operation/management: gas .....	11.4	9.8	14.2	2.8	53.3	56.9	42.5	-10.8	4.8	3.1	3.5	-1.3		
Utility meter reading .....	7.8	5.6	6.6	-1.2	18.0	17.5	12.1	-5.9	1.8	0.7	1.3	-0.5		
Utility billing .....	9.2	5.7	7.8	-1.4	31.3	12.7	12.4	-18.9	2.1	0.4	1.4	-0.7		
<b>Public safety</b>														
Crime prevention/patrol .....	6.5	6.4	8.1	1.6	0.9	0.2	0.1	-0.8	0.6	0.4	0.4	-0.2		
Police/fire communications .....	21.0	19.4	24.3	3.3	0.6	0.7	0.2	-0.4	1.0	0.7	0.8	-0.2		
Fire prevention/suppression .....	12.9	10.0	10.4	-2.5	0.8	0.6	0.7	-0.1	2.6	1.9	1.8	-0.8		
Emergency medical service .....	20.0	15.7	15.3	-4.7	13.7	15.6	12.6	-1.1	8.3	7.6	8.4	0.1		
Ambulance service .....	18.4	13.5	14.8	-3.6	27.0	27.8	20.5	-6.5	10.3	9.1	8.3	-2.0		
Traffic control/parking enforcement .....	6.8	7.7	7.3	0.5	0.8	1.5	1.3	0.5	0.5	0.4	0.2	-0.3		
Vehicle towing and storage .....	2.4	4.1	3.8	1.4	82.6	78.7	79.5	-3.1	2.5	3.6	1.5	-1.0		
<b>Health and human services</b>														
Sanitary inspection .....	48.3	36.4	31.2	-17.1	1.5	3.8	3.5	2.0	0.4	0.7	0.0	-0.4		
Insect/rodent control .....	42.3	35.8	31.8	-10.5	14.0	20.0	16.4	2.4	0.9	1.8	0.2	-0.7		
Animal control .....	20.5	21.2	17.7	-2.8	5.4	7.5	5.8	0.4	8.9	9.6	8.8	-0.1		
Operation of animal shelters .....	28.6	25.8	21.1	-7.5	10.5	10.5	6.7	-3.8	23.3	23.4	21.7	-1.6		
Operation of day care facilities .....	18.0	16.7	10.5	-7.5	53.5	48.3	37.9	-15.6	34.5	31.0	34.7	0.2		
Child welfare programs .....	63.1	51.4	37.5	-25.6	4.0	7.9	11.3	7.3	12.7	19.2	25.0	12.3		
Programs for the elderly .....	34.2	31.6	26.2	-8.0	6.2	8.1	7.3	1.1	24.4	25.7	30.6	6.2		
Operation/management of hospitals .....	39.0	35.7	43.3	4.3	30.8	35.7	25.4	-5.4	30.3	35.7	28.4	-1.9		
Public health programs .....	57.0	48.8	44.6	-12.4	5.4	16.1	11.1	5.7	8.4	14.0	19.4	11.0		
Drug and alcohol treatment programs .....	52.4	42.1	38.3	-14.1	20.0	20.5	18.4	-1.6	33.5	35.3	46.5	13.0		
Operation of mental health/mental retardation														
Programs and facilities .....	66.5	57.3	45.3	-21.2	15.1	16.6	19.4	4.3	29.4	28.2	36.3	6.9		
Prisons/jails .....	52.6	40.2	32.4	-20.2	1.1	2.7	1.8	0.7	0.2	0.7	1.1	0.9		
Operation of homeless shelters .....	40.2	33.1	22.6	-17.6	4.7	5.2	4.8	0.1	53.7	60.6	62.1	8.4		
Job training programs .....	—	—	48.3	—	—	—	11.5	—	—	—	31.0	—		
Welfare programs .....	—	—	37.9	—	—	—	2.3	—	—	—	9.6	—		
<b>Parks and recreation</b>														
Operation/maintenance of recreation facilities .....	10.9	10.8	8.4	-2.5	5.2	9.8	8.7	3.5	3.4	4.9	7.3	3.9		
Parks/landscaping maintenance .....	8.3	8.4	5.6	-2.7	9.5	17.8	18.1	8.6	1.7	2.2	2.0	0.3		
Operation of convention centers/auditoriums .....	23.0	21.7	18.2	-4.8	7.8	14.2	15.3	7.5	5.7	8.3	9.1	3.4		
<b>Cultural and arts programs</b>														
Operation of cultural and arts programs .....	16.3	16.8	13.4	-2.9	6.5	6.7	9.8	3.3	40.8	35.7	44.6	3.8		
Operation of libraries .....	39.4	36.0	28.5	-10.9	1.0	0.9	0.5	-0.5	4.2	4.8	6.5	2.3		
Operation of museums .....	26.2	23.8	12.4	-13.8	2.0	5.4	4.5	2.5	36.5	39.4	35.2	-1.3		
<b>Support functions</b>														
Buildings and grounds maintenance .....	1.6	1.8	1.8	0.2	19.8	26.3	30.4	10.6	1.6	1.6	1.9	0.3		
Building security .....	2.0	2.1	2.5	0.5	11.6	18.5	19.1	7.5	1.3	1.1	1.0	-0.3		
Fleet management/vehicle maintenance:														
Heavy equipment .....	1.8	1.4	1.6	-0.2	26.9	32.5	37.2	10.3	2.3	2.1	0.6	-1.7		
Emergency vehicles .....	3.8	3.1	3.7	-0.1	27.1	33.8	39.9	12.8	3.2	2.8	0.9	-2.3		
All other vehicles .....	1.9	1.9	1.3	-0.6	25.4	31.8	36.0	10.6	2.4	2.1	0.6	-1.8		
Payroll .....	0.9	1.0	0.5	-0.4	4.1	5.8	5.5	1.4	0.5	0.3	0.1	-0.4		
Tax processing .....	37.9	—	23.3	-14.6	4.8	—	7.4	2.6	0.6	—	0.3	-0.3		
Tax assessing .....	50.5	38.7	29.5	-21.0	5.6	6.4	8.2	2.6	0.5	0.3	0.2	-0.3		
Data processing .....	5.7	3.5	3.8	-1.9	8.3	15.0	17.3	9.0	0.9	0.4	0.4	-0.5		
Collection of delinquent taxes .....	38.1	29.1	24.8	-13.3	8.3	14.4	17.9	9.6	1.2	0.9	0.6	-0.6		
Title records/plant map maintenance .....	43.7	31.1	25.3	-18.4	7.6	8.2	6.4	-1.2	0.5	0.0	0.0	-0.5		
Legal services .....	3.3	3.0	2.6	-0.7	46.7	50.9	55.7	9.0	2.5	2.4	1.7	-0.8		
Secretarial services .....	0.6	0.2	0.2	-0.4	5.4	7.0	5.3	-0.1	0.1	0.6	0.1	0.0		
Personnel .....	1.1	1.1	0.9	-0.2	3.9	6.8	8.6	4.7	0.4	1.1	0.3	-0.1		
Public relations .....	1.4	1.3	1.0	-0.4	6.3	9.3	11.9	5.6	0.7	2.1	1.4	0.7		

