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Implementation case study: Title XX daycare

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IMPLEMENTATION CASE STUDY: TITLE XX DAYCARE

ABSTRACT OF PROJECT

Presented to the Faculty of Trinity University
in Partial Fulfillment of the Requirements

For the Degree of
Master of Arts

by

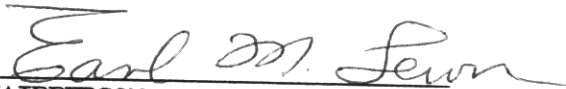
Leslie T. Schockner, B. A.

This paper presents a case study and analysis of an intergovernmental negotiation concerning a change in contracting for Title XX daycare for low-income families in San Antonio that occurred in 1982 and 1983, which all participants to the process have agreed was a spectacular failure. It is the intent of the author to use that situation as a ready-made lesson plan for how to be more effective in a similar intergovernmental implementation process. A failure in implementation was selected for study because it is easier to identify the elements necessary to achieve consensus among all players by looking at the points of conflict and analyzing why they were not able to be resolved. The failure of this particular proposal, then, can serve as a lesson plan on how to more effectively strategize a similar situation in the future.

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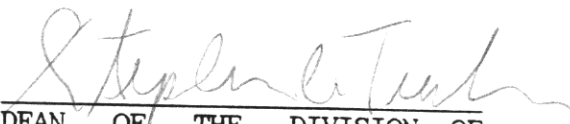
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BEHAVIORAL AND ADMINISTRATIVE
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MAY 14, 1988

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INTRODUCTION

This paper consists of a case study of an intergovernmental contracting proposal that was in fact never implemented. A failure in implementation was selected for study because it is easier to identify the elements necessary to achieve consensus among all players by looking at the points of conflict and analyzing why they were not able to be resolved. When everything works the way its is supposed to, it is sometimes hard to pick out the elements that caused that to happen. When something does not work, it is easier to see all the different stress points at which conflict occurred. The failure of this particular proposal, then, can serve as a lesson plan on how to more effectively strategize a similar situation in the future. Needless to say, many related lessons could be taken from this particular case study regarding the dynamics of intergovernmental collaboration. This paper presents a case study and analysis of an intergovernmental negotiation concerning a change in contracting for daycare in San Antonio that occurred in 1982 and 1983, which all participants to the process have agreed was a spectacular failure. It is the intent of the author to use that situation as a ready-made lesson plan for how to be more

effective in a similar intergovernmental implementation process.¹

One idea that reappears frequently in discussing the events that occurred is the extraordinary complexity of the process when two public bureaucracies attempt to coordinate any given activity. Each has its own internal goals and objectives, mandates and constituencies, and both feel strongly accountable for the appropriate expense of public funds. As long as grantor/grantee relationships follow the norm, this overlapping into each others' sense of mandate, or core identity, remains below the surface level. Once the

¹ Before discussing the details of the process, two caveats regarding point-of-view and access to the records of the various agencies are offered to explain the perceptions offered in this paper. With regard to the issue of point-of-view, this paper was written from the perspective of the local-level municipal administrator, one of the four major participants. It is not the perspective of any of the other staff or policy-makers, either the elected officials at the state and city levels, or the boards of the various agencies. Because of this perspective, the strategy, and perceptions of the other institutional actors in the situation may not be presented as those agencies would present their own positions. With regard to access to records, the author had access to a great deal of internal information from the City's files, much of it never committed formally to writing, regarding meetings with the State, the United Way, and the various day care agencies. By the same token, the author did not have access to the same degree of information internal to the other agencies. Thus the concerns of the City are presented in rich detail while some of the concerns of the other actors may be colored or distorted by this lack of internal, informal knowledge. To try to counter some of what may be perceived as an imbalance in the presentation, staff from TDHS and the United Way who were involved with the events described here, were asked to review and comment on the draft. Their comments were incorporated in the documents as appropriate.

breath of the word "partnership" begins to be heard, however, this underlying conflict will emerge.

The quickness with which a conflict emerges is, in the experience of the author, contingent on whether or not there has been a history of conflict in the routine grantor/grantee relationship between two governmental units. If there has been such a history, the intensity of that conflict is a predictor of the speed with which a new conflict will appear. In the instance discussed here, the previous history of conflict between the State, represented by the Texas Department of Human Services (TDHS), and the City of San Antonio (City), has to be considered as a major factor in the intransigence of the players. This history of controlled conflict had occurred not just between the City and the State, but among those entities and the United Way, and among the daycare agencies themselves, as well as between the daycare agencies and their funding sources.

While the balance of the paper addresses the actual sequence of events and draws conclusions, the overriding question that led to this study in the first place remains incompletely answered. The proposal that served as the basis for the whole subsequent series of events was that TDHS would contract with the City, and the City alone, for all Title XX daycare centers in San Antonio. The proposal

viewed in purely objective terms was one that offered benefits to each of the four actors or players of the game; TDHS, the City, the United Way, and the daycare agencies.

The State would have been able to reduce its internal administrative costs due to the replacement of 12 individual contracts by a single contract with the City. This would have transferred major responsibilities for ensuring contract compliance from the State to the local level, through the assurances contained in the contract between the City and the State.

The recognition of the fiscal and administrative resources of the City that would be mobilized in such a master contract offered further assurances to the State because the City, unlike, the various small centers, actually had fiscal resources that would be at risk if the contract was not adequately managed. The City would have benefited from being placed in the driver's seat for the planning and allocation of daycare within San Antonio. Since the idea was to have the City receive funds from all of the sources, which would then be allocated in a single sub-contract to each center, the City would be able to more effectively respond to pressures from the City Council regarding the location and funding levels of daycare.

Actual negotiations indicated this may not have been offered by the State, although it was an element of discussion.

In a similar way, the United Way's ongoing concerns with the effectiveness of day care services would have been alleviated by having the City as the prime contractor for low-income daycare. And in a broad sense it appeared that the daycare centers themselves could not lose in the arrangement under discussion. The operators would have been assured of high quality administrative and fiscal support. The centers would have seen many materials costs, including food, reduced through the City's bidding and bulk-buying procedures. They would also have benefited from the creation of a system to ensure full enrollment, which the City would have had to create to ensure that it was not under-recovering its expenses under the State's unit rate contract. Most important of all, the centers would have had an organized institutional "White Knight" to take their position in the negotiation of contracts, as well as in the ongoing negotiation of new State rules and regulations. The question, then, is why such a good game on paper was such a loser when it came to implementation.

This paper is divided into five chapters, each of which presents an element necessary to the understanding of the issues. The first chapter contains a description of the

relationships between the four major parties to the negotiation that occurred. Understanding this background is critical to being able to draw lessons from the actual case study itself. The second chapter presents the historical sequence of actual events of the contract negotiation itself, as it proceeded from the point of initiation to the point at which no one talked about it any more. This chapter draws heavily on the internal documents of the City of San Antonio, Department of Human Resources and Services, and the recollections of key members of the various agencies staff.

The subsequent chapter will analyze these events according to selected concepts drawn from the literature, in order to clarify what occurred and why. The intention is to use this failed process as a means to identify the points that would lead to a more positive outcome in the future. One of the major elements of the analysis will be an examination of the extent to which the selected principles can be applied to inter-organizational situations, e.g., those situations in which there is no single higher power to resolve the conflict. This chapter therefore presents an analysis of the reasons why the negotiations failed. From this one can begin to identify the elements of strategy that should be considered in designing a successful program.

The fourth chapter gives a five-year update on the relationships between the four major actors in this particular situation. Given the five-year follow-up perspective of this chapter, what is most interesting is the movement that can be observed in the two public agencies' relationships with each other. It is clear that some of the technical bases for the conflicts which occurred in the contract negotiation have been obviated to one degree or another. It is equally clear that while there can be some room for accommodation among local-level representatives, the underlying conflicts of roles and responsibilities remain.

The fifth and final chapter presents not a theory, but a programmatic sequence to designing an effective strategy-implementation process. Included in this chapter is a discussion of the major analytical steps necessary for a public administrator to strategize a successful implementation plan. It presents a procedural sequence developed by the author to assist in collecting the appropriate information, and strategizing the implementation process, based on both the formal and the subformal organizational elements.

It is the author's hope that the process presented will be useful to public administrators at all levels within

a bureaucracy to help implement what the decision-makers want. To that end this paper presents some ideas that should be of use to public administrators. More than that, though, it is hoped this paper contributes in some positive way to the ongoing debate at all levels of government in this country on the best ways to achieve a more integrated delivery system for public services.

CHAPTER 1
HISTORICAL BACKGROUND ON THE FOUR MAJOR
INSTITUTIONAL ELEMENTS OF THE MASTER CONTRACT NEGOTIATION

This chapter details the evolution and expiration of a proposed master contract for Title XX daycare between the Texas Department of Human Resources² (TDHS, sometimes also referred to as the State) and the City of San Antonio (City), in 1982 and 1983. The major actors in this particular drama were the Regional Office of TDHS, the City, the local United Way, and the 12 Title XX daycare centers which actually provided the daycare services to low-income families, under contracts or agreements with the other three funding sources. Of the daycare centers, some of them were single-purpose agencies and some of them were programs of larger, multi-purpose agencies. The providers are referred to as a single actor for the purposes of this case study, even though they had varying opinions on the issues. This was done because they spoke as a block on the issue through

² During the negotiation process TDHS was known as TDHR, the Texas Department of Human Resources. It is called TDHS in this paper so that the reader will recognize the current name of the agency. TDHS is also referred to as the State in capital letters, when the reference is to the state government. References to state-level actions that do not specifically refer to state government are in lowercase.

the Title XX Daycare Provider's Association. More importantly, though, it was done because they would have been similarly affected by the contractual changes that were under discussion. They were in effect a single element of the system under study here.

In order to understand the sequence of events that occurred at that time, the following organizational and historical background information on the four institutional entities, and the history of the roles they had played with each other is necessary. Included in this discussion is an examination of the relationships of each of the entities to the others. This is otherwise referred to as reading the environment. It is important to try to describe the historical relationships and interactions which existed because they affected each of the agencies' reactions to events in significant ways. They are critical to understanding the motivation and rationale of why each agency reacted the way it did to the situation presented.

Because of this history among all of the agencies, each of the major actors not only affected the actions taken by the others, but also was affected by, the actions of the others. In a dynamic sense, each of the individual participants taken together constituted the elements of the environment. Therefore any action taken by one had an

environmental effect on all of the others. No single agency controlled the actions of the other three major actors in the process, but each had other mechanisms of persuasion, some of which were stronger than others. Each was therefore an element of every other agency's environment. This meant that joint or coordinated actions of more than one agency could have a strong effect, either positive or negative, on the environment in which each agency was operating.

In San Antonio these Title XX daycare agencies have historically been small, independent, community- and church-based private non-profit entities. While TDHS funded all of the centers, the United Way and the City each funded only a portion of the total number of centers. The City report on daycare in San Antonio in 1982 shows the range in funding levels the various centers received from all sources just prior to this negotiation varied from \$73,000 to over \$700,000.³

The following sections expand on each of the four participants in the process, by presenting the relevant historical data regarding the operation of daycare in San Antonio. This historical perspective is offered as a way to

³ Management Control Systems Division, Human Resources and Services, Day Care System Report And Staff Evaluation of Supplemental Day Care Agency Requests, (San Antonio: City of San Antonio, March 11, 1982), Chart 10.

understand the existing dynamics of the low-income daycare system in San Antonio. Without this background it might be impossible to understand what happened and why.

THE HISTORICAL ROLE OF TDHS IN THE TITLE XX DAYCARE SYSTEM IN SAN ANTONIO

TDHS is the state agency responsible for administering all federal and state programs funded to assist families in achieving family self-sufficiency. Included under the programs administered by this massive state agency are Medicaid, AFDC, Food Stamps, and other USDA food programs, such as the USDA Child Care Food Program, which reimburses daycare centers for meals served to low-income children under contracts separate from the daycare services contracts.

As a part of the Family Self-Support programs of TDHS the agency contracts for daycare services. These services are provided to families in various categories of priority, which was a ranking system that was in the process of implementation during the period of the master contract negotiation. This framework ranks clients need for daycare according to various priorities, starting with protective services clients, which are Priority I. Priority I serves abused children as an intervention strategy while the family

is being assisted to correct the abuse and neglect problems, has no income guideline, and must be made available to the clients on a one- or two-day turn-around. The other priorities address families which are AFDC recipients, WIN participants, Food Stamp recipients, or families which are income-eligible whose head-of-household is in training, is job-hunting, or is a former AFDC parent who has been recently employed. Due to the fact that Texas does not provide AFDC services to two-parent families unless there are disabling conditions, the great majority of the families assisted under these programs, except for Priority I clients who are served regardless of income, are single mothers and their children.

TDHS provides these daycare services in San Antonio in two ways. Under provider agreements, TDHS buys individual slots of daycare at existing private, non-profit and for-profit daycare centers. These provider agreement slots are primarily utilized to provide services to Priority I children, who are given daycare services in order to remove them from abusive situations in the home. Since this highest priority of daycare must be provided on a short turn-around in all areas of the city, not just in low-income areas, this category of services is primarily provided by purchasing individual slots at non-subsidized centers. Under this contracting arrangement TDHS pays the

centers their actual daily rate based on actual days of care provided to TDHS clients. This element of the TDHS daycare system accounted for approximately one-third of the State's daycare funds at that time.⁴

The contract centers, which are reimbursed on a unit-rate basis, are not able to hold slots vacant for protective services clients, and still remain in business because they would be under-recovering their true operating costs by holding slots open. They therefore participate in TDHS' second method of procuring daycare services, which is through annual contracts for subsidized daycare for clients which meet the TDHS priorities for services. These contracts are procured through a public, competitive bidding process, the first of which occurred just prior to the master contract negotiation. These are the contract centers that participated in the events described in this paper. Once the contracts have been competitively procured, the State has the option to extend those contracts on a year-to-year basis for up to three additional years.

At the time the master contract idea was put forward, TDHS was funding 12 contract agencies operating 17 sites for \$2.6 million per year and was buying an additional

⁴ Ibid., Chart 5.

\$1 million in provider agreement slots per year.⁵ At this time TDHS had begun to anticipate, and in fact to experience, cutbacks in federal funding for daycare. This was due to a resurgence of conservatism at both the federal and state levels. At the federal level the national elections of 1980 saw Ronald Reagan elected president in a sweeping mandate to control the federal budget. At the same time Texas itself elected a Republican governor for the first time since Reconstruction. Even though the Texas governor is a weak executive, the politicians all read the mandate as a signal for fiscal conservatism.

While it was still mandated to provide some level of daycare, the State Office of TDHS had initiated a prioritizing methodology for daycare that would allow the State to impose cutbacks in services if necessary. Included in this priority-setting process was the publication, discussion, and adoption of rules in the Texas Register to define and rank the various categories of clients served under Title XX daycare.⁶ The implication of the State's adoption of this priority system, although not stated, was that if cuts came down from the federal level, the lower priority slots would be cut first, and on up through the

⁵ Ibid.

⁶ Texas Register, (Austin: State of Texas, January 19, 1982), 235-42.

sequence. The State felt that it was incumbent upon it to have such a system in place for two reasons. First, Texas has historically budgeted only the federal pass-through monies for daycare, and had not put state dollars into the system. The need for having such a mechanism in place was also very closely tied to the fact that the state legislature meets only once every two years to adopt a biennial budget. If a reduction in federal daycare funds occurred in the second year of the state's biennium, the existence of such a mechanism to administratively handle the cuts would alleviate the pressure on the Governor to call a special session. The calling of a special session to handle daycare, was obviated by having this type of administrative mechanism in place to handle the anticipated problem.

This internal TDHS planning process was also tempered by the concerns of TDHS regional staff that the State try to mitigate the impact of any funding reductions on rural daycare services. These services had only recently been initiated in the various regions including Region 09, which includes San Antonio. Daycare in the rural areas had higher unit costs due to distance factors and lower concentrations of clients than the urban centers. What was also important to the State in its new initiative to expand daycare services in the rural areas was a recognition that rural areas usually had access to few local matching

resources. Conservative rural county judges were not renowned for granting public monies to daycare for poor kids, as routinely occurred in the urban areas.

At the same time that possible cutbacks in daycare services were being anticipated, there was additional external, and internal, stress in TDHS, which was related to its own organizational structure. In the mid-1970's TDHS had established regional offices for the first time. Prior to this time, all of the State's human services programs had been operated directly from the State Office in Austin. As TDHS is a massive organization, it was at this period still formalizing the working relationships between the State Office and its 12 Regional Offices.

While the Regional Offices had been established to provide a closer coordination of local-level programs, significant systems of control were still exerted by the State Office. For instance, all legal documents, such as contracts and audit resolutions had to be channeled through and approved by the State Office. In addition, all client records, including the issuance of vouchers, Food Stamps, and reports on all measures of program activity, were handled through a central computer in Austin. Because of the size of the agency, and its multiplicity of functions and responsibilities, there are both horizontal and vertical

coordination issues of great complexity within the agency. These issues serve to further complicate local-level issues of coordination and joint responsibility even when this state agency is working with other state agencies, all of whom are theoretically controlled by a single state structure. The problem is compounded when a state agency is trying to coordinate both vertically through its own structure, as well as horizontally with agencies such as the City, which does not report to the same boss.

In addition to these internal and external coordination issues, the environment was further complicated by a concern at the state level with a major political issue from the new Republican governor. In 1982, when the people of Texas elected a Republican governor, the regional offices of TDHS had not existed long enough not to be concerned by this governor's proposals to control TDHS by combining it with the Texas Department of Community Affairs (TDCA). TDCA was a state agency that had been created as a separate agency within the Governor's Office in the mid-1970's. It was still closely tied to implementing the sitting governor's policy views. Even today in state legislative handbooks, this agency is carried as an office of the governor, not as a separate state agency.

The issue of control of TDHS programs by the governor surfaced in the 1983 Texas legislative session with the introduction of, and active debate on, an initiative to combine TDHS into TDCA. The issue was resolved only through the resignation of the Commissioner of TDHS, which allowed the governor to control the appointment of the new commissioner. Had the agency merger gone forward, the speculation was that some, if not all, of the regional office functions would be re-centralized in Austin.

With concern therefore among the regional TDHS staff about possible large losses of funding for daycare from the federal level, little likelihood of the State making up the losses under an extremely conservative Republican governor, and concern about the continuation of the regional office system itself, the local TDHS staff began to look to ways to ensure that a maximum number of daycare slots could be continued, and, at the same time, that regional administrative costs could be reduced. At that time, of the twelve agencies that TDHS contracted with for daycare in San Antonio, ten also received City funding and six received United Way funding. These other resources were available to daycare in San Antonio, but they were not resources that TDHS controlled either directly or indirectly.

THE TDHS COMPETITIVE BID PROCESS

If all of the elements of anticipated change at the state level were not enough of a factor to cause unrest in the system, the initiation of the competitive bid process for daycare services served to further roil the contracting environment. The State had passed legislation in the wake of allegations regarding improprieties in the letting of state professional services contracts, which occurred under TDCA, requiring a competitive procurement process on most, if not all State contracts. The initial bidding process for Title XX daycare contracts in San Antonio was initiated by TDHS in 1981 and concluded in 1982. Unlike other regions of the state, TDHS Region 09 staff in San Antonio implemented a staggered time-line for accepting bids in five distinct geographic areas of the City. While other TDHS regions let bids in sub-areas of their cities, they followed a time-line to let and evaluate all of the bids at the same time. In San Antonio, however, the bidding process was dragged out for approximately six months.

Those agencies which bid late in the process were therefore at a significant advantage, in that they could request and review the finalized contracts of the successful bidders earlier in the process. Under the State's Open Records Act, the bids were considered confidential, but once

a bid was awarded, the contents of the contract became a public record. Those agencies sophisticated enough to think of requesting the earlier winners' bids, could therefore see what negotiating strategies had worked for other centers. Those who bid first, however, were operating blind in how to construct and negotiate their bids. There was even some question on the part of the United Way and the City, as to whether or not some of the agencies had so underbid, in order to "win," that they might put themselves out of business through failing to recover the actual costs of providing services. The City's concern, through the recent experience in which the City had made up 100 percent of the federal reduction in funds that had been implemented by TDHS, was that an agency that ran short looked first to the City Council for monetary relief.

Due to the fact that the bidding process itself was completely new, both for state staff and for the day care center staff, a great deal of confusion reigned for months. This process occurred less than a year after all of the daycare centers had received mid-year reductions in their TDHS budgets. At least among the daycare centers, the suspicion was rampant that the bidding process was just another way to reduce funding to Title XX daycare in the City.

The first, and most publicly discussed, result of the TDHS bidding process was that centers which served distinct neighborhoods, and had been long-term cooperating members of the various local provider and professional groups, suddenly found themselves directly competing with each other for the very continuation of their centers. The first area to be bid saw two culturally distinct agencies, one of which served predominantly Black children in a Black neighborhood, competing directly with a center which served predominantly Hispanic children in an Hispanic neighborhood. When one agency won the bid and took the lion's share of the money, the other was left to close down and tell its children they could go to the center which was not in that neighborhood at all. Likewise one center, which had been established primarily to serve the infants of teenagers in the City's alternative high school for pregnant teens, would have had to close down completely as well. Title XX Daycare Providers' Association, which had been a weak organizing element at best, virtually went out of business during this period.

A second result of the bidding process occurred because TDHS implemented this complex new system without any coordination with the daycare centers' other funding sources, e. g., the City of San Antonio and the United Way. What occurred was that the different daycare centers put in

their formal bids varying amounts of the funds that they actually had available for local match. For example, a center might have \$50,000 from the City, but only identify \$5,000 to the State as being available for local match. The agency would then bid a low rate to the State and count on using additional City money to subsidize the State's slot rate. Since one of the elements on which the bids were judged was the commitment of local funds, those who committed few local resources as match, which had proven previously to be an acceptable strategy by an agency to maintain a cushion in the budget, might now find they had lost the bid for State funds completely. This lack of coordination caused major problems in two of the five bid areas, and was evident in two of the remaining three areas.

As a result of this misreading of the State bid process, the losing agencies then drew on their political connections with the San Antonio City Council, requesting that the City make up the difference in their "loss" of State dollars. This began to occur when one daycare director, who had bid early in the process, and won the TDHS bid for that area, approached the Council and stated that his center needed \$49,670 as "match" to the TDHS contract. Even when City staff produced a letter from the Regional Director of TDHS stating that the agency had committed only \$6500 in match, and that was all of the local match required

for the State contract, the Council voted to provide the higher figure.⁷ Once this center was increased, then all of the other centers requested, and received, supplemental City funds as well. This result was a logical and predictable outcome, given the recent action when the City made up 100 percent of the mid-year losses in federal daycare funds.

The bidding process was the second occurrence of a "crisis" in daycare funding in which City staff had no ability to negotiate or mitigate the effects on the centers' service levels other than to come up with more cash. This created a serious problem from the City staff's point-of-view. The City, which had not budgeted for any mid-year increases to day care centers, was for the second year in a row called on to provide substantial amounts of additional monies for daycare outside the routine budget process. The immediate end result was that the City provided additional dollars to the daycare centers which were the high bidders, e. g., those who lost under the state bid process.⁸ This action was taken to ensure that no daycare slots would be lost within individual neighborhoods. The longterm effect was that the bid process of the State was circumvented.

⁷ Homero Rodriguez to Kevin C. Moriarty, Letter dated February 10, 1982.

⁸ The one exception to making up lost State dollars occurred with the first center that received the additional \$49,670. That center won both the State bid and supplemental City cash.

While the State felt it had achieved economies in the costs of daycare, a review of the total funding picture revealed no such economies. What occurred was a shifting of the cost from the State to the City because the City provided additional resources to the TDHS bid losers. It is very clear looking at the system as a whole that the State saved money at the expense of the City, but could still show an increase in daycare slots in the agency's Annual Report, because the City funds were supplemental to the State budgets. At the same time an extensive amount of distrust was both created and perpetuated among TDHS, the City, and the individual daycare centers.

Due to the fact that the Texas legislature meets for only five months every two years, the State's elected officials are rarely involved in the day-to-day state agency decision-making and management processes. On the other hand, funding reductions in the middle of the biennial budget have a tendency to draw the attention of state representatives and senators rather quickly when they involve possible reductions in services in their respective districts.

The recent historical pattern of interaction by TDHS in the Title XX daycare system was therefore one which had involved a great deal of environmental uncertainty and

unrest. At the same time that TDHS staff was concerned about major organizational changes, they were operating under a cutback mentality, and implementing major changes in the contracting system.

The State's decision-making structure with regards to the Title XX daycare contracts consisted of the Program Director of the contracts section, which was headed by a long-time daycare advocate. She reported to the Regional Director of the procurement and contracts division. At a horizontal level with that division was the Regional Director of Planning, and both Regional Directors reported to the Regional Administrator. From there the Regional Administrator reported to the State Office through an organizational structure that included both functional and geographical elements. The complexity of the interrelationships just within this agency were undoubtedly a factor in the history being described here.

THE CITY'S ROLE IN THE DAYCARE SYSTEM

San Antonio is a council-manager, home-rule city that went to single-member districts in 1977. The 11-member City Council, which consists of 10 representatives of geographic districts and an at-large mayor, stands for election as a whole every two years. A number of unusual

demographic and political facts proved to be relevant in looking at the City's role in this issue. First is the fact that San Antonio is unique among large cities in Texas in that its majority population is in fact comprised of so-called minorities, Hispanics and Blacks. Second is the fact that these minorities had been significantly absent from the City's decision-making processes until single-member districts were initiated in 1977. The minorities were now very much present on the Council, including an Hispanic mayor. Third was the recognition of the members of this council, no doubt because they were elected from districts, that poverty was very much a problem in San Antonio, particularly in areas of the City with heavy minority populations.

All three of these factors resulted in a City Council during the early 1980's that was prone to look favorably on increasing funding to the social services. At the same time, due to the high price of oil on the world market, which affected the City's own revenue stream in a positive way, funds were available to address these kinds of monetary increases. The City environment therefore included a very public recognition both of the need for services and of the availability of fiscal resources. The Council members were very knowledgeable about the small independent community- or church-based Title XX daycare centers, and

they recognized the strong support within the neighborhoods for these centers.

The City of San Antonio's Department of Human Resources and Services was a City department created in 1971 which had become both a service provider and a contractor for services with private, non-profit agencies. It had first provided match funds to an Eastside church-sponsored daycare center in 1975.⁹ Since then the City's commitment to providing funds for Title XX daycare had grown by 1981, to \$285,488 contracted to nine centers.¹⁰ By 1982, this figure had grown to \$650,432,¹¹ and by the end of 1982, it had been increased to \$867,565.¹² Unlike TDHS the City had no provider agreement system, but contracted only with the Title XX centers.

The City history with regards to the funding of
Title XX daycare was that it had been an early provider of

⁹ In San Antonio the Eastside is the traditional Black area of town. The fact that this center received the first City funding for low-income daycare is evidence of the strength of the Black community in the political affairs of the City, even before the City Council changed to single-member districts.

¹⁰ Budget and Research Department, Adopted Annual Budget, 1980/81, (San Antonio: City of San Antonio, 1981), 392-3.

¹¹ Day Care System Report, op. cit., Chart 5.

¹² Budget and Research Department, Adopted Annual Budget 1982/83, (San Antonio: City of San Antonio, 1983), 416.

match to draw down all available federal funds that were first made available in the mid-1970's. The City had added new agencies over the years, and most recently had substantially increased its role in the funding of low-income daycare by making up the first big reduction under the Reagan administration. Two factors in that situation, however, had served to exacerbate the working relationship between the City and TDHS. The first factor was the manner in which the cuts by TDHS were allocated to all of the daycare centers in mid-year without any attempt by TDHS staff to notify, consult, or coordinate with the daycare agencies' other funding sources in order to minimize the disruption to service delivery. Included as an element causing strain in the situation was the suspicion on the part of the City that the cuts were being applied at a higher monetary level in San Antonio than in the rest of the region, due to the assumption by TDHS that the City would make up the difference.

The second factor was that in roughly this same time period, the State was implementing the competitive bidding process for daycare services which was described at length in the TDHS section. This process for the first time required many of the centers to compete against each other for contracts. As in the mid-year cuts, the bid process was also planned and implemented by TDHS without any

consultation or coordination with other funding sources. Because these contracts were bid at differing times, the City staff spent most of a year trying to anticipate the funding necessary to maintain centers which otherwise would have had to close down partially, or in one instance completely, due to the loss of State funds under the bidding process. Since there was no coordination by the State with the City, or with United Way, for that matter, the individual centers offered up varying amounts of their actual other sources of funds. The end result was that the overall unit costs for daycare services had no rational relation to the State's contracted unit costs. The City, therefore, at this time saw itself becoming a major resource to the maintenance of the low-income daycare community, but found itself closed out of the state's planning processes for this same low-income daycare system.

In addition to its participation as a funding resource for the Title XX daycare centers the City had an additional major role in the provision of services to low-income children. In the course of taking over the Community Action Program, formerly known as the War on Poverty program in 1979, the City had become the federal grantee for the Bexar County Headstart program, which was, and is, one of the largest in the country. This gave the City another avenue of concern with, and responsibility for, the

coordination of services to low-income children within the community.

The City's administrative decisionmaking structure consisted of staff recommendations by the Director of Human Resources and Services through the City Manager to the City Council for formal action. In addition, due to the fact that the City Council provides for public comment in the "Citizens to be Heard" portion of the council meeting on a weekly basis, there is the continuing opportunity for immediately politicizing issues. The availability of the council meeting as a forum in which to raise and discuss problems, whether or not those problems are the mandated responsibility of the City, guaranteed that the changes in contracts being implemented by TDHS would become of concern to the City.

THE UNITED WAY'S ROLE IN THE DAYCARE SYSTEM

The third major institutional participant in the funding of low-income daycare in San Antonio was the United Way. While it is not a public agency with the same responsibility for public funds, the United Way provided over \$100,000 on an annual basis to the Title XX daycare system in 1982.¹³ Due to its volunteer structure, both for

¹³ Daycare System Report, op. cit., Chart 5.

the raising of funds and for the allocation of funds, it took its responsibility for the effective utilization of those funds quite seriously. In addition it was an organization that reflected and could mobilize the support of the business sector of the community to assist in new ways of getting things done. Because it was not a public agency, it was not subject to the same political pressures as either TDHS or the City. In fact it could be a major factor in applying political pressures at both of those levels.

Unlike both TDHS and the City, United Way funds were not awarded through a Request for Proposal (RFP) or bid process. Instead the United Way had created a large pool of community volunteers who made allocation decisions through a panel review process. While TDHS reimbursed the agencies on a unit-rate basis for the number of eligible children enrolled, and the City provided funds under a cost-reimbursement contract, the United Way provided 1/12 of the allocated funds each month of the year. The United Way also had the flexibility to allocate at a higher level early in the year if an agency could make a strong case for needing an operating advance.

The United Way's role in Title XX daycare also dated back to the mid-1970's when it provided the first local

match monies to be able to set up federally subsidized daycare. The United Way helped to create the Coordinated Child Care Council (4-C's) in 1973, which was established pursuant to a federal initiative, subsequently vetoed under Nixon, to provide affordable daycare nation-wide. At that time, the United Way made a policy decision to pool its resources for daycare at the various United Way sites, and use those monies as a mechanism to encourage the various independent daycare programs to participate in 4-C's. The United Way provided match monies through 4-C's to United Way agencies, while the City provided the match to various non-United Way agencies. In one instance a United Way agency refused to participate in the United Way's 4-C's pool and came to the City for the replacement funds.

The original director of 4-C's had cultivated a strong working relationship with the daycare program staff in the State Office in Austin. This working relationship was severely strained when the State created its regional office system to administer the various programs in 1976. Eventually the relationship of 4-C's with the newly-created Regional Office of TDHS in San Antonio became so conflict-ridden that the 4-C's director resigned, and 4-C's was subsequently dissolved.¹⁴ The closeness of the working

¹⁴ Leslie Schockner, "4-C's: An Experiment in Community Politics," a paper submitted to Dr. Earl Lewis, for Urban Political Systems course in the Urban Studies

relationship between 4-C's and the United Way, however, carried over, and negatively colored the United Way's working relationships with TDHS staff. The United Way continued to provide funds for local match to the United Way-funded daycare centers, but the strained working relationship with the State undoubtedly was a factor in the lack of funding increases. At the time that 4-C's was dissolved the United Way made a policy decision to tie its increases in the funding of Title XX daycare to the lower of the inflation rate or the State's own increase in funding. Since Title XX funds were not being increased, the policy resulted in holding these centers to existing levels of funds.

The ill will over 4-C's continued at the United Way in part because there appeared to be little openness on the part of TDHS staff to share planning strategies with the United Way. At the time the master contract idea was put forward the United Way funded seven daycare centers for just over \$100,000 per year.¹⁵

The United Way's decision-making structure consisted of a Board of Contributors which ratified on a quarterly basis the actions of the 20-member Executive Committee.

Program, Trinity University, December 7, 1979.

¹⁵ Daycare System Report, op. cit., Chart 10.

Within this structure the Program and Resource Development Division worked with large committees of volunteers to handle all of the planning and allocations tasks of the organization, which included recommendations for changes in funding or contracting relationships.

TITLE XX DAYCARE CENTERS' ROLE IN THE DAYCARE SYSTEM

The twelve individual daycare centers were the fourth element in the daycare system. During the proposed master contract negotiations, these twelve centers were represented by two of the directors, although all of the centers were surveyed and provided with opportunity for input. The centers included both single-purpose agencies, and the daycare programs of multi-purpose community centers and churches. As the centers had wide variances in size, they also had wide variances in management expertise and experience. Each was a separate entity, although some of them operated more than one site. The range was from Zion Child Development Center, a single-purpose daycare center for 60 children housed in a church, up to Parent-Child Incorporated (PCI), which was the City's contractor for 20 Headstart sites, as well as the contractor for two Title XX daycare sites. PCI additionally contracted directly with the federal agency, Health and Human Services (HHS), and with

TDHS, for both Headstart and Title XX daycare in a number of other South Texas counties.

None of the centers had achieved significant levels of support for Title XX daycare in San Antonio other than through the three funding sources described above, and a small amount of money collected through client fees. The amounts that each of the three funding sources were providing to each of the Title XX centers varied widely and were based on the vagaries of the various funding processes, rather than a unit-cost model of some sort.

All of the centers had established working relationships with each other, initially through their joint participation in 4-C's, and subsequently through the Title XX Daycare Provider's Association and, to a lesser extent, through the San Antonio Association for the Education of Young Children (SAAEYC), which is the professional organization for early childhood educators. With the demise of 4-C's in 1979 due to defunding by the State, which considered it duplicative of the State's own role in providing administrative assistance, training and technical support, the working relationship between the centers had remained tenuous at best.

The State had initiated the formation of the Title XX Daycare Provider's Association to facilitate the sharing of information and experience among the daycare directors. This organization functioned in addition to lobby the State legislature on behalf of the TDHS budget as well as to better the quality of daycare in San Antonio. The SAAEYC served primarily to advocate for quality child care and to train child care staff, but its main focus at that time was oriented towards the needs of the teachers rather than administrative issues.

HISTORICAL BACKGROUND SUMMARY

Each of the players described here contributed in one way or another to the events of the negotiation process. What is instructive at this point is to observe the rich history of conflict that already existed among all of the players. This was an important element in the failure of the negotiation. It was not the only reason that the attempt failed, however, as will become clear in Chapter Three, in which the events are viewed through the lens of selected organizational concepts.

CHAPTER 2

CASE STUDY OF THE PROPOSED TITLE XX DAYCARE MASTER CONTRACT BETWEEN THE CITY OF SAN ANTONIO AND THE TEXAS DEPARTMENT OF HUMAN SERVICES

This chapter details all of the events that occurred with regards to the initiation, staff study and subsequent abortive negotiation of the proposed master contract between TDHS and the City of San Antonio. It is a story that involved misperceptions, concerns about the power to control resources, distrust, arrogance, inability to communicate, and all of the other human elements endemic to the negotiation for, and control of, power in the public sector. In other words it includes all the not-so-noble passions that underlie any attempt to coordinate complex issues among bureaucracies.