increased by more than 10 percentage points in bus transit, airports, ambulance service, hospitals, homeless shelters, cultural and arts programs, museums, and tax collection. This is not surprising. These services are complex and require a good deal of direct interaction with the public. Thus, although each of these services involves a significant amount of alternative delivery, government managers also keep part of the delivery in house to ensure service quality and provide a benchmark for contracting.

### Alternative Service Delivery Is Flat

Not all alternative service delivery mechanisms are private. For example, contracting to another government or authority creates a "public" market among neighboring municipalities. Of the six alternative delivery mechanisms measured by ICMA, intergovernmental contracting, for-profit contracting, and nonprofit contracting are the most common.

Intergovernmental contracting fell on average from 21% in 1992 to 17% in 2002 (Table 2/3). The highest levels of cooperation (more than 25%) were found in all but four of the health and human services, as well as in transit systems, airports, sewage collection, disposal of hazardous wastes, libraries, tax assessing, and title records. Two new services—job training and welfare programs—were added to the survey in 2002

because the Welfare Reform Act of 1996 and the Workforce Investment Act encourage local governments to use private providers in these areas. Interestingly, these services rely more heavily on intergovernmental contracting (48% and 38%, respectively) than on for-profit privatization (12% and 2%, respectively) or nonprofit contracting (31% and 10%, respectively).

There were slight increases in cooperation in utilities, police/fire communications, and hospitals, but overall cooperation dropped for most services (Table 2/3). The largest percentage point drops (more than 12%) were in bus transit, sludge disposal, health and human services (sanitary inspection, child welfare programs, public health programs, drug and alcohol treatment, mental health programs, prisons, and homeless shelters), museums, tax services, and title records.

For-profit privatization at 18% on average was down slightly from 20% in 1997 but still up overall from 1992 (16%) (Table 2/3). The highest levels of for-profit privatization (more than 30%) were generally found in the same service areas as in 1992: waste collection and disposal, street repair, tree trimming, sludge and hazardous materials disposal, gas utilities, vehicle towing, day care facilities, buildings and grounds maintenance, fleet management, and legal services. By and large, the largest percentage point drops and increases were also found in this set of services.

For-profit privatization dropped more than 10 percentage points in commercial waste collection, electric and gas utilities, utility billing, and day care facilities. The largest increases in privatization, also around 10 percentage points, were found in sludge disposal, buildings and grounds maintenance, and fleet maintenance. These results, coupled with the results described under public delivery (entirely or in part) above, show that the privatization experience differs from place to place: services that are delivered by alternative approaches in one place are provided publicly or with mixed delivery elsewhere.