Since the major participants and some of the previous history of inter-relationships were presented in the previous chapter, the actual sequence of events that occurred with regards to the proposed change in the contracting relationships can be presented.

WHAT HAPPENED - THE SEQUENCE OF EVENTS

In July of 1982 TDHS staff first broached the idea to City staff that the two governmental funding entities for Title XX daycare in San Antonio should begin to look at the possibility of changing the contracting relationships with regards to the daycare contract centers. City staff had just completed a study for the City Council in which the various contracting relationships for daycare had been presented. This report was prepared to give the City Council an overview of the system of daycare services in San Antonio, but partway through the planning process the Council requested an evaluation of the Title XX centers' appeals for additional funds in conjunction with the TDHS bid process.

The City Council had then authorized mid-year supplements to the daycare centers at that time, which was the second ad hoc appropriation of funds to daycare in the space of a year. City staff was therefore familiar with the administrative burdens being borne by the various centers in keeping up with at least three and sometimes four different budgets, all of which had differing administrative requirements and varying fiscal years.¹⁶ It made sense to

¹⁶ Each center had at least one TDHS contract for daycare, one TDHS contract for the USDA Child Care Food Program, and one contract with either the City or the United

the City staff, then, to discuss the idea with TDHS for the City to contract with the State for all Title XX daycare in San Antonio.

The initial concept presented by the State was that the City would be the only contractor with TDHS for all Title XX centers in San Antonio. The City would then have a single subcontract with each daycare agency that would include the City, State, and possibly the United Way funds. The United Way, which was also a funding source for some of the centers, when approached by the City with the idea, agreed to investigate the idea of adding their funding, which was much lower than the State or City, but still substantial, into the same pot.

All of the funding agencies went into the project with a recognition, based on the recent experience of mid-year cuts from the federal level, that funds were anticipated to become tighter from the federal and state levels. This change in contracting was a strategy designed to minimize the effects of those reductions on the actual level of service delivery by reducing current administrative costs. The City also anticipated the contract to be a mechanism to ensure that all sources of

Way, or with both the City and the United Way, for match monies.

funds were "counted" in the State's contracting system. In addition the State held out the carrot of eliminating the bid process completely based on the rationale that the City would then be a sole-source contractor. Major issues identified informally to TDHS by the City at these initial meetings included the need for the City to have accurate and complete information from the State regarding the state and federal funds that would be available to the contract. Also expressed at this time was a concern that the City would be substantially increasing its political liability for making up funding cuts from the higher levels of government to the individual centers if there were in fact subsequent reductions in funding from the state level.

City staff submitted the proposal to study the idea formally through the City Manager's Office and received the approval to proceed with a joint feasibility study to include TDHS, the United Way, and the day care agencies in July of 1982. The negotiating structure called for representatives from the three funding agencies, while the daycare agencies chose two center directors to serve as their representatives. This became known as the Task Force.

The City had a number of concerns in going forward which included the fiscal risk it would be assuming by becoming the sole contractor for Title XX daycare, the

impact the state's newly-adopted client priorities would have on the system, the implications of failing to fully recover the centers' operating costs under the unit-rate contracts, based on the lack of an effective TDHS-referral system, and the reactions of the agencies themselves to the idea.

The concerns of TDHS staff were to minimize its administrative costs to monitor the 12 individual contracts by having a single contract with the City instead. This was a major concern given the staff reductions that had already occurred and were still being discussed at the state level. In addition it would be an advantage for TDHS to get out of the business of negotiating a bid process that pitted some of their contract centers against the others. With the City as the sole contractor the bid process could be eliminated because there was no requirement to bid a sole-source contract. The City could then subcontract to the centers without being subject to this requirement of State agencies. Any of the administrative efficiencies that might have to be imposed on the individual centers, if there were later to be other bidders from the private sector, would be the responsibility of the City, not TDHS. A third reason that the contract was attractive to TDHS was that, if in fact there were major reductions in daycare funding utilizing the

adopted priorities categories, handling them would be a City responsibility, rather than a TDHS responsibility.

As a strategic matter, the signing of this contract would have resulted mainly in a positive situation for the State, in that the City would then be the agent charged with implementing any of these changes in the system. The City would have to deal with the political realities of the centers, leaving the State, in effect, to sit back out of the public arena and pass through the word from on high. The City understood that strategy on the part of the State. That was why the City insisted on the necessity of establishing an objective statistical monitoring system in order to ensure that in handling the anticipated cuts, TDHS was not cutting Title XX daycare in San Antonio to a greater degree because of reliance on the City's supplemental resources. The cuts that were anticipated would come in the Social Services Block grant, of which daycare was only a small piece. It was therefore important from the City staff's perspective to get a handle on the process followed internally in TDHS for allocating those resources out to the various programs. The City was willing to assume the risk for having to increase local funds to ameliorate the effects of a federal cut, as long as the City could be assured that TDHS was not cutting daycare in San Antonio to a higher proportional level, based on the assumption that the City

would pick it all up. Given the lack of trust between City and State staff, a simple verbal assurance from TDHS that they would never do that, was not sufficient to allay the City's fears.

The concerns of the United Way were to facilitate the creation of a comprehensive system of low-income daycare for the City, to retain local control over various planning issues, and to facilitate the development of efficiencies in the management of the programs, such that the United Way volunteers were comfortable enough with the management of the Title XX daycare operation to increase funds in this needed area of service.

The concerns of the daycare centers themselves were to maintain their autonomy and individual identities, and to maintain services in their current locations. None of the centers expressed any real enthusiasm for the process. Their representatives took the position that they were protecting the status quo, which was historically so uncoordinated among the various funding sources that they had always been able to juggle among their various budgets to keep afloat.

In October 1982 the Task Force convened at the Regional Office of TDHS at which time a number of these

major issues were discussed by all representatives for the first time. In addition to alluding to the positions detailed above, a number of procedural decisions were made. These included the need for a time-line, which was to be developed by TDHS planning staff, the concern on the part of the City and United Way that TDHS-controlled monies not be lost to San Antonio through the inclusion of City funds in the contract with TDHS, and the administrative mechanism that would be necessary to alleviate that concern. The daycare centers raised concerns with maintaining their own autonomy. Finally there was a preliminary discussion of the methodology by which TDHS formulates its own plans for the provision of daycare services in the region, a process which was opaque to the non-TDHS staff.

At this time the City offered to conduct a survey to determine the statistical base for the current system as well as to identify the major concerns of all of the participants in the process. This was initiated to ensure that the direction by the City Manager to City staff to perform a joint feasibility study was in fact completed, because the State staff seemed to want to talk in generalities but not commit anything to writing. The City agreed to conduct the surveys, evaluate the responses, and report the results back to the Task Force.

Two days later surveys were distributed by the City to each Title XX daycare agency, to TDHS and to the United Way. The surveys were designed to collect information that would answer the concerns and misgivings that had been presented in the previous meeting and that would provide a general statistical base in terms of clients and budgets. Most critical to the City's concern was the ability to identify, track, and ensure the maintenance of current levels of all sources of funds into the Title XX daycare system as it existed in San Antonio. A strong underlying element to that concern was the lack of trust of TDHS staff that persisted from the recently-concluded TDHS bid process for Title XX daycare funds. Since this was only the most recent event in a series of conflicts between the City and the State, the openness of the State's communication on this issue was suspect.

From the information submitted in the surveys the City staff then proceeded to aggregate and summarize the "driving forces," or aspects that were identified as being positive in the single contract concept, and the "restraining forces," or those aspects that worked against the implementation of the concept. This aspect of the study was more than a little hampered, in the opinion of the City's planning staff, by the failure of TDHS staff to fully respond with requested information. Items missing from the

State's response included funding and slot information for the past and current year, the current state or regional day care plan, needs assessment data and support documentation, information concerning the methodology used for the regional allocation to Title XX daycare, and sub-allocations to contracts and provider-agreements, and budgetary information on TDHS' current daycare administrative costs. In the course of conducting the surveys the City also completed its own response to a request for similar information by TDHS planning staff, and this survey was included in the analysis.

Due to the delay in response and the need for time to analyze the survey data, the next meeting of the Task Force was not held until early December of 1982. The attendance at this meeting was very large. The importance that the State accorded to the initiative can be read from the fact that the meeting was convened by the Regional Administrator for TDHS and included numerous representatives from the State legal staff, planning staff, and procurement and contract administration staff. The City and the United Way also brought additional planning staff to assist in the presentation of the survey findings. The two representatives from the centers themselves were a small element in the interaction that occurred. Although the meeting was held at TDHS, the City staff assumed control of

the meeting and presented the charts and data summarizing the survey results. The presentation generated extensive discussion.

While City staff had prepared two summary reports which identified the positive and negative aspects of the proposed master contract as seen by each of the four players, they also prepared a rudimentary game plan for turning the negatives into positives. In other words, next to each negative point, or "restraining force", was the action that could be taken to resolve the issue to allow the contract to go forward, and which agency was responsible for initiating the action.

The charts generated extensive discussion. Major concerns of both the City and the United Way were that they be in some formal way included in the regional planning for daycare. Their second concern was that they would only be willing to participate in the system if there was a means to verify objectively that state or federal funds were not being diverted from San Antonio to maintain daycare in other parts of the TDHS region or to maintain other services. TDHS staff indicated that a letter of agreement regarding that issue would not be impossible; however, none of the State staff present made any commitment to initiating the process. The United Way staff person stated that if TDHS

could satisfy the City's concerns regarding its inclusion in the regional planning and allocations process, then the United Way would work towards participating in the contract and contributing to the funding pool.

A major impasse in the discussion occurred when the State staff asserted that it was impossible for them to share any details of their allocations processes, and that they could not include the City in any way in the regional daycare allocations process due to the State's legislated responsibilities for the programs. The City staff asserted that they were equally responsible for the efficient utilization of public monies, and therefore could not participate as if they were just another contractor of the State. It was the City's position, in which it was joined by the United Way, that the City could not participate in a contract in which the City would be assuming the liability of greatly increasing its fiscal commitment to individual centers, without being a partner at some level in the State's planning and allocation activities as they affected Title XX daycare in the City of San Antonio. This single point may well have been the downfall of the whole process, because TDHS staff persisted in viewing the City as just another contractor for State funds. The City staff were painfully conscious of their responsibilities as the custodian of local tax funds, and therefore insisted that

the master contract negotiation be tied to a mechanism for the State to share its planning and allocation responsibilities at the local level. In particular City staff were concerned that because the City was a major funding source, and would be politically positioned to respond favorably to any requests from the individual centers to make up lost State funds, that any cuts coming from the State level would be differentially applied in order to hold harmless the rural areas, or to hold harmless other programs, with the understanding that the City would cover the bill for daycare in San Antonio.

Subsequent to the above meeting, which ended on a strong note of disagreement, City staff distributed copies of the survey results to all parties. TDHS submitted some additional data that had been previously requested by the City in mid-December, and then requested a meeting with City staff on December 21. At this meeting between the City and the State, a general verbal agreement was reached regarding the inclusion of the City and the United Way in the State's regional planning and allocations process. It was the understanding of the City staff that this agreement would be documented in a letter from TDHS detailing the issues addressed and agreements reached in the meeting. The subsequent State response failed to include what the City considered to be necessary specifics of such agreement. The

City then submitted a letter back to the State indicating that a formal letter of agreement including the points that had been verbally discussed would resolve the issue.

In February 1983, TDHS and City staff met again to discuss whether or not to go forward. City staff requested assurances that an objectively verifiable system would be utilized to determine the contracted unit rate, but were left uneasy with the vague verbal assurances given by State staff. TDHS did assure the City that management and administrative costs would not be subject to the unit rate. A working draft of a Letter of Agreement was provided by the City to the State as an initial step in resolving some of the ongoing uncertainties regarding the nature of the contractual relationship that was being proposed. That meeting and its agreements were documented in a followup letter from the City to the State four days later. The draft letter of agreement was never finalized by the State, or even for that matter, ever referred to again in public discussion. It was as if the system of coordination proposed in the document was so foreign to the State's operational systems, that it just died. Certainly it was never referred to by the State again.

During this time numerous rumors circulated among the daycare centers themselves, such that the City staff

called a meeting on March 1, 1983 to discuss with all of the daycare centers exactly what the City had proposed to the State, and to ascertain whether or not the providers were in agreement on the various issues. Subsequent to that meeting the State also called a meeting with the providers to try to build a consensus to go forward with the master contract. A third meeting was then held between the City and the service providers to discuss what had been reported as the various administratively onerous actions that had been threatened by the State if the agencies did not agree to go along with the consolidation proposal.

At this time the City also began to express concern with the State's shift in position on the issue of bidding as it related to new monies. At one point, early in the process, the City was told that as a sole-source contractor the bid process would be eliminated. At this time, however, the City was told by the State that if additional monies were made available, the City as the sole contractor would not be able to utilize those monies without a competitive bidding process. The City's position, given the cutbacks that had already occurred, and had been made up by the City, as well as those likely to occur under Reagan's proposals, was that since the City had already made up losses for the State, any new money should go back to offset the City's bailout. It was the City's opinion that because of this the

City should receive any additional new monies without any additional bidding processes. The State's position was that it could not commit new monies without a bidding process.

Also raised for discussion at this time was the issue of locating or relocating daycare services. The inevitable problem that occurs over time is that a population of need may shift, requiring service providers to plan for shifts as well. What became apparent was that TDHS did not want to give up sole responsibility for determining the locations of daycare centers, even though initial discussions indicated the City would be able to make this decision. A written agreement by TDHS to allow the City to allocate new monies, or to control the location of daycare sites, would have been major advances towards accommodating at a technical level the City's desire to participate in the planning processes for the Title XX daycare system.

When it appeared that the level of rumor was about to overwhelm the whole process, the City provided a complete written chronology of events to the Regional Administrator of TDHS and formally requested that the State staff sit down and work with the City staff on the very real problems that

were being discussed.¹⁷ No formal response was ever received.

At that time, due to the fact that State staff continued to be unwilling to offer any information on the operation of the State planning and allocation system, nor any of the assurances requested by the City, nor any options that would alleviate the concerns, the City staff finally abandoned the process completely. After all of the energy and staff resources devoted by all of the players to the concept of a single daycare contract in San Antonio, the State never formally addressed the tasks identified early in the process through the surveys. Attention to the identified concerns would have advanced the process rather than allow the various players defensiveness to continue and grow. Because the City's concerns were shared by the United Way, there was a virtual united front on the part of the local-level institutions to stick with the status quo until concessions were offered by the State. In effect the State both initiated and killed its own process through the inability to compromise in a situation in which it stood to gain substantially. This was to prove a major strategic error resulting in the eventual failure of the negotiation.

¹⁷ Kevin C. Moriarty to Homero Rodriguez, Letter dated April 28, 1983.

Unfortunately, leaving all personalities aside, there were strong managerial reasons for effecting the master contract. Such a contract could have resulted in a more efficient, better-coordinated system of daycare delivery in San Antonio, had the institutional rules and personalities not made it impossible to implement. While at an informal level options could have been discussed, it proved impossible for the various staffs to work out alternatives on a formal level that could have resolved the issues and concerns of all of the participants.

An element not documented in the written record, which was undoubtedly a factor in manner in which the negotiation proceeded, concerned the personalities of the major staff negotiators in both the State and the City. The Assistant Director of Human Resources and Services, who became the Acting Director of the department during the course of this process, was young, aggressive, and determined to play whatever game was required to ensure that the City's interests were protected. Due to the promotion of the department's director to Assistant City Manager the director's position was open. The chief City negotiator, therefore, was looking to future advancement and would not be likely to assist in the creation of a contract that would have him making repeated appeals for additional mid-year funds for daycare based on events emanating from

the State level that he could not control, but which he would nonetheless be held liable for, by the City Council.

The Regional Director for Procurement and Contracts at the State was equally young and aggressive. He had staked his upward career move to Assistant Regional Administrator on establishing this master contract. As head of the procurement and contracts division, however, he had supervised two contract awards that the City felt had been politically skewed, which had created an abrasive undercurrent in his working relationship with the City. In the first instance the State awarded a \$1 million plus contract for a homemaker services program that the City had successfully operated for years, to a state-wide bidder with extensive state-level political connections, but no existing track record. In the second instance the State had bid an emergency assistance grant that had been previously funded through TDCA to the City's Community Action Program to provide emergency utility assistance. In this bid, in spite of the years of experience of the City in operating the program, and the additional resources that could be brokered in to match this grant, including the assumption of 100 percent of the staff costs under Community Action, the bid was awarded to Bexar County. The County had minimal experience in operating such a program, had no administrative structure or working relationships with the

various utility companies, had no network of sites throughout the county, and had no networks with other agencies to broker additional funds. In both instances the City concluded that the State's processes, under the direction of the Regional Director who was attempting to negotiate the daycare master contract, was politically and programmatically flawed.

Each of the major speakers for the City and the State therefore had something personal to gain by being "tough" in the negotiation. Each was looking to a promotion. In retrospect, it is clear that the State had the most to gain from this process. The City, however, would be likely to both gain and lose, due to the immediacy of the political feedback in the local system. Because of this, the City was not inclined to take the lead in a process that was excessively onerous to the daycare centers themselves, because that would result in continuing public controversy about daycare issues at the City Council meetings.

In reviewing the files on the actual negotiation process, it appears as if the issue simply died. There is no record of the Task Force players agreeing to call it quits, or to try again later, or to never try again. The issue was simply not ever raised for public discussion again.

CHAPTER 3
AN ANALYSIS OF THE REASONS WHY
THE PROPOSED CONTRACT NEGOTIATIONS FAILED

In looking at the events that transpired during the year of discussion on the master daycare contract, the question that begs for an answer is why this particular contract negotiation failed so repeatedly and completely. To the extent that this initiative colored the working relationship between the two governmental units for years to come, coming to an answer to that question might allow a more positive way to strategize similar intergovernmental coordination issues. If we can more clearly understand the reasons why the agencies were unable to resolve the problems, we should be able to design a more successful collaboration for joint-sharing of responsibilities in the future.

While Anthony Downs' Inside Bureaucracy discusses and analyzes the whole structure of a bureaucratic system, and the range of bureaucratic behavior, three concepts have been selected from that discussion to provide illumination on this case study. Those factors include the concept of bureau territoriality, with the corollary of at least

partial conflict that exists between differing bureaus; a discussion of the communication networks that existed between the various entities; and the concept of the policies used by an organization to extend or contract a decisionmaking process.

THE CONCEPT OF BUREAU TERRITORIALITY

The concept of bureau territoriality is central to the understanding of this event. Technically only TDHS and the City of San Antonio qualify definitionally as bureaus, which are large public-sector, non-market-controlled hierarchical organizations that exist to implement public policy. All of the four major participating entities' behavior was affected by considerations of territoriality. In reality, all four of the entities, the State, the City, the United Way, and the various daycare delivery agencies had a core mandate, or heartland territory goal commitment to the provision of quality daycare to low-income persons.

Since neither of the three funding agencies provided the services directly, each had, over the years, developed its own negotiation processes with the individual daycare centers. Each had formal contractual arrangements with the respective centers, but these contracts operated with varying fiscal years, budget formats, and processes

established to review and evaluate the adequacy of service delivery. This meant that each of the small provider agencies had at least three and often four separate contracts, budgets, and reporting requirements, one to each funding source. In addition none of the funding agencies included each other in their respective internal review processes. This meant that the information any given funding source received from a daycare agency about the other sources of funds available to support the services was subject to the daycare center's individual choice as to whether or not to disclose its other sources of funding, in whole or in part. Likewise the individual agencies were extremely protective of their own geographic service areas and funding resources in dealing with each other. On occasion, various centers perceived themselves in either direct or potential conflict with each other for resources and clients. This concept of territorial conflict had in fact been institutionalized by the TDHS bid process. Before the City's intervention in the first bid process to provide supplemental funds, some centers were scheduled to close, due to the loss of major portions of their state resources to other centers.

Though the centers as individual agencies each shared a heartland commitment to the provision of quality daycare in a general sense, that did not mean they wanted to

have to share actual resources with each other. Due to the varying sizes of the centers, which ranged from a single purpose agency for 60 children, to multi-purpose agencies which included daycare as one of many services, to the largest single purpose agency, which had over twenty sites and a budget in the millions, this competition for resources was inevitably unbalanced in terms of the various agencies' staff expertise and ability to call on additional resources.

At the time this contract idea was initiated some of the daycare centers were beginning to realize that the Head Start program was impacting on their own daycare services. In the past, public discussion about the need for low-income daycare and the effectiveness of the current system had ignored the existence of the Head Start program. When City staff prepared the first comprehensive briefing paper on daycare in March 1982, they included the Head Start program in the discussion for the first time. The rationale for the inclusion was that while Head Start is designed as the premier federal program to provide educational enhancement to low-income three- and four-year-olds, and as such it operates on a nine-month school year, it still provides free all-day services to low-income children for most of the year. In the competition for clients, a free Head Start program for nine months could still be more attractive to a poor family than a program such as Title XX that mandated

the collection of fees, however small. Until this study, which reported slot levels and mapped locations of both the Title XX centers and the Head Start centers, it was not obvious to either the centers or the City Council that two separately-funded and operated systems were overlapping each other for at least a portion of their mandates.

While this overlap and competition may not have been obvious to many of the daycare centers, it was very clear to two of them. The first was the City's subcontractor for Head Start services, Parent/Child, Inc. (PCI), which also provided Title XX services. Due to the size of the Head Start program, as well as other programs operated in other counties, this agency could provide Title XX daycare at virtually no administrative cost to the City. This agency could always put forward the lowest bid on Title XX services because of these substantial other resources for childcare. The second agency that was becoming aware of impact of Head Start on daycare, was an agency which had won the TDHS bid and elected to greatly increase its budget to open a third daycare site on the east side. The attempted expansion was in trouble due to the fact that the new site was too closely situated to a PCI center to be able to attract sufficient enrollment.¹⁸

¹⁸ This agency's attempts to establish a third site failed after one year.

As all of the centers went through a bid process for the first time, it became evident to the small daycare centers that they would have a hard time competing administratively with the Head Start agency. Their reaction to the master contract proposal was therefore colored by the perception that if they did not choose to come under the City, the issue would resurface later on to make them satellites of this single large service agency. This feeling of defensiveness was evident in all of the small centers, which really had few resources other than their public sector contracts and a history of providing daycare. Not only had they already experienced a reduction in funds, but the bid process followed by the State was again putting pressure on them to reduce their administrative costs.

The reaction of the centers, rather than to investigate ways to coordinate and share administrative tasks with each other, or to jointly attempt to expand their non-governmental resources, was to continue to address the issue as individual centers allied only for defense on an issue-by-issue basis. Thus, while the agencies were nominally competing with each other in a formal bid negotiation at the State level, they were also competing informally at the City level to ensure that they would be guaranteed the fiscal resources necessary to make up any reductions in State funds. The goal of the centers was to

remain independent, even if their administrative costs for each and every small center were much higher on a percentage basis, than would have occurred in a larger agency, such as PCI.

In fact, all of the daycare centers at a formal, public level shared a heartland commitment to actually providing daycare, but this was not an abstract commitment. It was a commitment to providing daycare at "my" center, in "my" site, to "my" kids, no matter if the system itself could be made more efficient through a more coordinated organizational structure. The master contract proposal that was discussed back and forth for a year would have allowed some of this coordination and administrative efficiency to occur without in fact creating a single administrative entity. By virtue of the fact that the City would contract with TDHS and the United Way, and then let a single subcontract to each daycare agency combining all of the funding resources in a single contract and budget, the agencies would have seen a lessening of their administrative workloads. Under the master contract they would have retained their identities as independent, neighborhood-based non-profit agencies, and they would not have become the equivalent of Head Start with a strong central administration.

Because the daycare providers drew on funds from the State, the City, and the United Way, all of the funding agencies had major overlapping interactions on each other's peripheries, which is where they all contributed to the funding of the daycare centers. Downs' original diagram details the interorganizational conflict that naturally occurs between bureaus and relates the intensity of conflicts at whether it occurs in the heartland, interior fringe, no-man's land, of the periphery.¹⁹ The closer to each other's center the territorial conflict occurs, the greater the intensity of the conflict. In the case study under discussion, both the State and the City had strong commitments to daycare, if not heartland itself, at least on their respective interior fringes. Subsequent to the two previous events that had reduced funds to daycare centers, the City had made up funding to the daycare centers. This resulted in the situation where what the State had considered its mandate for Title XX daycare, was now also considered a mandate by the City. The State's ownership of the mandate was in fact in the process of being overlapped by the City's own claim to the territory. Thus the conflict in this process was primarily between the City and the State, as the United Way had agreed to go along with what the City requested.

¹⁹ Anthony Downs, Inside Bureaucracy, (Boston: Little, Brown and Company, 1967), 214.

The daycare centers themselves could be assumed to accommodate to the requirements of their funding sources, as long as none of them was being eliminated. Their opposition to the threat of losing their identities by being combined into some super-agency structure was an important negotiating point in the process. If pushed to the point of panic, the centers would attack the process at the City Council meeting. The knowledge of this pressure point and its implications became an important element of the strategy of control in the negotiation between the City and the State. Had the centers publicly opposed the process to the City Council, the City staff could, and probably would, be directed to drop the issue completely. Thus the City staff controlled an important resource through its working knowledge of the operations of the City Council itself. It was not knowledge that could guarantee a particular outcome, but it could well be used to block a particular outcome, if necessary in this case.

As the process developed it became obvious that what the City was insisting on was a quid pro quo with the State. If the City was to continue to put up so substantial a portion of the total funding for Title XX daycare - roughly \$1 million to the State's \$2 million; and if it was to assume the liability for all audit exceptions, as would have been required under the master contract concept; and if it

was, in effect, to assume the liability to make up the cuts to daycare funding anticipated by the State two years down the road, by virtue of the political mechanism that would be created once the agencies were subcontractors solely of the City; then the City wanted some control over the planning and allocation of the system's monies, not just the City's monies. The recent past history in which the City had supplemented daycare cuts due to TDHS actions, without having even been informed by TDHS of their processes, or allowed to comment on them in order to minimize disruption to the service delivery agencies, precipitated the strength with which this condition was argued by the City.

The City staff were wary of the long-term fiscal implications to the City, and while willing to work to maintain the current service level, they were not willing to just put money in without some way of ensuring that the anticipated cuts were equitably applied by TDHS throughout the region. This meant that the City requested specific information on the planning and budgeting process followed by the State, and a formal role in the planning and allocations process sufficient to ensure that state-paid slots were not being lost to San Antonio due to the City's contributions. The information gleaned by City staff from TDHS annual reports and other summary data implied that the scenario the City hoped to prevent had in fact been

occurring. It appeared that because the City had provided substantial resources, the State cut the City centers more and put a greater percentage of the state monies in the rural counties. The only way to know whether or not that was so was through routine sharing of programmatic and fiscal data that would evidence that urban and rural areas were being addressed equitably by the State's cutback processes.

This position was strongly argued by the City at the meeting of December 1982, and reiterated at length in the April 20, 1983 letter from the Director of the City's Department of Human Resources and Services, to the Regional Administrator of TDHS.²⁰ From the repeated discussions and correspondence it did not appear that the validity of the City's position that the City as a governmental unit responsible for public monies, and should be accorded a formal role in the planning and allocations process, was acknowledged by TDHS. TDHS had contracted with the City for years for a variety of programs, most recently a large homemaker program, and State staff therefore did not see how this was any different. The City's position that under this contract it would in effect become a partner with the State in jointly funding the daycare centers was not accepted by the State. The idea that the City should be included in the

²⁰ Letter of April 28, 1983, op. cit.

State's planning and allocations process for daycare because it also had governmental responsibilities to ensure the efficient and effective utilization of the public's money, was a concept foreign to the usual grantor-grantee relationship.

On the other hand, City staff were enormously conscious of their public accountability due to the fact that the City Council met weekly, and daycare issues had been brought before the Council repeatedly in the last two years, first because of the federal cut, and then because of the flawed "bidding" process conducted by the State. While there was some recognition on the part of the City that the State could not do much about the cuts in federal funds, that perception was not shared when it came to the bidding process, in which some agencies would have been put completely out of business had the City not provided additional monies.

The State's political processes were much less immediate for a number of reasons. In the first place, the state legislature, which is the policy-making body, only meets for five months every two years. Thus the administration of a state agency has enormous leeway to direct its activities without extensive oversight from the policy level. In actual fact, the Regional Offices work to

maintain links with local state legislators about mid-biennial events. The fact that the regional administration is still controlled out of a statewide office, leaves the regional staff with few real resources to accommodate to local level concerns. Even if an individual local legislator is appealed to by a day care center upset with TDHS staff actions, that legislator is limited in his effectiveness. If that one legislator then got all of the other local legislators to agree to address an issue, they still have no formal mechanism to address and redirect a state agency initiative until the next legislative session. There is no real public forum at the local level for state agency issues, other than the local constituent assistance programs, which are primarily set up to help individuals, not institutions. Such a constituent office is a far cry from the public mechanism that exists through the City Council. One of the results of this inequity of access to policymakers at the different governmental levels, is that TDHS, which is the agency mandated by state law to provide low-income daycare, is least responsive to immediate needs in the system. The City, then, which has participated in the system to provide supplemental funds, and which has no such formal mandate to provide daycare services, has greatly increased its funding commitment in response to local-level political pressures.

Thus, whether it was recognized at the time or not, the conflict between the two public agencies had escalated to a great degree because the City had now become a major actor, by providing almost one-third of the total funding package for the contract centers. Because of this the City wanted a better system of control over the allocation of the monies in the whole system. The State still saw that responsibility as part of its core mandate, and wanted to keep the City on the periphery as just another contractor. This was an inadequate resolution of the problem for the City. The City, due to its enormous infusion of resources was now also beginning to feel that the funding of low-income daycare was a core responsibility. It was not about to give up allocations control over its own funding to a system that would give the City substantial responsibilities for service delivery and fiscal accountability, with a minimum of control over the system's political and fiscal resources.

By entering into the master contract the City would be implicitly accepting the responsibility for making up subsequent cuts to the daycare centers if at all possible, without being able to objectively evaluate the equity of those cuts within the region as a whole. Of the nineteen restraining forces identified by the City's planning process, eight of them directly address this problem of

sharing planning and allocation functions, whether on an informational or a more formalized coordination level.

The conflict on this central issue could be considered the crux of the failure to negotiate the contract. TDHS took the position that it could not delegate its planning authority, and refused to even discuss ways in which a communications or informal planning link could address the City's concerns with use of its local tax revenues. The City took the equally intransigent position that if the two agencies could not sit and discuss some way, either through an informational process, or an informal communication and coordination process, then City staff would not take the proposal forward for Council consideration and action. The result therefore was that there was no higher authority over both of those agencies to which the decision could be appealed. The situation was a classic illustration of Downs' principle that unresolved conflict is bumped up to the top of the organization. In this case there was no top to which both entities reported. Neither the City nor the State could mandate an end to the conflict, nor was there any overriding legal mandate to make one or the other knuckle under.

Actually at one point in the process the key TDHS negotiator stated that he personally would take the proposal

forward to the City Council if the City staff would not. This anomaly to standard procedures would have provided an interesting corroboration of the thesis that this conflict was so intense because the State was in truth losing a part of its ownership of the mandate for daycare to the City. In effect the State was acknowledging the change in the relationship between the City and the State by appealing to the City Council as the higher body that could resolve the impasse. Given that the City Council members were most sensitive to the stated wishes of the individual daycare agencies, which are based in their council districts, and that the daycare centers themselves were in favor of little except minimizing their own turbulence through holding on to the status quo, it is not likely that this appeal would have been successful.

Interestingly enough the United Way's sense of territoriality was not particularly evident in the process. After making an initial statement of alliance with the City's position, the United Way seemed willing to work on surrendering some of its own autonomy in the funding of daycare if an appropriate mechanism of local joint planning between the City and the State could be worked out.

In summary then, it is apparent that the issues of territoriality underlay the major conflicts that emerged

from this negotiation. In fact, a strong argument is made here that this single turf issue was the major unresolvable element in the sequence of events presented here.

THE COMMUNICATIONS NETWORK

The second concept from Inside Bureaucracy that the author found useful with regards to this master daycare contract is the concept of the communications network. This element, if appropriately strategized, offered a means of resolving the problems. All organizations have internal communications networks as well as external networks established to accomplish their activities. While formal networks of communication are usually tightly monitored and utilized at the end of processes, the informal networks can follow a variety of structures, and in some ways are incidental to the working relationships people have built over time. In this instance an examination of the subformal networks between the various agencies that had existed, and that resulted from, the process is an illuminating way to gauge the results of the process.

It is stated as a given in Downs, and verified in the author's own experience, that formal communications are primarily vertical, following the hierarchical structure, up

and over at the highest levels.²¹ Subformal communications, on the other hand, tend to be horizontal and to allow the filling in of the gaps in information that may exist between different organizational units. The division of subformal channels into two types, those that parallel the formal channels, but are primarily verbal, and those that follow informal channels, has a good deal of relevance in this discussion.

It is clear from the written record that there was a major effort on the part of the City to formally document each step of the process, starting with official approval from the City Manager's Office to enter into the process, and proceeding through all of the correspondence between the various players. The State documented its position in writing to a lesser degree. What is missing from the written record are the subformal and informal levels of communication that occurred due to the working relationships that had been built up over the years among all of the agencies.

While a complete picture of these interactions is impossible, there were strong informal links between individuals that had been created over time among the agencies at a horizontal level of information sharing. In

²¹ Downs, op. cit., 113.

particular the City, the State, the United Way, and the centers themselves had staff at the operations level that had worked cooperatively on daycare issues at the state and federal legislative levels, and worked extensively together through the local, state, regional, and national affiliates of the Association for the Education of Young Children. Thus there was an extensive informal interaction network on daycare issues among all of the agencies. Some of the most important were between the City and the United Way regarding the need to be included in the State's planning processes for the community, informal interaction between various daycare directors, and TDHS and City monitoring staff, and informal communications between TDHS and City staff regarding details of the various daycare centers contracts.

One of the major advantages of knowing about and using subformal communications networks, is the opportunity they offer to test others' reactions to new ideas or proposed changes among agencies that will be affected by a new initiative. Since nothing is on the record, ideas can be put forward, modified, or dropped, depending on the intensity of the reaction and the direction - positive or negative - of the reaction. In a like manner, if one agency has to deal with a mandate that it cannot eliminate, but which will affect others, this kind of subformal network can

be used to find out the nature and extent of the damage such a change might cause others.

An agency which gains this knowledge can then use it in one of two ways. First it can use the reaction or projected effects in order to try to overturn or modify the mandate. Second it can use that information to assist the others in accommodating to the change in ways that will be least disruptive to the delivery system. This process, because it is built on a high level of trust in talking of volatile issues that agencies may not want to be publicly known, can only occur at a personal level, and when staff have built a level of professional trust over time. The advantage of such a system in trouble-shooting a turbulent environment is unquestioned.

None of these subformal channels was utilized to any great degree by the major negotiators in the process, the Program Director from TDHS or the Acting Department Director from the City, to work out possible details of compromises on the sticking points. Rather, each used the informal networks only to gather information to strategize defensive positions. At least some of this can be attributed to the fact that both of these persons were young; both were looking to make major moves up in their careers within their

agencies, in which each had fairly longterm experience; and both were noted for being aggressive in pushing their views.

These factors were superimposed on a situation in which the City highly distrusted the equity and fairness of State's contracting processes for a number of reasons. In addition to the recent situation in which the City was called on to provide additional funding for daycare due to the State's bidding process, the City had participated in two other bid situations, in which the City lost major contracts due to what was perceived as politics. The first was the loss by the City of a \$ 1.5 million contract for homemaker services to a new contractor with no track record, but with the wife of a state legislator as its executive director. The second was the loss of a bid by the City to continue an emergency assistance grant through the City's Community Action program. In this instance the City documented that the State had failed to follow its own evaluation criteria,²² but was told there was no appeal to the contract award because TDHS was not subject to the State Administrative Procedures Act, which governed every other state agency on such issues. The City's only alternative was to sue in an Austin court. This option was obviously too expensive to pursue in both time and money, particularly

²² Management Control Systems Division, "Comparison of City/County Proposals for Energy Crisis Intervention Program," October 1982.

once the State staff admitted informally that an error had been made. Neither these two bidding events, nor the funding cuts in daycare, had served to build a sense of trust or a positive working relationship among the two governmental agencies. Thus when the state initiated the master daycare contract negotiation, the City's position was extremely cautious. It was not clear what the benefits to the City would be, although it seemed very clear to the City what the benefits to the State would be.