Nonprofit privatization increased slightly from 7% on average in 1992 to 8% in 2002 (Table 2/3). The largest uses of nonprofit contracting were found in transit systems, health and human services, cultural and arts programs, and museums. However, only three of these services—child welfare programs, public health programs, and drug and alcohol treatment—saw more than a 10 percentage point increase over the decade.

Use of franchises, subsidies, and volunteers was least common, accounting for less than 4% of service delivery overall. Table 2/4 shows those services for which more than 3% of local governments used at least one of these three alternatives for delivery. Franchises were most common in residential and commercial waste collection and disposal, and in electric and gas utilities. Subsidies were used by more than 10% of local governments in day care facilities, child welfare programs, drug and alcohol treatment, mental health programs, homeless shelters, cultural and arts programs, and museums. Volunteers were most common in museums (31%), cultural and arts programs (27%), and programs for the elderly (17%); in addition, they were used by more than 10% of local governments in fire prevention, emergency medical service, and ambulance service. Such citizen participation is common and popular in services that support a strong sense of community.

**Table 2/4 USE OF FRANCHISES, SUBSIDIES, AND VOLUNTEERS FOR DELIVERY OF SELECTED SERVICES, 2002**

Service	Franchises %	Subsidies %	Volunteers %
<b>Public works/transportation</b>			
Residential solid waste collection	15.6	0.3	0.0
Commercial solid waste collection	19.9	0.0	0.0
Solid waste disposal	9.7	1.0	0.0
Tree trimming/planting on public rights-of-way	1.4	0.7	3.4
Maintenance/administration of cemeteries	0.5	0.8	3.9
Operation/maintenance of bus transit system	1.9	5.4	0.4
Operation/maintenance of paratransit system	1.7	7.1	0.4
Operation of airports	4.3	3.0	1.7
Disposal of hazardous materials	3.5	2.0	2.8
<b>Public utilities</b>			
Utility operation/management: electric	11.0	0.0	0.0
Utility operation/management: gas	19.5	0.0	0.0
<b>Public safety</b>			
Crime prevention/patrol	0.2	0.1	3.4
Fire prevention/suppression	0.2	0.9	12.9
Emergency medical service	1.5	1.0	10.1
Ambulance service	2.4	1.6	11.3
Vehicle towing and storage	6.1	0.4	0.2
<b>Health and human services</b>			
Operation of animal shelters	0.2	2.6	5.9
Operation of day care facilities	1.6	11.3	2.4
Child welfare programs	0.8	10.1	7.3
Programs for the elderly	0.8	8.1	17.1
Public health programs	1.7	6.3	5.7
Drug and alcohol treatment programs	2.0	12.1	5.5
Operation of mental health/mental retardation programs and facilities	2.5	10.4	4.5
Operation of homeless shelters	3.2	15.3	8.9
Job training programs	1.5	6.9	3.8
<b>Parks and recreation</b>			
Operation/maintenance of recreation facilities	3.3	1.7	8.6
Parks/landscaping maintenance	0.8	0.4	5.5
Operation of convention centers/auditoriums	2.9	3.3	2.9
<b>Cultural and arts programs</b>			
Operation of cultural and arts programs	0.7	12.5	26.9
Operation of libraries	0.2	3.7	8.4
Operation of museums	1.0	12.1	30.7

### THE RISE IN PUBLIC SERVICE DELIVERY

ICMA asks about the factors that local government managers consider in their decision to explore alternative service delivery. The first question on the survey asks if the local government has studied the feasibility of adopting private service delivery within the past five years. The percentage of governments reporting that they have studied this issue was nearly twice as large in 2002 (58%) as it was in 1992 (31%) (Figure 2/1). Among the reasons given, internal attempts to cut costs were still the primary factor, mentioned by almost 90% of responding governments. External fiscal pressures were the next most important factor at nearly 50%, up from 44% in 1997, and proposals from service providers were the third most important factor, accounting for 21% of respondents. However, only 16% of governments cited changes in the political climate emphasizing a decreased role for government; this is down from 25% in 1997. Mandates encouraging

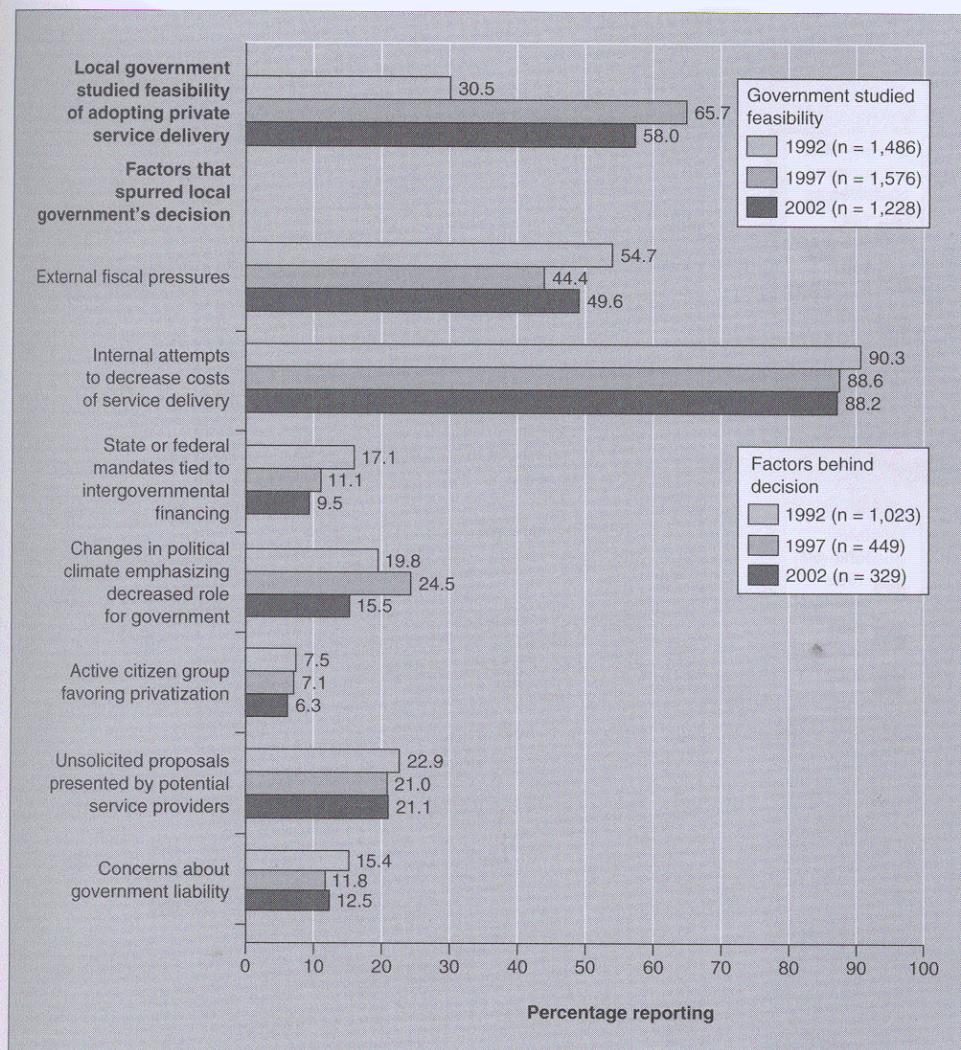


Figure 2/1 Factors underlying study of the feasibility of private service delivery

intergovernmental financing also dropped. These results suggest that alternative service delivery is primarily a pragmatic management effort focused on cutting costs, meeting fiscal pressures, and responding to opportunities presented by outside vendors. It is not driven by politics, citizen groups, or governmental mandates. Thus, the lack of growth in alternative service delivery most likely reflects a lack of potential for additional cost savings or quality improvements.

This pragmatic, managerial approach to alternative service delivery is reflected in who inside government is involved in evaluating the feasibility of alternative service delivery. Survey results show that managers and department heads were involved in more than 80% of the cases, whereas elected officials were involved in only half the cases (Table 2/5). The largest increases since 1992 were found in the involvement of assistant managers, budget analysts, attorneys, and department heads. Line employees were the least likely to be involved (17%).

This professional management perspective is also seen in who *outside* government is involved in the evaluation. As shown in Table 2/5, the role of potential service deliverers dropped from 62% in 1997 to 54% in 2002 while that of professional consultants increased from 47% to 53%. Some

have argued that alternative service delivery can increase the role for citizens, but these results do not support that conclusion. The involvement of both citizen advisory committees and service recipients dropped by 7–8 percentage points from 1992 to 2002, a larger drop than appeared in any other category.