In looking at the events from the point-of-view of the communications systems, the first evidence of the difficulty that the process would encounter is that from the very beginning the City insisted on formalizing all of its communications with the State. It started with the written approval of the City Manager's Office prior to initiating any study at all. This was a clear signal that the level of trust was so poor that every contact would be clearly documented in writing, leaving little room for flexibility and the consideration of various options. At every step of the way the City made it clear that the price of its participation was some means of including the City in the State's planning processes. At no step was it apparent that the State staff understood that concern, where it came from, and why it was important to the City, and therefore no concessions were ever offered on the point. It is

speculative to state that had such an agreement been reached the contract would have gone forward. What is clear from an examination of the restraining forces identified through the surveys, is that the concerns of the individual agencies could have been easily met, leaving little else in the environment that would have blocked the contract.

In all fairness, a major factor in the State's inability to accommodate the City's request for inclusion in their planning processes appears to have been an inability to get authorization from the State Office to share that information. The State was clearly unwilling to set a precedent that might have unanticipated effects on other regions and programs, even if the local TDHS staff was in favor of some accommodation to the City's request. This point was never communicated during the negotiation process, but recent overtures by the State to brief the City on some of the agency's internal processes indicate that this may have been the primary roadblock in the negotiation.

The value of the communications networks that existed both internal to the agencies, as well as between the operators and the funders, as an element that could have been used to try to ensure a successful resolution to the negotiation, was apparently unrecognized by the State. The fact that the subformal network was not used was due to two

factors. The first was a strategic choice by the State not to try the subformal network to offer options to try to meet the City's need to be able to adequately control the utilization of local funds. This is referred to as the State's choice, rather than the City's because the State had initiated and was pushing the process. The second was the City's conscious assumption of the reactive role. As it had clearly stated that it would go forward only with some accommodation on this one point, it did not initiate or utilize subformal levels of communication either. Apparently the State's negotiator misread the intensity of the City's concerns. It appears that the State assumed that other elements within the system would bring pressure to bear on the City without the necessity of working out this one point.

The City's role was proactive in terms of trying to change the basis of the State/City relationship, but reactive in terms of the failure of the State to respond to the issues raised. In effect the State ceased to communicate - it kept talking but failed to listen to the response - and therefore lost the opportunity to advance the issue through negotiation. The communication mode eventually adopted by the State was one of implied threat. This also failed because the State did not control the City's resources, and all players in the game knew it.

CONCEPT OF DECISIONMAKING STRATEGIES

This brings up the third concept from Downs that the author found helpful in analyzing this situation, which is the compilation of the strategies used by organizations to control the manner in which a problem is researched to get to a decision.²³ Those policies that tend to extend the time required to reach a decision are to:

1. Allow a long time before a conclusion must be reached,
2. Include a lot of people,
3. Include conflicting opinions,
4. Reduce the numbers of persons that the decision has to be explained to,
5. Increase the number of analytical people involved,
6. Isolate those making the decision from other decisions that may be related, and
7. Reduce the proportion of very busy people to whom the decision must be explained.

On the other hand those policies that narrow the decisionmaking process in both time and the alternatives considered are to:

1. Give a short deadline,
2. Include only a few in the actual decisionmaking,
3. Ensure that those few have similar views,
4. Increase the number of persons to whom the decision must be clearly communicated,
5. Decrease the number of analytical types participating,
6. Assign the decision to those already making lots of other decisions, and
7. Increase the proportion of very busy persons to whom the decision must be communicated.

²³ Downs, op. cit., 185.

It is obvious from these two antonymic lists that the strategies followed by the City were selected from the strategies of delay. First was the decision to broadly include all of the daycare centers and the United Way, all of whom had conflicting views of the situation. The City also initiated a formalized planning process, which included detailed surveys and a formal report distributed to all of the players. The City also refused to go forward without written assurances at each step, and repeatedly allowed extensions of the deadline for the process without concern, as no policymakers who could apply pressure one way or another, were yet aware of the initiative. As a matter of fact the proposal never made it to the level of a formal recommendation one way or another to the City Council.

The State, on the other hand, attempted to speed up the process by selecting strategies from the second list. TDHS attempted to work only with the City staff, to keep to a short time-frame of the next contract extension in October of 1982, and to ignore any sort of formal planning process, even when one had already started. The State's strategy was to push for an early decision and work out the details later. The fewer the people involved in the negotiation, the easier it would be for the State and the City, which together controlled 80 percent of the resources of the daycare system, to agree on a plan and then bring all of the

other players in through that control of the resources. Unfortunately for the State, the City felt that its own resources were at risk, and therefore delayed the process, rather than expedited it. In the end, the State was unsuccessful in this, and ultimately in the whole process.

CONCEPTS FROM GAME THEORY

While these three concepts of bureaucratic processes serve to clarify and explain many of the events which occurred, a different, and equally illuminating way of examining the situation is to utilize the conceptual framework contained in Bardach's The Implementation Game. The situations analyzed in this book are slightly different, in that the focus of Bardach's games theory is specifically on the staff process of implementation once a policy decision has been made. In this instance the policy decision to implement was never made. However, many of the game theory concepts are equally applicable to this case study. In a sense, what is propounded in Bardach's analysis that parallels the situation discussed here, are the various mechanisms and strategies employed by agencies who report through differing hierarchies, to either work with or block each other's initiatives. The truth of the statement "implementation processes are driven at least as much if not more by interorganizational transactions as by

intraorganizational transactions," is clearly true in this particular series of events.²⁴

The contract proposal failed due to inability of the actors to resolve the interorganization communications and turf problems. As expanded on further in the next chapter of this paper, which describes the evolution of the working relationship between the State and the City in the subsequent five years, a major reason for the failure was the inability of the institutions to effectively develop and utilize a subformal communication system. Over the succeeding years such a network has been consciously fostered in order to avoid a repeat of this very public failure.

In examining this proposed contract situation it is clear that one of the major elements that would have served to advance the situation was missing. The question that keeps recurring is why the process was taken so far, and continued for so long, given the absence of a single offer of accommodation on the part of the State to the issues identified by the City. Perhaps Bardach's games theory explored at some length will shed further light on this question. According to this theory, games can:

²⁴ Eugene Bardach, The Implementation Game: What Happens After a Bill Becomes Law, (Cambridge, Massachusetts: The MIT Press, 1977), 46.

serve principally as a metaphor that directs attention and stimulates insight. It directs us to look at the players, what they regard as the stakes, their strategies and tactics, their resources for playing, the rules of play (which stipulate the conditions for winning), the rules of "fair" play (which stipulate the boundaries beyond which lie fraud and illegitimacy), the nature of the communications (or lack of them) among the players, and the degree of uncertainty surrounding the possible outcomes. The game metaphor also directs our attention to who is not willing to play and for what reasons, and to who insists on changes in some of the game's parameters as a condition for playing.²⁵

Using these ten elements as the means for further expanding on this case study, the reasons for the failure of the process become even more clear. The first four elements are the players, their stakes, their strategies and tactics, and their resources. Since these elements are different for each of the four major entities, each player is presented separately. The next four elements, the rules of play, the rules of fair play, the nature of the communications and the degree of uncertainty surrounding the outcome, are all elements that make sense only when the game is in play. In effect none of these elements exists apart from the playing of the game itself, so the discussion of these elements includes all of the players. The final two elements are also considered separately, since they are considerations that may or may not affect the playing of the game.

²⁵ Ibid., 56.

THE TDHS PLAYERS, STAKES, STRATEGIES AND RESOURCES

As described in the preceding two chapters, TDHS was perhaps the principal player in the game discussed here. TDHS initiated the process, and continued to try to bring it to completion, even while refusing to consider some of the elements raised by the other players. The actual players on behalf of the State were mid-level managers in the contracts section. For the State there were a number of stakes in the game, the most important of which had to be that contracting with the City as a sole contractor would give them greater assurance of continued local funding for daycare. The alternative was a continued reliance on the private resources of the daycare centers themselves. Since there was little history of an extensive development of private resources by these centers, this reliance was pretty shaky. The likelihood of continuing cuts in low-income daycare, and therefore the need to plan for a way to minimize the effects of those reductions in the community, was a major driving force for the State. In addition it would have simplified the State's contract administration process by reducing twelve contracts to one. Finally it would take the State out of being directly responsible for implementing changes that came down from the state or federal levels. Instead of having to mandate and negotiate changes, some of which were anticipated to be onerous, for 12 existing contracts, the

State would only have to tell the City of the changes. The City would then be responsible for ensuring that all of the subcontractors complied.

The negative side of the stakes for the State was that it might have to give up some of its autonomy in its planning and allocations process through the inclusion of local-level entities such as the City and the United Way.

The strategies and tactics utilized by TDHS were to appeal to the City's desire to minimize administrative costs and reduce duplicative contract monitoring costs in the system as a whole, to support the City in its monitoring functions of the daycare centers, and to eliminate the State's bidding requirement for the centers since the City would then be the sole contractor in San Antonio. When progress ceased the State employed the obverse of this strategy, which was to tell the agencies informally that if they didn't agree to go along with it, the contracts would be re-bid every year, instead of year-by-year for three years, as allowed by the state law. The State's Program Director, who was the chief negotiator, also indicated at one point that he himself would present the proposal to the City Council if City staff would not, a strategy which betrayed his misunderstanding of the City's position with regards to TDHS on daycare issues.

The resources that the State brought to the process were its contribution of \$2 million per year to these twelve centers, as well as its ability to influence public opinion, particularly with state level legislators and through citizen advisory groups. Actually, due to the recent events with regards to daycare, the strength of the last resource, at least at the local level, was questionable. Certainly the City Council did not hold a positive opinion of the manner in which the TDHS decision-making processes were occurring. The State had effective sub-level staff who understood the concerns raised by the City staff, but it never utilized those resources, either formally or subformally, to try to resolve the major issue. In addition the State could influence various details of its contracts to try to gain cooperation. Included in these resources are the indication that the contracts could be administratively continued or re-bid depending on the outcome of the process, and the offer of administrative costs to the City as an addition to the unit-rate contracts at the individual centers.

THE CITY'S PLAYERS, STAKES, STRATEGIES, AND RESOURCES

As a player the City had the second greatest fiscal resources, but due to the extended period of public debate

and provision of funding for daycare in the previous year, it had the largest store of recognition in the public arena of its support for daycare. While it commands nowhere near the resources of the State, the City of San Antonio, alone among Texas cities, has assumed a proactive stance with regards to the provision of human services. It not only contracts for services, but it directly delivers services as well. Due to the changes that were occurring associated with Reaganism and the "blocking" of large federal grants to the state level for allocation within the states, as well as state fiscal conservatism associated with the Republican governor, the City staff had become increasingly assertive at the State level. The position taken by the City was that the State should continue the "blocking" process right on down to the local level, to reduce the State's administrative costs, and only pay that cost once, at the local, service-delivery level. The intent was to try to maintain the funds going into direct service delivery, under an increasingly tight fiscal situation.

The mechanism chosen by the City to implement this idea was the drafting of state legislation in 1982 that would have mandated the inclusion of the major Texas cities in the State's planning processes. While the bill failed, it had raised for public discussion the idea that the State should minimize the statewide administrative costs of the

block grants by simply passing them through to the local level, leaving more funds available for local services.²⁶

The stakes to the City in the master contract negotiation were extremely high. The City found itself considering the acceptance of greatly increased responsibility, of both a contractual and a political nature, on both sides of the contract. The City would be assuming liability to the State for fiscal accountability and program quality issues for the subcontracts with all of the existing centers, which had varying levels of administrative capability. In addition, the City would be implicitly accepting responsibility to the centers, who would consider that such a contract implied formal commitment to make up any funding losses from the state level. These losses were, in fact, at that point considered inevitable.

The City was willing to accept the fiscal responsibilities only if the State agreed to include the City in the State's planning processes for Title XX daycare. The City would have seen an increase in administrative costs associated with budgeting and reporting requirements of the State. In addition the City would have had to expand its

²⁶ City Council of the City of San Antonio Resolution No. 82-32-35, passed July 22, 1982, and submitted in support of S. B. 1255.

monitoring system of the daycare agencies. It is likely that the City would have developed a more extensive fiscal system and would have had to create a system to maintain enrollment figures, since the state contracts are unit-based rather than cost-reimbursable. Allowing under-enrollment in any site could quickly result in a situation where a center failed to adequately recover its expenses. Basically a whole new administrative system would have to be created to perform these tasks, which theoretically would have been funded out of reduced administrative costs to the State. One point that was never clarified by the State was exactly how much, in either money, or a percentage of the total contract, would be available to the City for administration. Of concern also, was the fact that while the State could give the individual daycare centers a 45-day advance on their contracts at the beginning of the year, for operating monies, such an advance, which could total over \$300,000, was prohibited by state law from being offered to a public entity such as the City.

The strategies employed by the City were typical of those between entities in which there is little trust. All meetings were documented for the record. No action was taken without formal discussion and approval. All affected entities were communicated with, and informed of, the situation as it developed. Towards the end of the

discussion, when it became evident that the State was offering to make things difficult for the daycare agencies if they did not agree to go along, the City indicated that it would publicly oppose the contract if that was the consensus of the daycare operators.

The resources that the City brought to the game, while not as substantial in some ways as those of the State, were still considerable. The City was putting up almost a third of the fiscal resources of the Title XX contract daycare centers. It also had the goodwill of the various agencies, as it was the City's supplemental monies which had kept some of them in business through the reductions and the bidding process. The City also had cultivated a relationship of goodwill and trust with the United Way through a period of years in which they had jointly espoused the need for local level planning and coordination. In addition, the City Council was supportive of the City staff, and nonsupportive of the State, due to the public disruption that had occurred when the State failed to coordinate with the City on the last two daycare "crises." At that time the City had in fact tripled its fiscal resources to the funding of daycare, and was devoting staff resources towards more adequate planning for the system.

THE UNITED WAY'S PLAYERS, STAKES, STRATEGIES AND RESOURCES

The United Way was clearly a supporting player, rather than a major actor in the process. As a private entity which raised and disbursed private monies, it was not able to make the "responsibility for public funds" argument to the State regarding inclusion in the local-level planning processes in the same way that the City could. However, the fact that the United Way clearly and wholeheartedly supported the City in that condition for the contract gave strength to the City's position. The actual players for the United Way were the top-level Program and Resource Development (PARD) staff. As with both the State and the City staff, the persons involved in the negotiation were seasoned professionals with a depth of experience in both the programmatic sense and in a working knowledge of the San Antonio community.

The stakes for the United Way were simpler in a way, but more complex in another way. It is evidence of the trust that did exist between the City and the United Way, that United Way staff was willing to agree to go along with a joint funding package, which would have included the United Way's privately raised monies, if the City's request for inclusion in the State's planning process was resolved. The difficulty for the United Way staff would have been

shepherding their policymaking board over the philosophical hurdle of why the United Way should provide money to a public entity, the City, since the City would be the sole contractor for all daycare. An incentive for the United Way obviously would have been that the United Way could expand the number of agencies to which it provided funds, without actually having to make a substantial increase, or even any increase, in dollars.

The strategy followed by the United Way was to support the City's insistence on inclusion in the State's planning and allocation process. The resources controlled by the United Way were meager compared to the two public agencies in terms of fiscal resources to daycare. It controlled, however, a major political resource in terms of the respect and support of the business community in San Antonio.

THE DAYCARE CENTERS' PLAYERS, STAKES, STRATEGIES AND RESOURCES

The centers as players were a varied lot, as has been previously described. Due to the exacerbation of the recently concluded bid process, not all of the centers were on good terms with each other. Two types of friction were evident. Some centers were still upset at the idea that they were almost put out of business through losing the bid

in their respective areas in what was perceived as a less than "fair fight." Secondly, there was a recurrent fear by some of the smaller centers that all of this unrest was a means to have them taken over by a larger agency. While the City was the "good guy," in a sense, for bailing them out in the last two funding crises, that did not mean that any of them wished to come under a single City contract. While these agencies might have had to manage three or four budgets, they still had the ability to move money or expenses around from one grant to another, or to keep a cushion of one sort or another by failing to disclose all sources of funding in their various budget negotiations. The administrative details of keeping up with all of the varied budgets, preparing and filing separate proposals, reporting in different formats, and so on, while tedious, time-consuming, and subject to error, was at least a familiar way of doing business. Moving into this new arrangement required a certain amount of institutional trust and the initiative to try something new. Most of the daycare directors were experienced in the system, and not about to wholeheartedly trade a known system for an unknown system, no matter how well it was presented. In actual fact it was not well presented, because the State kept insisting the details could be worked out later.

The stakes for the individual centers varied. All of them clearly would have been in a stronger position to handle the anticipated cuts if the City were negotiating with the State on their behalf, rather than each of them individually having to negotiate. In addition, it would have significantly simplified their management processes, as they would be going from three or four budgets to a single budget. An unresolved issue that could negatively affect them all was the issue of the elimination of the 45-day advance in their State funds. The City and the United Way had agreed in principle to try to work out an arrangement to continue some sort of prepayment arrangements, but none of the details were worked out. The issue of whether the City would continue its cost-reimbursement contract with the individual centers, while billing the State on the unit-rate, was also an issue that had not been fully explored.

The strategies and tactics of the daycare centers also varied. Most refused to say anything publicly against the master contract concept, although their reservations were clear from the "Restraining Forces" section of the City's survey summary chart. Strategically most of the centers decided to lay low and deal with whatever emerged. The director of the largest agency met individually with the Regional Director of TDHS to gain subformal assurances that there would be no negative effects on the services. Most of

the centers were in favor of the delays, in the hope that the issue would eventually go away, which, in fact, it did.

The major resources that the daycare centers brought to the negotiation were the strength of their community support, through the families they served, and of their political support by the City Council, as evidenced by the increase in City funding from less than \$300,000 to almost \$900,000 in approximately two years. None of the centers had significant private resources, although some could call on church or United Way support. The single exception was the City's subcontract agency for Head Start, which has substantial federal resources.