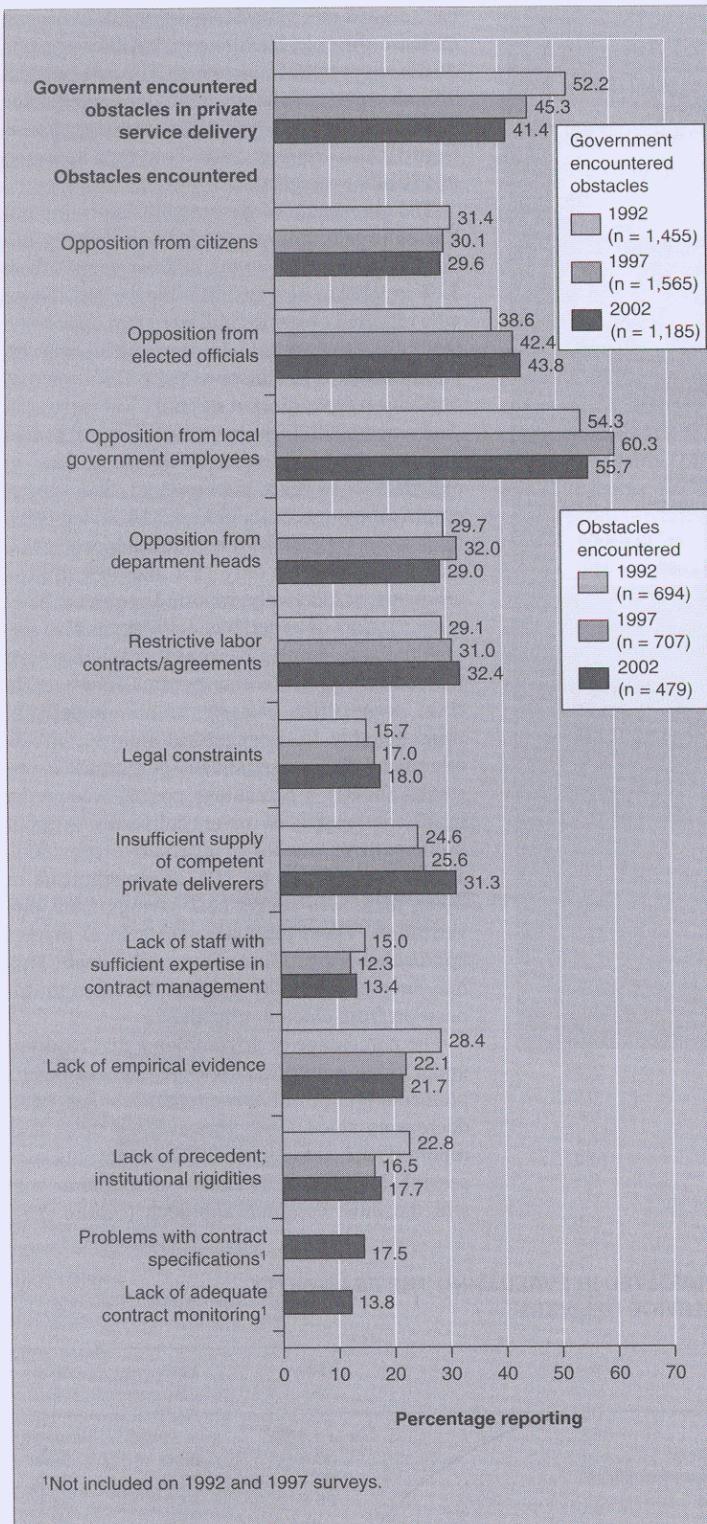
The percentage of governments reporting obstacles to adopting private service delivery has dropped steadily over the last ten years—from 52% in 1992 to 41% in 2002 (Figure 2/2). Those who reported obstacles indicated that opposition from citizens, government employees, and department heads has dropped since 1997 whereas opposition from elected officials has increased. And since 1992, there have been fewer reported problems with institutional rigidities, lack of expertise in contract management, and lack of empirical evidence. In 2002 ICMA added questions about problems with contract specification and monitoring, but only 18% and 14% of governments, respectively, reported problems here; after 20 years of experience with alternative service delivery, local government managers have learned how to write and monitor contracts. In short, most of the obstacles to private delivery were not due to management failure. On the other hand, the largest percentage increase in obstacles (nearly 6 percentage points) was for an insufficient supply of private deliverers. Without a competitive market of alternative providers, a problem reported by 31% of governments in 2002, there will be no cost savings from privatization. Thus, the major obstacle to market approaches is the failure of the market itself. This may help explain why we find increases in opposition from elected officials.

The percentage of governments that reported undertaking activities to ensure success in implementation of private alternatives has been decreasing since 1992. However, of those that reported such activities in 2002, identifying successful experience in other jurisdictions was still the most common approach (Figure 2/3).

Table 2/5 INDIVIDUALS INVOLVED IN EVALUATING THE FEASIBILITY OF PRIVATE SERVICE DELIVERY

Individuals involved	1992 %	1997 %	2002 %
Inside government			
Manager/chief administrative officer .....	(n = 1,103)	(n = 894)	(n = 622)
Assistant manager/chief administrative officer .....	88.3	86.6	86.9
Manager and/or budget analysts .....	39.1	33.2	39.9
Department heads <sup>1</sup> .....	25.8	27.2	33.9
Finance/accounting officer .....	—	77.6	83.8
Attorney .....	47.6	49.6	52.1
Procurement/purchasing officer .....	31.8	30.7	36.3
Line employees .....	16.1	17.6	21.4
Elected officials .....	15.5	14.4	16.6
Other .....	52.1	53.9	51.4
	4.8	5.3	4.3
Outside government			
Potential service deliverers .....	(n = 809)	(n = 836)	(n = 645)
Professionals/consultants with expertise in particular service areas .....	62.1	62.4	53.6
Managers/chief administrative officers of other local governments with experience using private service delivery .....	39.2	46.5	53.0
Citizen advisory committees .....	14.2	23.1	19.8
Service recipients/consumers .....	29.2	24.9	22.6
State agencies, leagues, or associations .....	22.9	15.1	15.3
Other .....	12.6	9.8	9.8
	3.3	4.7	7.1

<sup>1</sup>Not included on 1992 survey.



<sup>1</sup>Not included on 1992 and 1997 surveys.

Figure 2/2 Obstacles in adopting private service delivery

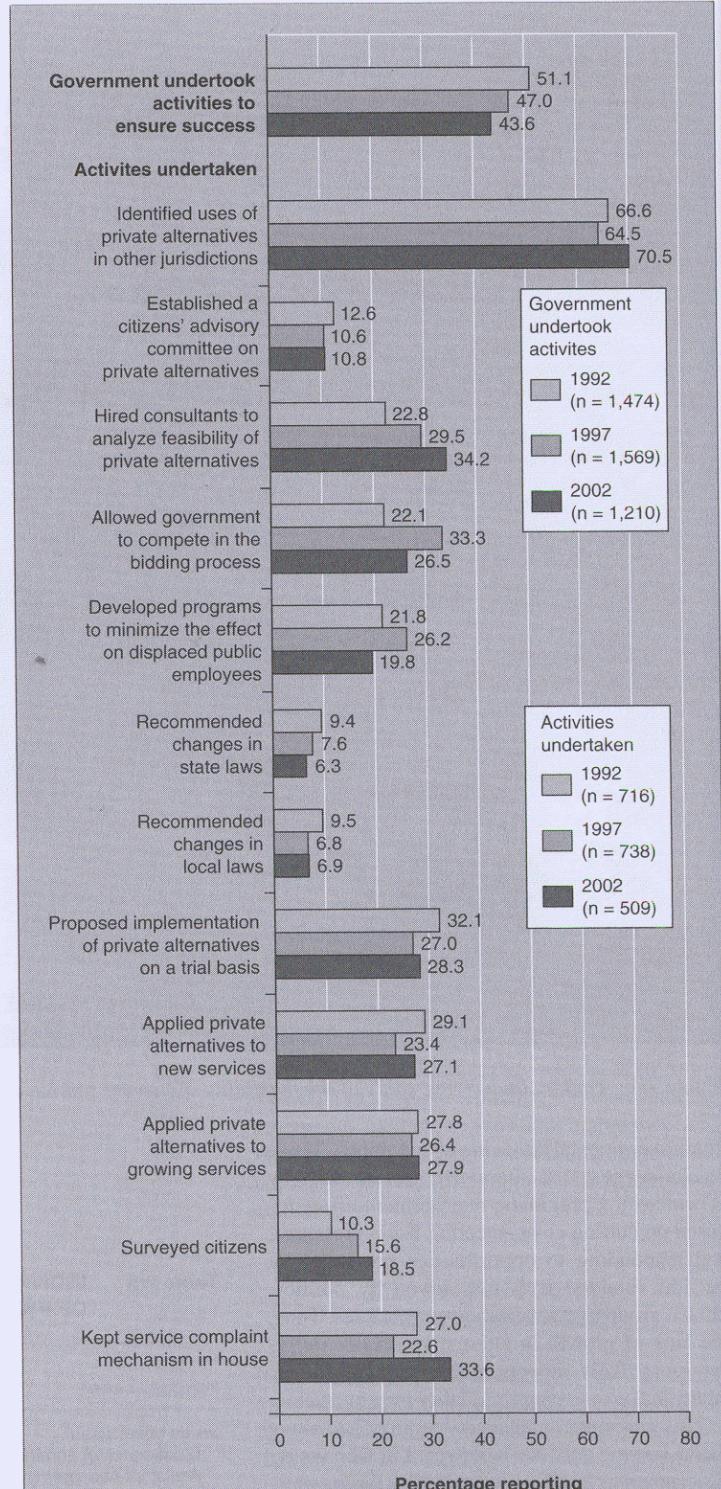


Figure 2/3 Activities undertaken to ensure success in implementing private service delivery

Governments learn from their neighbors. The use of consultants has increased over the decade, while the implementation of alternatives on a trial basis has dropped. Privatization is still more likely to be applied to new or growing services. Fewer governments reported recommending changes in state or local laws. This is consistent with the finding presented in Figure 2/2 that institutional rigidities are less of a problem.

There was also a reduction since 1997 in the use of competitive bidding (Figure 2/3). This is surprising given the increased problems with an insufficient supply of alternative providers, but it may reflect a decline in use of contracting overall. If there are too few competitive suppliers, it makes no sense to contract out or to require line employees to competitively bid their work. Interestingly, the development of programs to

minimize the effect on displaced public employees has dropped, possibly in response to declining opposition from line employees.