THE CONCEPTS OF PLAY: THE RULES OF PLAY, THE RULES OF "FAIR PLAY," THE NATURE OF COMMUNICATIONS, AND THE DEGREE OF UNCERTAINTY

Having looked at all of these individual resources of the players, our attention is now directed to how the players actually played the game. The rules of play were fairly straightforward. Bardach lists four implementation games that can negatively affect the implementation process.²⁷ These are: 1) the diversion of resources, 2) the deflection of the policy goal, 3) resistance to explicit

²⁷ Bardach, Op. cit., 66.

efforts to control behavior administratively, and 4) the dissipation of energies into game-playing that otherwise would have been available to implementation.

Of the four games strategies employed under the rules of play, it is obvious that the City expressed major reservations about the diversion of resources by the State, and a shifting of responsibility from the State to the City if the contract were implemented. The State saw the continued insistence of the City that it be included in planning and allocation decisions, or at least that it be provided with enough information to monitor that San Antonio was not losing state resources through the commitment of the City, as a deflection of their original goal. This goal was publicly presented as simply a way to create a more rational contracting system.

The third element, resistance to administrative control, was only implicit to the process, but it underlay the individual centers' resistance to losing their autonomous identities and individual control over their centers. More importantly it underlay both the State's resistance to accommodating to the City's demand for inclusion in the daycare planning process, and the City's resistance to considering the contract without that inclusion of its staff in the State's process. The fourth

element, the dissipation of energy, was in fact practiced by all of the participants, those that wanted the contract, as well as those that did not. Of the four component entities, only the State was actively trying to counter this element of ennui by pushing the City for a "quick and dirty" agreement. The fact that the State was unwilling to compromise, or even discuss the City's concerns with accountability for local public funds, resulted in the impasses that dissipated the energy of all of the players.

In retrospect it appears that even the State staff may not have wished the process to go forward, given the unwillingness to investigate any avenues of compromise. It appears that this part of the game may have been so divisive because in fact neither the State nor the City could agree on the rules of play, which would have determined the winner. This issue is critical to understanding the sequence of events that occurred. It appears that the State initiated the process for its own benefit without considering that the City might wish to change the rules of the game. Once that issue had surfaced, the terms of play were changed considerably. In the end it appeared the State backed off from the proposal rather than meet the City's demands for knowledge about and inclusion within the State's internal processes.

Even more important to the study is an examination of the rules of "fair play." It is clear that the City felt that the State had abrogated the unwritten rules of fair play in the two previous daycare funding crises. In both instances, none of the problems the State was addressing with the centers was communicated from the State to the City. The State had operated as if its actions had no effects on the other funding sources, when in fact, these actions called forth a tremendous public debate centered on the need to maintain all agencies at current service levels.

Because information was not communicated directly from the State to the City, the City found itself unable to plan and develop a rational administrative response based upon a complete understanding of the situation. By the time the City was involved the issues had already become highly politicized. The implication left with the City by these experiences was that there was a conscious strategy on the part of the State to ensure that the agencies would bring political pressure to bear on the Council for additional funding. Substantial additional funding was in fact provided by the City in both instances. With these experiences in the very recent past, the City was unwilling to take verbal assurances from the State on major administrative details in the master contract that had not

been worked out, let alone verbal assurances about the equity with which the State addressed funding reductions.

The communications processes have been discussed at length previously, and will only be mentioned here briefly, as they appear to be one of the major elements in understanding the sequence of events. Given the high degree of distrust that prevailed between the State and the City, and the daycare centers and the State, it clearly would have taken a consensus of all three funding sources for the contract to go forward.

The fourth element in the analysis of the actual process of game-playing was the degree of uncertainty surrounding the possible outcomes. This element of uncertainty was clearly very high. Neither the State's policymakers nor the TDHS state-level hierarchy, nor the City Council had mandated this change to occur. It was initiated by the State's Regional Office level as a demonstration project of how to better administer a particular service. While at a City staff level there was support for eliminating duplicative administrative processes, this concern was not a primary element of the City Council's concern with daycare.

There was, therefore, no powerful institutional player or mandate that was requiring that the contracting change occur. Without a legislative mandate at one level or another, to push the process through in spite of the conflicts, the success of the negotiation depended on the strength of the working relationships among the players. In such an instance, if there is a high degree of trust and shared values about the worth of the end result, it might be possible to effect such a change without any external sweetener such as increased resources; but the likelihood is low that it would occur. In this instance the basic element of trust between the City and the State was virtually non-existent, while it was high between the City and the United Way, and probably middle-to-low between the centers and any other given player. This lack of trust among the players, coupled with the fact that there was no formal mandate to push the process forward in spite of the resistance of three of the four players, were key elements in sinking the proposal.

Bardach's two final elements of game-playing address the hold-outs to a process. These are the ones who will not play, or the ones who will play, but only if there are changes in some of the game's parameters. While none of the major players actually publicly refused to play, the various wait-and-see strategies implied that this was occurring.

The insistence of the City on changes in the game's parameters by repeatedly raising the issue that City participation was contingent on TDHS opening up its local-level planning process, can be seen as the primary controlling element of the interaction. The fact that the City tied its participation in the contract to a basic change in what the State felt to be its sole responsibility, i.e., the planning and allocation of its resources to provide daycare services, is in truth the key to whole sequence of events. The City basically said, "Change the way you, TDHS, a public agency, relate to me, the City, also a public agency, and my resources; include me, the City, as a partner; recognize my responsibilities for accountability for the expense of public funds, a responsibility which we share; recognize me, the City, as different from any other private-non-profit contractor; or I won't play." The State at that point could have said, "Alright I recognize that you, the City, also have a public responsibility and while we can't do this, we can do this."

Since this process to try to work out a methodology to address the City's underlying concern was never offered by the State, the result was that the City never really committed to play. When the consideration is added that the daycare centers opposed the proposal, and that the United

Way allied itself with the City on this demand, it is apparent that the process had little chance of success.

MECHANISMS OF CONTROL AS AN ANALYTICAL TOOL

An additional way of looking at the reasons why this particular process failed is to use the mechanisms of control discussed by Bardach, to give a slightly different viewpoint on the interactions that occurred and why they occurred.²⁸ While these mechanisms are detailed in terms of the means by which the actors in a program implementation process attempt to control the outcomes of that process, they can be applied in an analogous manner to the initiation of a process as well.

Of the four mechanisms of control that could have been applied to the game, prescription, or the following through on a task simply because it is the right thing to do, was immediately eliminated as an option by all major players. In general this option will work within an organization that reports through a single hierarchical structure, in which the "right thing" can be definitionally mandated for all players. It rarely is strong enough to handle an interorganizational problem due to the emergence of territorial issues, unless there are strong formal and

²⁸ Ibid., 110.

informal communications systems. In the interorganizational field, each organization thinks that whatever it wants to do is what is the right thing to do, but there is no mechanism to identify and resolve the perceptual differences in all of these "right things to do."

Enabling, which is the assistance provided by one entity to reduce the systemic barriers, is a second mechanism of control. In effect this consists of the agreement between players that I'll help you do this if you'll do that for me. This is a mutual strategy in which all major players could participate. It is not controlled by a single player except to the degree that one player controls more of the resources in play. In actual practice, in the author's experience, this strategy is utilized to address and resolve organizational barriers.

In the case under study, the State used the strategy in offering to convert all of the daycare contracts to the City's fiscal year to enable the City to manage the contracts more easily. The United Way also committed to an enabling strategy if the process had gone forward, by agreeing to participate in using its funds to resolve the agency advance payment problem. The State could have adopted a more extensive enabling strategy by, for instance,

acceding to some of the City's requests for information on a subformal level.

The third strategy is the offering of incentives, or a provision of resources by one entity to another, so that it can accomplish what both would like to see done. This would have been an effective strategy for the State to adopt. Unfortunately the State was very conscious of the projected reductions in daycare resources, and therefore felt unable to offer a fiscal enabling mechanism, such as the standard grant-in-aid strategy utilized by the federal government. In a sense this standard grant-in-aid strategy was exactly what the City was asking for in requesting that the State continue the block grant process within its regions.

As discussed at length in Bardach, one of the primary elements to facilitate the creation of interorganizational relationships is the grant-in-aid mechanism that has been the hallmark of federal funding since the Depression. Under this system, money is made available if certain services or programs are provided. This mechanism has been a mainstay to facilitate policy change from the federal level since the mid-sixties. While the local role in this system has been reduced and subrogated to the role of the state in recent years, it is

still one of the most widespread methods to get various institutional levels to work together towards a common objective. This mechanism is in fact the mainstay of the Title XX funding, which the State receives to fund the daycare under discussion in this paper.

On a substate level however, there is no equivalent mechanism that would automatically allocate by grant-in aid mechanisms from the state to sub-state governmental entities, at least in the field of social services. This lack is probably due to the historical reluctance of Texas government to get involved in "welfare" programs. Even as late as this period of the early 1980s, the State itself was willing to accept and distribute federal monies for Title XX programs, but not to allocate state monies as match. In Texas the match was generated at the local level, or the program did not exist.

In the situation under discussion, practically the reverse was true. The State, which initiated the discussion and clearly could benefit from being able to count on the City's fiscal resources, came with little willingness to offer a grant-in-aid incentive to the fragmentation that existed at the time. Whenever there was discussion regarding the actual dollars that the City would be able to count on, whether for its own administrative cost, or for

the centers, the discussion degenerated into generalities. When the issue of the possibility of increased state funding at some future date being automatically allocated into the proposed master contract was broached, the State staff refused to even consider the option. Thus this very powerful mechanism, which could have well served to overcome the existing institutional distrust between the City and the State, was rejected from the beginning.

The final strategy of control, deterrence, was not operative since neither of the two major negotiators could agree on how to establish the system, let alone the methodology for monitoring its operation. In terms of both the State's and the City's histories of contract monitoring of the daycare centers, this was the usual form of control each practiced with the service delivery agencies. Neither was ready to address the issue with each other until the more basic issues of accountability for public resources had been resolved.

SUMMARY

In summary then, an examination of the master contract negotiation from a number of different angles shows the underlying organizational elements that explain why events transpired as they did. It appears clear that the

history of conflict, due to territorial issues and lack of effective use of the communications networks, set the stage for a difficult negotiation process. When the additional elements of a lack of acknowledgement on the part of the State of the City's policy concerns, the lack of a mandate for the process from any policy body, and the lack of additional fiscal resources to grease the wheels of the transition, are added to the problems, the negotiation had little chance of success.

CHAPTER 4

ENVIRONMENTAL EFFECTS OF THE CONTRACT FAILURE ON THE ONGOING RELATIONSHIPS AMONG THE AGENCIES

This chapter presents a comparison of the working relationships between the agencies in 1988 in terms of the communication systems and territorial conflicts that have been discussed as elements of this study during the 1982-1983 period. The description of the working relationships between the major players five years subsequent to the events previously described shows how the relations between the four major players in the contract negotiation have changed, and whether any of those changes were in areas that were subject to conflict during the master contract negotiation.

While it is evident that some conflicts continue, it is also clear that there has been movement, particularly at the subformal levels of interaction, towards greater information sharing and coordination among the funding agencies. This review also indicates that a more cooperative interaction among the daycare centers themselves is beginning to be recreated in program areas such as the investigation of cooperative bulk-buying. This type of

interaction among the centers virtually ended in the aftermath of the contract negotiation.

In the immediate wake of the negotiation, the Title XX Daycare Providers' Association became dormant. In 1986 TDHS put forward the organizational resources to resurrect this organization. Since that time it has served as a forum for sharing day-to-day technical concerns, rather than as an organizing element to assist the centers in negotiating as a block with their funding agencies.

The City attempted to reassert the need for the centers to negotiate from a united position by including formal funding conditions in each daycare agency's City contract for FY87/88 that required that the City be included in any negotiations with TDHS. The mechanism has yet to be tested since the State will not re-bid contracts until the fall of 1988. The resentment that the condition elicited from many of the centers is an indication that there is still distrust of the City's motives, and an implicit assumption that the City wants to take them over. The relationship between most of the centers and their funding agencies remains somewhat strained, which can be attributed to ongoing distrust of the funding agencies, and continued competition for scarce fiscal resources.

One thing that is very clear from this particular case study is that all of the difficulties that are likely to occur in changing the procedures of a bureaucratic system are multiplied when the change is something that requires the concurrence, not of a single hierarchical organizational structure, but of multiple structures. In the field of interorganizational implementation, each separate agency is likely to have widely varying understandings of the other entities' goals and objectives, as well as widely varying levels of expertise and sophistication in communicating its goals and objectives clearly. This makes the actual negotiations to effect the change extremely complicated. The use of an effective communications system to complement the more formal actions being taken may be the single most critical element to the success or failure of the venture.

COMMUNICATIONS THEN AND NOW

In retrospect, it is apparent that during the negotiation process some of the lower-level staff communicated well with each other on subformal levels, on what could be considered fringe issues. This was evidenced by the fact that City and State staff cooperated on a joint unit-rate study for all of the day care centers, shared budgetary and contract information between the two staffs, and participated in joint investigations regarding the

calculations of administrative cost. This sharing of information did not, however, extend to the upper levels of the negotiation. The City's insistence on becoming at least an informal partner in the planning for daycare delivery, coupled with the State's insistence that the responsibility could not be shared, even to the degree of explaining the mechanics of the state budgeting process, proved unresolvable.

With regards to the formal communications network in the wake of this negotiation, it went through a series of changes, some of which were related to staff changes, and then stabilized. At the State, the Program Director who staked his advance to Assistant Regional Administrator on the success of this negotiation, was not promoted. He also experienced the loss of his subordinate, who had virtually created the daycare contracting system that was in place, when she requested, and was granted, a transfer to a completely different program. He has since been moved laterally twice. In each instance, while the move was technically at the same hierarchical level, the responsibilities for staff and resources appear to have been reduced. Some of the mid-level staff at the State level have advanced into the positions left vacant by these two moves, which has enabled both the City and the State to build on the memories of the mistakes made at this time.

On the City's side, the Assistant Director of Human Resources and Services, who was the Acting Director at this time, did in fact become the Director of the Department, and he remains in that position today. The staffing structure at the City remains virtually the same, both in its organization and in the staff filling those positions. This single promotion did not change any relationships, because the Assistant Director position was subsequently eliminated in a budget cut. The City also has been able to draw on the experience of its staff to try to better the communications systems among all of the participants in the intervening years.

The chief United Way negotiator in this process remains in place, and has, through a reorganization within the United Way, assumed greater responsibilities. Many of the daycare centers have experienced a change in directors, which has contributed to some change in the working relationships. Of the original twelve directors who participated in this process, only four remain, while two new centers have been added to the system. One of the centers got out of the daycare business completely. While most of the centers have changed directors in the last few years, all seem to continue to exhibit a great deal of defensiveness, especially with the funding agencies, but

also with each other. The re-establishing of the Title XX daycare directors' organization, initiated and facilitated by TDHS staff, is beginning to rebuild the process of inter-agency cooperation. In some ways the dormancy of the organization in the years subsequent to this negotiation is a direct function of the loss of the directors coupled with the defensiveness engendered by the conflict. Note should also be made that there have been cutbacks, on occasion, in daycare funding, which has also contributed to the lack of confidence on the part of the operating agencies.

One element, apart from the City's contracting processes, which has greatly benefited from more open communication between the City and all individual daycare centers, including the Title XX centers, has been the creation of a City-funded Child Abuse Prevention Program (CAPP), which has a multiplicity of goals. The CAPP, while very small, operates a computerized daycare information and referral system, provides extensive training for day care teachers and parents, operates an accreditation program for registered family homes, which are not regulated in the state of Texas, and staffs the Mayor's Commission on Children and Families, which provides an institutionalized mechanism for recommending changes in the systems necessary to adequately support children and their families.

In 1988, there is a great deal of subformal information sharing, among all of the funding sources, and for services other than daycare, as well as for daycare. Both City and State staff now participate in the United Way's volunteer panel allocations' process, and all three share fiscal and programmatic information on jointly-funded agencies.

CHANGES AT THE TECHNICAL LEVEL

In the years subsequent to the end of the negotiation for the master contract, a number of changes have occurred at a technical level that in fact incorporate concerns expressed during the period of conflict. While the master contract was not implemented in 1983, the State did formally extend individual daycare centers' contracts for varying periods so that they are now all on the City's fiscal year, October through September. This has allowed the centers to standardize the time-period for the majority of their fiscal resources.

In addition the State made certain staff changes that facilitated the continued development of the informal communications network that had been initiated at the program level between the State, the City, the United Way, and the daycare centers. During the City's budget process

and during the State's contract extension process, the two governmental entities began sharing information, of both a fiscal and a programmatic nature.

While most of this occurred at a subformal level, during 1986 the Regional Administrator of TDHS formalized this process in asking the Alamo Area Council of Governments (AACOG) to staff a committee consisting of the United Way, TDHS, the City, and AACOG. BY asking the formal regional planning entity to assume staffing for this committee, the implication is that TDHS is willing to participate with the other entities at this indirect level, even if the City's initial demand for inclusion in the State process has not been met. It is a recognition of the issue, if not a formal accommodation. The committee's primary function was information-sharing and coordination of planning to the greatest extent possible among these organizations. Eventually it could become a mechanism to conduct joint planning and to formulate recommendations to the various policymakers on local-level service delivery issues. This committee continues to meet on an ad hoc basis.

During the same five-year period the State has conducted a number of bid processes for new daycare slots in underserved areas of the City and for underserved populations, such as infant care. The funds for these

enhancements have been gained from the reprogramming of lapsed funds and a slight increase in state funds after the last legislative session. Lapsed funds are funds that are formally committed to contracts. When a mid-year analysis of an agency's performance indicates that some of that money will be unspent by the end of the year, then the contract is modified and the money taken back for reallocation. While this can occur for a number of reasons, the structure of the State's unit-rate contract is such that the most common reason for lapsing funds in the daycare area is the failure to maintain adequate enrollment levels. Centers which fail to maintain their enrollment levels will therefore lose those funds back to the State.

In both instances in which contracts were let for new services, the City was informed beforehand by the State of the bidding and selection processes. City staff could therefore take steps to ensure that the increased services and monies would be accurately included in the City's reporting system, as increases in daycare are always of concern to the City Council. In 1987 the State went a step further and offered to have City staff sit in on TDHS bid-evaluation processes for contracts being procured in areas where there would be no suggestion of conflict-of-interest on the part of the City. This helped to inform City staff

of the nature and structure of the State's bid-evaluation methodology.