Privatization is still more likely to be applied to new or growing services. Although reliance on active citizen groups favoring privatization has dropped slightly since 1992, as shown in Figure 2/1, governments seeking to ensure success in the implementation of private service

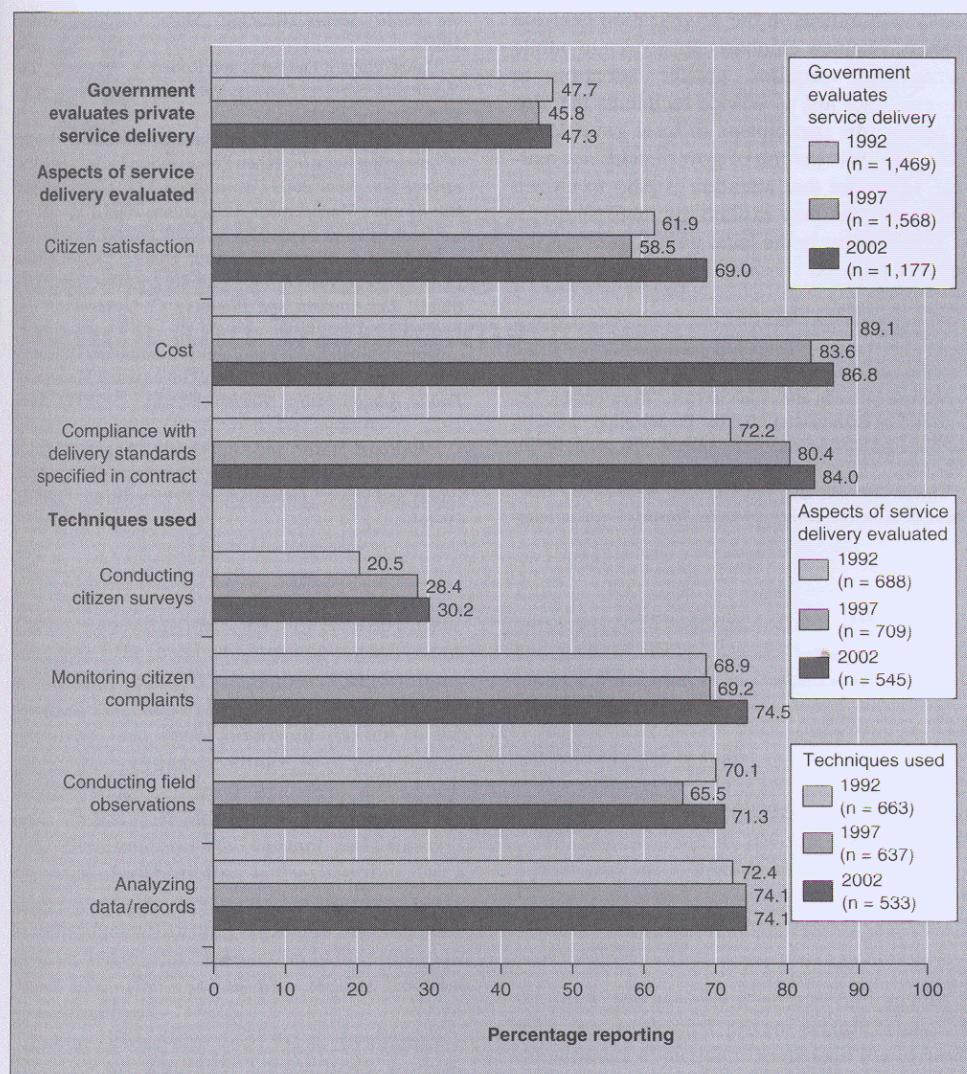


Figure 2/4 Techniques used to evaluate private service delivery

delivery were more likely to survey citizens and keep the citizen complaint mechanism in house (Figure 2/3). Government managers recognize that citizen voice is important and is most likely to be reflected through experience with the service delivery process itself.

As in 1997, fewer than half of all responding governments reported using techniques to systematically evaluate private service delivery (Figure 2/4). Among those that do evaluate, cost was the most common criteria evaluated (87%). Measuring compliance with delivery standards specified in the contract rose since 1992 from 72% to 84% of responding governments, and attention to citizen satisfaction increased by 10 percentage points since 1997.

When asked what techniques they use to evaluate aspects of private service delivery, respondents reported monitoring citizen complaints as the most common method used (75%) (Figure 2/4). Analyzing data and records and conducting field observations were also techniques used by more than 70% of governments. Citizen surveys were the technique least likely to be used, although their use has been increasing over the decade and was reported by 30%

of governments in 2002. These results suggest that government managers see the evaluation of alternative service delivery as an important technical process. Cost is still paramount, but service quality and citizen satisfaction are receiving increased attention.

Local government service delivery is a dynamic process. This year, for the first time, ICMA looked at the stability of alternative service delivery, asking governments if they had brought back in house services that they had previously contracted out. Of the 22% that reported bringing services back in house, the reasons cited were problems with unsatisfactory service quality (73%), problems with insufficient cost savings (51%), and an improvement in internal government efficiency (36%) (Table 2/6). These findings show that it was primarily poor performance by private deliverers themselves rather than problems with contract specification and monitoring (cited by fewer than 20% of governments) that prompted governments to bring services back in house. In other words, it is poor contractor performance and not politics that underlies strong political support for bringing service delivery back in house.