In a similar way City staff began sharing information with the other funding agencies at both a formal and a subformal level. The City provided both State and United Way staff with formal reviews and evaluations of the City contracts, as well as with relevant budgetary information, and information on the City budgeting process and procedures. The City formally disseminates its bid packages and guidelines to both TDHS and the United Way, and receives the same from them.

Starting with the appointment of a City Council Committee to review all City-funded social service agencies in 1985, the City's budgeting procedures for outside agency contracts have undergone a major transformation. The work of this committee concluded in 1987 with the adoption of a formal priority plan for the City's funding of social services. This process and its product, the priorities plan, were shared with both State and United Way staff. In addition, planning data from both entities was utilized by City staff in preparing the background material for the City

Council Committee to review in setting the City's priorities.²⁹

The concluding evidence that a less-abrasive working relationship based on better communication has evolved between the three funding agencies, is the evidence gleaned from the manner in which problems at individual centers have been resolved with a minimum of public conflict. In the spring of 1987 a number of the daycare sites began to show serious problems associated with maintenance of an adequate facility. Some centers' State operating licenses were not renewed due to the fact that the respective facilities repeatedly failed the City's health and safety inspections, which are a requirement of receiving the state license. City and State staff worked cooperatively to locate temporary facilities, and grant time extensions as necessary to prevent the closing of two sites while repairs were made.

The City funding review for FY87/88 then added a formal condition to all daycare center contracts that they must meet all standards necessary to maintain their state licenses in order to be in compliance with the City contract. This condition is now being monitored by the City

²⁹ Management Control Systems Division, Human Resources and Services Department, Human Services Needs Data, (San Antonio: City of San Antonio, February 24, 1987).

through the implementation of a procedure whereby the State Licensing Division provides copies of all state site reviews to City staff. City staff then review and follow up in the City's own site reviews and monitoring processes. This sharing of information allows each funding agency to utilize the routine processes of the other funding agencies to identify and work with the daycare centers to correct problems while they are still minor. Each funding agency is aware of any problem, but they don't all have to devote staff time to the resolution of the problem. Because all of the funding agencies are sharing information, the centers themselves have increased incentives to identify and correct problems, because all funding sources might be at risk.

TDHS staff in 1987 verbally indicated a willingness to share information with the City on the TDHS budgeting processes, although that has not yet occurred. Finally, in the planning area, the City has a long-standing request for the State regional staff's assistance in getting the State to provide computer-tape caseload data for AFDC, Food Stamp, and Medicaid clients in San Antonio/Bexar County, by block number. This information would be used in a planning project to correlate client locations with census data and site-delivery locations, by allowing the City to use its own computer capabilities to map the concentration of clients receiving these services in order to plan more adequately

for the location of related service-delivery sites. The Metropolitan Health District, which is also a City department, is interested in this data for the same reason.

The problem in using the data that TDHS currently receives, is that the state system aggregates by zip code, which is too large an area for adequate service-delivery planning. This is because the zip code area is too large and the real geographical locations of clients may well be distorted, due to the fact that one small part or another of the zip code may contain most of the clients. The use of block data would allow for a clearer picture of client location.

In addition, getting this data in this format would allow the City's geobase computer system to aggregate by Census tract as well, and run correlation maps between the new Census data that will be available in three to four years, and the service population. Finally having this information in the City's geobase system would allow the presentation of accurate information in Council District format, so that the City's policymakers can see the City-wide nature of many of the social services problems. An additional planned element to the system is to use the City's own computerized client tracking database which is in development, to provide a third major element of client

location and need data. The final element, which has been agreed to in concept, is the inclusion of the location data from the United Way's information and referral service to identify the geography of requests for services through that system.

On the whole it appears that many small staff level communications problems have been, if not eliminated, at least by-passed for the moment. This is not to say that such conflict could not arise again, but it is unlikely that it would be sustained at the bitter level that existed during this master contract process. This is due to the conscious cultivation of a certain level of mutual trust and respect among mid-level staff members in both the City and the State. That statement presumes that both bureaucracies would choose to exploit the communications links rather than to cut them off, which may or may not be valid. The City Director has on occasion made public comments which were perceived as attacks by TDHS staff, so it is not inconceivable that the subformal communications could be blocked again. To the extent that there is now a five-year history of cooperation on technical details at the subformal level it is unlikely that an impasse such as occurred on the daycare master contract would occur again to the same degree.

An interesting sidelight to the process that might be worthy of further study, although it is only mentioned in passing here, is the role that gender played in the process. The lower-level staff who began, and have continued, to foster a closer sharing of information, concepts, and ideas, are predominantly women, while the two primary antagonists in the master contract negotiation were men. In retrospect, as one of the women involved at the beginning and still involved today, it appears to the author that an insensitivity to the underlying messages by those men may well have been an important item in the failure of communications. To the extent that either or both of those men may have distorted the reporting that they made to their own bosses, both of whom were also men, it appears possible that neither of the top managers understood the nature of the conflict. If they did understand it, they chose not to resolve it. Since the City was not in favor of the contract without an agreement on joint planning from the State, the City's objectives could be met by inaction. It was the State's objectives that required a proactive stance that was never forthcoming. In effect, not only were the communications between the City and the State ineffective, it appears they were internally flawed in the State as well. In the subsequent five years all parties appear to have backed off the major policy issue at the same time that various procedural accommodations to the requests have begun

to be put in place. These have resulted in a better-coordinated system.

TERRITORIAL CONFLICTS THEN AND NOW

The second way in which it may be instructive to examine the current situation that has developed subformally, after the failure of the master contract implementation, is to re-examine the previous discussion regarding core mandates and fringe responsibilities. It is clear from the description of events that the source of the unresolvable conflict was the fact that both the City and the State assumed responsibility for low-income daycare as a mandate, and only one was willing to share. Both agencies assumed that each owned the territory in a particularly forceful way. It was not apparent to the State why the City expressed ownership of this territory, because in fact San Antonio is the only major city in Texas to fund daycare out of local tax dollars. The case that the City made in this negotiation was therefore unique in the state of Texas. Due to the massiveness of the TDHS bureaucracy and the multiple levels of review, first at the regional level and then through all the program levels in the State Office, it would have been difficult to gain any sort of formal approval of what the City was requesting, even if TDHS staff had tried to secure the approval. Whether or not TDHS tried to secure

the approval, an acknowledgement of the City's concerns, and a subformal or informal attempt to accommodate to those concerns, was never offered.

This strategic error on the part of the State, a failure to clearly recognize and attempt to deal with the City's demand to change the rules of the game or the City would not play, was the reason the negotiation failed. Given that the City was autonomous in its ability to gather and target its own resources of time, money, and political savvy, the State had no stick to force the issue. And apparently it did not realize the importance of the carrot, therefore, and attempt to address at least a portion of the City's concerns.

This issue of who owns the territory remains today as an item of potential conflict between the State and the City. Due to the fact that the anticipated cuts have not come through as expected, the centers have lost some slots, but not at the level anticipated. During this time of slight State reductions, the City has seen its own fiscal posture tighten to the extent that City funds are no longer easily available to make up funding cuts from other sources. The City escaped the pressure to make up State cuts that it would have felt if it had become the master contractor for daycare.

In this regard, the question can be asked whether or not the City would in fact have felt compelled to make up the difference in the State loss, had the City been the sole contractor with TDHS. While speculation is a highly imprecise art, an example drawn from the City's operation of the Comprehensive Nutrition Project (CNP) under the Metro Office on Aging, provides too close a fit to the daycare situation not to use it as an example of what might have happened.

The CNP is a program that provides nutritious meals and socialization activities to elderly residents of low- to moderate-income areas of the City. Operated by the City since 1973, it provides services through an extensive network of subcontractors in the neighborhoods, consisting primarily of churches and community centers. In 1980 the City put forward \$195,000 in local funds as match to this grant, in order to draw down almost \$2 million in federal funds passed through the Governor's Office on Aging to AACOG, and subsequently to the City. After the election of Clements as Governor, and under Reagan's cutback initiatives, the manner in which the program was allocated in Texas changed substantively. The Governor's Office on Aging spun off into the Texas Department of Aging, which then formulated a state-level concern that the block grant funds be distributed in all counties of the state. Up to

that time funds were concentrated in the areas with the highest concentrations of low-income elderly persons, which meant that the major cities received the majority of the funds. TDOA then initiated a three-year funding redistribution process to move monies out of the urban areas and into the rural areas. The mechanism chosen was a weighted formula allocation process that used a base allocation, plus a population percentage, plus a credit for distance factors. The City of San Antonio protested to the TDOA Board that the weighting factors were excessively skewed towards the rural areas at the expense of the cities, but was unsuccessful in getting them changed. In the course of three years the grant monies coming into the City were substantially reduced. No services were lost, however, due to the fact that each year the City increased its matching levels to cover the reductions. The City currently puts in approximately \$1 million per year to this program to supplement the State's pass-through of \$ 2 million in federal funds. The City overmatches the grants by a substantial amount in order to fulfill the City's commitment to maintain the services at the individual centers.

It is not, in the author's opinion, unreasonable to assume that the same process of the City making-up State losses to its subcontractors would have occurred in the

daycare area, had the City been in the same relationship as the sole contractor with the State for the daycare services. The reason that occurs under the CNP-type system is the political leverage that agencies can command when all of their funds, from whatever source, come through a City contract, as compared with the lack of any leverage by a small local agency at the State level. The daycare centers themselves could have been the biggest winners under the master contract concept, with the State a close second.

It appears in retrospect that the inability on the State's part to acknowledge and work with the City on an acceptable way for them to share a heartland commitment resulted in the daycare centers' loss of scarce fiscal resources. More important than an actual loss has been the failure of funding to increase as would have been possible under a less-fragmented system. What has also been lost, however, is a strong institutional element of providers united to advocate and negotiate for increased resources in a critical and growing area of need. Had the City assumed the master contract, it would have assumed that role.

The daycare centers themselves could also assume that role directly through a federation, but have so far chosen not to. Because of continued fragmentation of the negotiating posture of the daycare centers, and the United

Way policy tying increases in Title XX funding to percentage increases from the state level, the United Way has funded increases in daycare, but these increases have not gone to the small, independent, and uncoordinated agencies. The United Way has even formally challenged the centers to federate as a means of more effectively advocating for and coordinating daycare in the community. To date the centers have chosen to focus on their own individual programs, rather than on looking at the need for daycare from a system-wide perspective.

In the same way, one could look at the unwillingness of the agencies to share their respective heartland commitments to actual service provision. Because they were unwilling to accept some administrative oversight, seeing the master contract proposal as a threat to their individual autonomy, they lost out when the cuts came down. Because they were still individual agencies and not under the City's umbrella, so to speak, they were not in a position to be protected as a part of the City's own program. In fact this distrust, not only of their funding sources, but even of each other, underlies the current relationships among the centers.

The Title XX Daycare Providers' Association, which was initiated by TDHS to assist the centers in working with

each other and sharing successful approaches to the similar problems each faces, became moribund in the period immediately subsequent to the negotiation. It was reactivated in 1986 only after the State staff intervened again reactivate the process.

After this organization had begun to meet again, the United Way convened a meeting in late 1986 of the three funding agencies and the executive directors of the agencies which provided daycare, to suggest that attention be given to assisting the centers in coming together under a single administrative entity. The State agreed to provide planning staff to thoroughly research the pros and cons of the idea and report back to all of the agencies. The report, which consisted of an opinion survey, was presented over a year later in January 1988.³⁰ What was presented was a survey of the individual daycare center directors' attitudes towards federation, which were predominantly negative. The United Way expressed private disappointment with the study as a planning document because it contained no validation of those attitudes, nor any detailed research or analysis on the administrative, fiscal, programmatic, or marketing reasons that would argue for and against such a concept of federation. The daycare centers themselves have adopted the

³⁰ TDHS, "Daycare Survey Report," (San Antonio: State of Texas, 1988).

study as a political tool, presenting it formally to the City Council as a document to support their desires to remain independent. There is no City initiative to change their status.

The reaction of the individual centers, as detailed in the surveys, was one of overwhelming distaste for even a discussion of the concept of federation. The defensive way in which the proposal was received indicated that the level of communication between the centers in terms of sharing of joint responsibilities with each other, let alone with their funding agencies, could, at the very least, still be improved. The agencies, through this period of constricting fiscal resources in Title XX, and increasing competition for clients due to a virtual doubling of the slots available in the Head Start program, still preferred to be independent of the City or any other single coordinating agency.

Unfortunately, as daycare becomes a national priority, as seems to be emerging in Reagan's last year as President and the presidential campaign of 1988, this grave distrust among all of the delivery agencies may hinder their ability to recognize the opportunities for, and be competitive in bidding for, new monies that may be available.

The United Way, which adopted daycare as one of its highest priorities in 1985, has not increased its funding substantially to any of its current Title XX contractors. While there have been increases in funds they have gone to other more aggressive and innovative agencies. One example is the YMCA, which has brokered the use of public schools all over the city for afterschool programs, and is now embarking on preschool daycare as well.

There is no doubt that the primary conflict in this particular case was between the territoriality concerns of the City and the State. The United Way and the daycare agencies themselves were peripheral to the negotiations, and in fact, the case has been made in this paper that they were used by the City to delay any rapid implementation plan until its concerns were adequately addressed. The daycare centers in the subsequent years appear to have suffered a narrowing of vision. The current Title XX Daycare Providers' Association has no goal addressed to advocating for daycare or taking a leadership role for daycare as a whole in the community. The goals now are "to share information amongst Providers and Funding Sources, to provide input to Funding Sources to help them be aware of daycare needs and possibly to positively influence policy and fiscal decisions, to encourage more open dialogue

amongst Providers, and to encourage Provider representation at the Title XX Daycare Association in Austin."³¹

In a sense, the fact that the issue of the master contract was so ardently pressed by the State without resolution of the City's major concerns, may well be why there continues to be such a low level of trust in the operators' arena of interaction. Each individual center is looking out for its own small program, and failing to see the advantages of becoming affiliated with a single large city-wide agency in terms of their negotiating posture with the three funding agencies. Even the United Way's offer to accept the non-United Way agencies under the umbrella of a single organization, without its usual entrance requirements, was not a strong enough inducement for the centers to explore with each other the advantages and disadvantages of federating with each other.

Apart from their relationships with the funding agencies, it appears that the level of trust and a cooperative working relationships among the funding agencies have increased on the day-to-day technical issues. There is little evidence, however, of open discussion of or commitment towards daycare within the community as a whole

³¹ Title XX Providers' Association, "By-Laws," April 1987.

by the daycare agencies, either with each other, or with their major funding agencies.

IMPLEMENTATION STRATEGIES THEN AND NOW

With regards to the implementation strategies that were adopted by each of the entities in the master contract negotiation discussed here, it appears that the City's stance that it would not play unless the rules were changed, was crucial to the events that occurred. Since that time the City continues to exert its presence vigorously in negotiations with other governmental entities in an attempt to align those entities' goals to be in congruence with the City's own goals. Due to the progress that has been made on lower-level staff issues, it appears that some progress has been made towards a mutual recognition on the part of State and City staff of each others' goals and objectives, as well as of their respective administrative limitations. Whether or not there has been much agreement on making changes in the means to attain those goals so that both agencies can achieve their goals remains to be tested. The infusion of a significant amount of new federal dollars to provide daycare, such as is being proposed at the national level in 1988, could well provide the test of this issue.

To the extent that the City of San Antonio has actively pressed human services issues at the state level in the last three legislative sessions, the City has developed some credibility for itself at this level of play, which is the environment usually claimed by the state agency for its own. The City-wide goal-setting process initiated by the Mayor in 1983 known as Target 90, would also have an impact on any new initiatives in this area, as many of the State legislative and staff persons served in one capacity or another on the various Target 90 committees. The fact that the City took the lead in identifying and working to resolve all major community problems, which in many cases resulted not in new assignments of responsibility among the state and local agencies, but rather just public recognition of the responsibilities that those agencies already held, also increases the City's influence should a new initiative be advanced in this area.

In general, however, it appears that because the City and the State are not responsive to the same policymaking, or administrative, or incentives structure, any new initiative would have to be built on mutual incentives, rather than prescription, or elements in which one agency controls another. Because of the recognition of the extraordinary level of coordination and cooperation that would be required to effect such a major change, the

opposition of the individual centers, weak as it is in terms of actual power in the community, is strong enough to counter any new proposal for a master contract, without the carrot of increased resources.

In summary, then, the working relationship that exists between all four of the original entities five years after this negotiation, reflects clearly the conflict that existed at that time. The daycare centers remain distrustful of all of their funding sources to varying degrees, but probably feel most trustful of their State contract manager. The City and the State have agreed by default to continue to share responsibilities for low-income daycare, but coordinate much more closely with each other and the United Way, on technical programmatic and fiscal details. The United Way has adopted daycare as one of its highest priorities, but appears to be reducing the growth of its commitment in this area away from the current Title XX contractors and into new areas. The issue of cuts to the lowest TDHS priority, that of income-eligible families, which continues to constitute the major client group served by the Title XX contract centers, has not come to the fore, because no major reductions have come down. It remains an element of concern. The issue was seriously raised and discussed in the 1987 state legislative session, and could be raised again in 1989. At the same time there is

discussion in progress about whether or not to add a new priority to address teenage parents.

While the Title XX daycare system looks on the surface like it has not changed, in fact there have been substantive changes in the day-to-day working relationships among the funding agencies. There is now a base of professional experience in coordinating complex intergovernmental issues at a technical level which could support a new initiative. It is unlikely the issue would re-emerge unless it were necessary to maintain the current services at the current daycare sites. Barring that level of crisis, it is unlikely that any of the current centers would be willing to affiliate with one another for lesser reasons. What is more likely is that if federal daycare monies are significantly increased in the next few years, without the inclusion of a mandated community-wide coordinating mechanism in the federal legislation, agencies other than the current Title XX providers will begin to bid for the funds. While the current providers will probably survive, their level of distrust with each other, and lack of a community-wide vision, will make it difficult for them to expand to any great degree.