Table 2/6 WHY LOCAL GOVERNMENTS HAVE BROUGHT SERVICES BACK IN HOUSE WITHIN THE LAST FIVE YEARS

	2002 %
Government has brought back services that were previously contracted out (n = 1,146) .....	22.2
Which of the following factors played a part in your decision to bring back the services? (n = 245) .....	72.7
Service quality was not satisfactory .....	51.0
There were problems with the contract specifications .....	35.9
There were problems monitoring the contract .....	20.4
Local government efficiency improved .....	15.1
There was strong political support to bring back the service delivery .....	12.7
Other .....	21.6

## CONCLUSION

The promise of Osborne and Gaebler's *Reinventing Government* was that the use of market mechanisms for public service delivery could achieve cost savings, ensure service quality, and enhance citizen participation. However, ten years of local government experimentation with alternative forms of service delivery suggest that there are limits to market approaches. Governments widely use alternative delivery methods but continue to rely primarily on direct public delivery mechanisms. Why? Professional managers recognize that careful management is required to ensure both cost savings and service quality under private delivery. Even with such monitoring systems in place, privatization failures were reported by 22% of governments. Overall, the trends are relatively flat with the largest percentage increases in public forms of delivery.

In the private sector, managers consider more than cost and quality in their decision to contract out (e.g., to "make or buy" critical services or product components). They worry about stability, asset specificity, and security. Local governments are keenly aware that they cannot afford service failure. Thus, we see a rise in mixed public-private delivery in precisely those areas where we see high levels of contracting out. This practice ensures redundancy in the event of service failure and provides a benchmark for measuring contractor performance. Again, the most dramatic trend in the entire 2002 survey is the growth in mixed public-private delivery.

The New Public Management (NPM) theory suggests that we can shrink government by using market forms of delivery. Indeed, the 2002 ICMA survey results confirm such shrinkage in overall service provision levels. However, they also show that delivery of the remaining public services is becoming more public, not more private. This finding supports the critique of NPM, known as the New Public Service, which emphasizes the importance of citizen engagement in the service delivery process.<sup>6</sup> Those services that can be successfully shed to the market are, but the rest are carefully managed

to ensure cost containment, service quality, and citizen satisfaction. Interestingly, the services that have high levels of privatization also have high levels of direct public provision. This is because municipal access to markets for public goods is uneven:<sup>7</sup> many municipalities do not have competitive markets of alternative private deliverers.

The challenge for the future will be to balance technical managerial concerns with the political representation of public needs and values.<sup>8</sup> One of the promises of market approaches was that citizen voice would be enhanced as citizen consumers engage a market for public services. An analysis of the 1992 and 1997 ICMA surveys found that citizen voice was not enhanced under privatization.<sup>9</sup> The 2002 data show increased concern for citizen satisfaction in the service delivery process but lower use of citizen ad-

visory committees in the privatization decision process. The new emphasis on *service* in public management requires greater attention to citizens—not just as service recipients but also as democratic participants in local government processes. It is the job of government, not markets, to ensure that attention is paid to citizen voice, and this may explain the increased public involvement in the local government service delivery process.

<sup>1</sup>Jeffrey R. Henig, "Privatization in the United States: Theory and Practice," *Political Science Quarterly* 104, no. 4 (1989–1990): 649–670.

<sup>2</sup>Rowan Miranda and Allan Lerner, "Bureaucracy, Organizational Redundancy, and the Privatization of Public Services," *Public Administration Review* 55, no. 2 (1995): 193–200.

<sup>3</sup>David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming*

*the Public Sector* (Reading, Mass.: Addison-Wesley, 1992).

<sup>4</sup>Janet Vinzant Denhardt and Robert B. Denhardt, *The New Public Service: Serving, Not Steering* (Armonk, N.Y.: M.E. Sharpe, 2003).

<sup>5</sup>Mildred Warner, Michael Ballard, and Amir Hefetz, "Contracting Back In: When Privatization Fails," *The Municipal Year Book 2003* (Washington, D.C.: International City/County Management Association, 2003), 32–38.

<sup>6</sup>Denhardt and Denhardt, *The New Public Service*.

<sup>7</sup>Mildred E. Warner and Amir Hefetz, "Rural-Urban Differences in Privatization: Limits to the Competitive State," *Environment and Planning C: Government and Policy* 21, no. 5 (2003).

<sup>8</sup>John Nalbandian, "Facilitating Community, Enabling Democracy: New Roles for Local Government Managers," *Public Administration Review* 59, no. 3 (1999): 187–197.

<sup>9</sup>Mildred E. Warner and Amir Hefetz, "Applying Market Solutions to Public Services: An Assessment of Efficiency, Equity and Voice," *Urban Affairs Review* 38, no. 1 (2002): 70–89.