CHAPTER 5

A PRACTICAL THEORY OF IMPLEMENTATION

The elements discussed in this chapter outline a pragmatic, practical methodology to implement a program change. The focus of this chapter is not on the implementation of a change in policy, as that is a decision based within the political arena of pressure and public opinion. Rather, this discussion will focus on the steps necessary to implement a program once the policy decision has been made.

This chapter will present the basic steps necessary to formulate the game plan, and then put it into play, so that the program works. The standard of success is not just that the program is created, but that it fulfills the original goals that were set for it. The definition of success, therefore, can be somewhat open to interpretation, depending on whether or not an outside observer would agree that it is fulfilling its goals, or has been co-opted to do something else. The procedural methodology I am proposing has been drawn to a large degree from the author's experience in the local-level public sector, first as a subcontract agency director for a City contract, and

subsequently as head of a City division charged with negotiating contracts; conducting fiscal and programmatic monitoring and evaluation; providing human services research, planning and coordination; coordinating internal departmental review and negotiation associated with budgeting and budget administration; and managing the department's ordinance activities.

It has been the author's experience in the last eight years of working within a large municipality, that the cultivation and maintenance of subformal communications networks are critical to a public administrator's success in implementation. Particularly in a bureaucracy, the ability to accomplish a project in a timely and accurate fashion, depends on developing and using resources that will allow the bypass of red-tape on occasion. This applies to activities undertaken within a single organizational structure, such as within the City, but is even more important when two separate entities are jointly working towards a goal. This is not to imply that the formal organizational concerns can be ignored, but rather that a good communications system can build effectively on that base.

Therefore, of all of the steps presented and discussed here, the most important initial element to

success is to have a functional subformal communications system in place. Because the ability to test ideas and procedures at a subformal level is critical to effective interorganizational coordination, a staff person who is new to a network is well-advised to study previous agency interactions first. An understanding of the past history of relationships between agencies, and individuals, can help to identify to the newcomer the landmarks in the environment that are to be cultivated or avoided.

The ways in which a newcomer orients him/herself to the environment are pretty basic. It involves reading files and reports, studying organizational materials, and talking with those administrators who have direct experience in advancing the agency's goals. To the extent that someone new in one system or agency can draw on working relationships that have been developed in related areas, this process can be speeded up to some extent.

In the case study examined here, all of the participants acting on behalf of the four entities had a very rich history of previous interaction, though not all of it was without conflict. Since the State was the primary initiator of the negotiation process, it would be logical to assume that State staff had assessed the reactions to the proposal based on these previous interactions. Because the

result was so negative, it can only be assumed that TDHS misread the high level of distrust within the system due to the recent daycare reductions and bidding activities. It could be alternatively argued that the State recognized the distrust but assumed that it could be discounted in the larger scheme by some sort of co-optation strategy, such as appealing to a higher level in the City structure. A failure on the part of the State to understand the strength of the City department head within the City structure was a major strategic error.

While it is fairly easy for persons within organizations to establish a subformal communication system, which is a requirement of the job, the establishment of informal networks is much more complex. Informal communications are built to a great degree upon staff members' personal relationships, and as such, are not controllable by the formal hierarchy. This is what is universally referred to as "the grapevine."

The fact that an informal horizontal communications system is not "controllable" does not mean that it is not useful. When persons in a bureaucracy can call on similar goal orientations among those in other units, either within the organization or in related other organizations, based on a personal sense of trust, that network can be most useful.

For example, if it had been possible in this case study for City staff to directly and informally discuss with State staff why what the City requested could not be done on a formal level, and how the general goal could be reached informally, this process could have been successful. Five years later, and in some ways due directly to the shared experience of this debacle, there is an informal network between City and State staff as rich as that which already existed between the United Way and the City.

The question that then must be answered is, if the subformal communications system - what has been referred to for years as the informal bureaucracy - is so important, how does it get there? And how can it be used most effectively? To answer the first question, the subformal system is there because those who created the system have created it as one of the means of conducting business. Unless a new system is being created from scratch, there will be a network in the old system to which newcomers are oriented in both formal and informal ways. Anyone new in a system will receive training, not only in the procedural elements of the job, but also in learning who to work with on various issues. Over time existing bureaucratic systems have built rich networks of interaction on the professional level that will gain personal elements, simply by virtue of that agency's

staff working with staff in other systems to accomplish things.

Obviously it helps in the instance where one is called on to create a new system of interaction, or to embellish or expand an old system, if the mutual undertaking can be conducted first on an activity level which has little likelihood of conflict. Thus in initiating a new, non-mandated inter-organizational relationship, it helps if the first activities consist of sharing of information or coordination of existing resources, so that territorial ownership issues can be kept to a minimum. If these efforts are successful, they can then be used to build a base for effective interaction in situations where some level of conflict for goal-ownership or resources may become evident.

Within the social services field, which has many entities which feel they "own" responsibility, the subformal networks can become exceedingly complex as individuals move from staff positions in one agency to another. To the extent that an individual has cultivated and maintained positive internal networks in each position, that person then in effect can carry that network into any new position. To the extent that an agency such as TDHS or the City develops its staff and promotes from within, it is reducing some of the possible connecting links. On the other hand,

the agency is also able to build stronger organizational loyalty, and reduce the likelihood that a personal network can be exploited for a negative reason.

This area of the use of subformal networks for feedback and testing of new ideas is one which deserves further study. To the extent that public administrators can use these networks as a conscious strategy in better coordination of inter-organizational initiatives, they may be able to more effectively coordinate service delivery in a time of tight fiscal resources. The use of subformal and informal networks, therefore, is the glue that can hold a difficult process together. No implementation plan, however, can succeed only on the strength of these networks.

Briefly, the elements that are necessary, in the author's opinion, to implementing a program can be divided into six major areas. The first area consists of establishing the parameters of the problem: what must be done, by whom and by when. All of the other procedural elements will depend on this. In this phase it is a given that the higher-up the reporting on the project goes, the greater will be the pressure to work quickly and accurately.

A major activity of this phase is to develop the general time-line, working from the due date back, and to

begin to assess the major tasks that will be involved in the various steps. In the course of developing this time-line, the second phase will develop, which is the identification of the resources available for the project. These resources will include staff, time, and money. Each of these elements is tied to the other, so that a shortage of one will have to be compensated for by more of another. A shortage of all three will cripple, if not doom, the project. For instance, to show this relationship between these resources, if there is adequate lead-time on a project, then a few staff may be acceptable. The shorter the time-frame, the greater the need for more in-house staff resources, or for more money, to purchase elements that staff do not have time to develop, or both. To the extent that an agency has strong subformal networks, it can substitute those resources for its own in this phase, as the City did in presenting State and United Way data in various reports.

The third major task of implementation then develops out of the second. Once the internal resources have been identified, it is necessary to identify the major elements of the environment in which the implementation is to take place. This phase is critical to an administrator, both to be able to know about and tap into others' resources that could be used in the process under implementation, as well as to understand where the opposition and conflict to that

process will arise. Thus part of reading the environment is to identify those who will support and those who will oppose the initiative. This phase will include identifying all of the other actors, starting with the agencies, their individual staff persons, and their respective resources, and their networks of interaction. A sub-element of this third phase of identification is to determine "friends" and "enemies" - who will support and who will oppose.

At the fourth step, the process requires the preparation of an adequate strategy, utilizing the knowledge gained from the first three steps. The fifth phase will consist of the actual implementation of the strategy, which in most cases will require the preparation of clear goal statements so that all members of the environment can be brought into the process, either through coordination or co-optation. The final element will consist of developing counteracting strategies, once the game is in play. This is a dynamic element of the game itself because as the initiative proceeds, feedback, both positive and negative, can be used to modify the implementation process to address issues that emerge as the process goes forward. In a similar manner this step can be used to take advantage of additional lines of coordination or support that were not known when the initial strategy was developed. Each of these steps in the implementation process is described in

greater detail below. All of the steps have both formal and subformal elements, which can either assist or impede the development of the strategy.

ESTABLISHING THE PARAMETERS

Because the success of the implementation process depends on an adequate understanding as early as possible of the parameters of the problem, spending time on this step can assure a greater degree of success later. This is the stage at which one should look, not only at the immediate problem that is being presented, but also at the longer-term effects such a change may have on a network of agency relations. In this case study contract negotiation, the State defined the parameters of the problem as a very narrow contracting process, while the City defined the parameters of the problem as one of local-level governmental accountability. The actions taken by the State, which had decided on a narrow definition of the process, were unilateral, and failed to recognize the independence of the City to accept or reject the proposal. The TDHS strategy included its internal parameters but failed to adequately identify and address the expansion of those parameters that would have been necessary to meet the City's demand for inclusion in the State's planning process. The parameters of the problem as defined by the State were that the

situation was a straightforward contract negotiation. The City, on the other hand, defined the parameters as relating to the joint responsibility by the City and the State for the expense of public monies as partners in the provision of low-income daycare. The manner in which this negotiation failed is a perfect example of why it is important to adequately define the parameters of the problem at the beginning of the process, not in retrospect when it has failed.

IDENTIFICATION OF RESOURCES

This is one of the most important of the policy implementation steps to address completely, because it is the single step in which a player has control over all of the assets. Someone charged with implementing a new program has the opportunity to design a program structure and budget, and to hire to staff to accomplish the necessary tasks. This situation is exceedingly rare in the public arena. What is more common is that a new program initiative will be added on to an existing organization, and later, may be spun off if it aggregates enough formal or political resources. The implementation of a new program within an existing structure offers the advantages of dealing with known resources in terms of staff, and what they can do in a given period of time. It offers as well the opportunity to

broker existing fiscal resources. Most important is the advantage it offers to call on experienced staff and to target them on the project at hand.

While it is important to identify clearly the internal resources, it is equally important in this planning stage to think broadly about the resources that are available in less orthodox ways. These may be resources in other organizational units, both within the hierarchy, such as in other departments in the City, or in related areas outside that structure, such as, for the City's Department of Human Resources and Services, in the United Way. Only if an organization has an active subformal system in place with the other organizational elements of its environment will it be able to access a full range of these informal resources. Some of the resources may be as intangible as someone explaining how an important player would react so that the initial presentation can build support from that person.

It is a given in the public sector that there will never be enough time or money to do the job the way you would like to, so the ability to draw on and utilize other agencies' resources is crucial to the ability to present a complete initiative. As an illustration of this process, the report presented by City staff to the City Council on

Title XX daycare funding in 1982 included planning and service delivery data from both TDHS and the federally-funded Head Start program, for which the City was grantee, and fiscal data from TDHS, the United Way and the City. This report, because it presented a comprehensive view of the system, became the basis for augmenting individual agency's budgets to make up the loss of funds suffered to varying degrees by the different agencies through the TDHS bid process. Strategically the City staff maximized its own resources under a short time-frame, by requesting information resources from other agencies and utilizing that information in a City report. Those resources all became recognized to some degree as resources the City could draw on.

In a similar manner, when the City conducted a survey of the perception of need for human services in 1985, it worked closely with a local university. The City staff designed the survey instrument and controlled the presentation of the report which contained the interpretation of the data. The social work students conducted the actual survey under the direction, and with the assistance, of City staff. It would have been impossible for the City staff to have duplicated that effort within any meaningful time-frame.

With regards to identifying an organization's resources, the ability to buy parts of the needed process can, at least within the current fiscally-tight municipal system usually be dismissed rather quickly. At a point when fiscal resources are tight, the ability to call on the informal or subformal network for information may be the controlling element on whether a task gets completed successfully or not. When funds are made available to purchase outside expertise, as occurs frequently under grant programs, the concern at this step then becomes to ensure that the contracted product meets the needs of the project. The whole area of drawing up professional contract specifications is extremely complex because it may be difficult to adequately specify the most useful product if staff are working in a new area. To the extent that staff have some depth of experience in the field, it will be more likely to purchase appropriate professional expertise. To the extent that it can call on the experience of others in related agencies who may have utilized a similar contractor, an agency can maximize its use of that kind of resource. In terms of strategy in the subsequent step, it is often useful to buy an outside opinion, even when the in-house system may have reached a similar conclusion, because the objectivity of an independent third party can carry weight with the public.

As a side issue to identifying the resources available at this second step, the presence of new staff can have important negative consequences that need to be appropriately anticipated. Because the use by experienced bureaucrats of subformal networks is so extensive, the presence of new staff is highly suspect. One of the strongest reasons for bureaucrats to resist newcomers within their networks is because it can disrupt the informal network in two ways. At the very least it requires establishing new working relationships that take time, and that tend, at least at first, to focus on the formal area of interaction rather than the informal sharing of information. Secondly, there is no pattern of doing small favors, assisting with information, passing on the local gossip, and so on, which is in fact an important element in the ability to call forth information. A new person usually feels like every request has to be cleared with the boss, which rather rapidly limits the kinds of requests that will be made.

This may well serve to cut the bureau which has new staff out of a network which was mutually beneficial. Most of the requests made at this informal level are usually for information, the exchange of which can be useful to both entities. In an old network this information exchange can occur because both participants trust each other not to use the information in a way that would be publicly damaging to

either organizational entity. Since the new staff person does not yet know what information can be shared and what should be protected, the relationship proceeds primarily along formal terms. Since there is great fear, particularly to someone who is new in a job, of the consequences of revealing an internal secret to someone outside, communication to test ideas may be eliminated. Over time the network can be created, but that may be too late in a given implementation project.

Newcomers aside, the ability to make use of existing resources, as if they were you own, is an important element in the ability to fully marshall all available resources. The guiding principle for this activity is probably something along the lines that, you can call on resources from any other entity, as long as it is not the entity that you are negotiating something with. Otherwise, the primary loyalty of that staff to its own organization will be called into conflict. In such a situation in which organizational loyalty is being challenged, staff cannot be depended upon to give good information or be supportive of another organization's activities. Even if there is a morale problem within the other organization, such that staff express the willingness to provide internal information, this information must be considered suspect unless it is verified from other sources as well.

All of this second phase of identifying available resources for implementation presupposes that the immediate staff structure intends to implement the program. This situation should not blind a manager to the fact that there may be some persons within the structure who would rather see the implementation fail. Identifying these persons, their concerns, and their resources for obstruction or disruption, is also critical when evaluating internal resources. In a like manner, this identification process may reveal fiscal and time constraints that will make the initial, or ideal, game plan unworkable. This is, in fact, the norm.

EVALUATE THE ENVIRONMENT

This step is equally important to the first two in terms of the preparation of an adequate strategy. It is at this point that the historical interactions and networks among the players must be examined. This step involves study of all of the players, the agencies and their respective staffs, the mandates and responsibilities that each has within the community as a whole, and the historical interactions that have preceded this particular initiative. All of these elements may well have a bearing on the effectiveness of any implementation plan. The idea at this stage is to provide further information regarding the

motivations of the various entities in the environment that may be affected one way or another by the process, in order to devise appropriate strategies to build on strengths and to counteract weaknesses. For instance, in the master contract negotiation discussed in this paper, there was a recent history of conflict between TDHS and the City related to the loss of a \$1 million TDHS homemaker contract by the City, the loss a TDHS emergency assistance contract to the County, and the various funding controversies associated with Title XX daycare mid-year reductions and the bidding process. A reading of the environment by City staff made it very clear that the daycare centers themselves were not in favor of the initiative. City staff also determined that the United Way would support the City's position in terms of inclusion in the local planning processes. This was a matter of public record, as well as informal communication, since both the City and the United Way had been making statements to that effect in the State agencies' various public hearings on the new block grants.

In looking at all of the players within the environment, it is important to know generally which ones are supportive of your position, and which will be in opposition, as you move into the design of the implementation strategy. Another very important element of this evaluation of the environment is to clearly understand

the mandates and responsibilities that each agency takes for itself. In the master contract negotiation, this element of goal conflict was probably the most difficult to resolve. Both the City and the State felt a core commitment to the maintenance of daycare services, but they totally disagreed on what was the most appropriate way in which to share this responsibility with each other. What was of equal importance in the situation discussed above was the recent history of conflict in bidding and contract relationships between the two governmental units. When the environment is particularly strained it therefore becomes very important for a given agency's strategy to address the issue, either implicitly or explicitly. By examining the environment as a whole, staff has the opportunity to identify whether or not there are pressure points in related areas of interaction that could turn a negative into a positive, or at least keep a peripheral player from active opposition. In some instances this is a subtle strategy issue in which informal relationships are used to test out various game plan options in order to find the one that will be most rewarding.

PREPARATION OF STRATEGY

This step is the point at which all of the background information that has been developed in the previous three steps is brought to a focus and targeted on

the goal. At this point an individual player may commit to writing the general goals and objectives of the program to be implemented. Preparation of such a statement allows internal staff in the process to clearly understand the position of the agency. Depending on the nature of the negotiation, this document may not be shared formally with other players, in order to keep options open for compromise on technical issues. Having such a statement internally can help keep all staff on track with the overall end goal that is desired.

Care should be taken to frame a document that will explicitly provide for meeting objectives that the supporters of the program consider to be of most importance. At the same time the strategy should implicitly relieve the territorial or boundary fears of the entities who might be defensive, and who might raise those territorial issues to the forefront. For example, in the case discussed above, the City attempted to portray its position as being one of support for continued, and even increased, funding for the daycare centers, without raising the issue that the United Way should make an equal commitment. On the other hand, since the strategy was not to relieve the State of its fears about including the City in its internal planning processes, pushing this issue became the major element of the City's strategy. In this instance, the contract itself was not the

major issue for the City, because the City did not have resources invested or at-risk in the process to change the contracting relationships. Therefore the City adopted a strategy that was insistent on that one point.

The strategy adopted by the State was to appeal to the City's desire to be able to give out the whole pie, and make all of the subcontracting decisions. Unfortunately for the State, the City wanted that authority less than it wanted the commitment from the State to include the local-level government in their decisionmaking processes. In effect, the City was willing to see the process fail if that demand was not met. Probably because the State failed to accurately read the situation with regards to its ability to force a decision on the City staff, no real accommodation to the City's position was offered.

In sum it can be said that the success of the adopted strategy of any given agency in a situation is highly dependent on how well it has performed the first three preparatory steps of defining the parameters of the process, identifying the agency's resources, and scoping out the environment. Failure to do this preparatory work well almost guarantees failure of implementation, particularly in an interorganizational situation in which there is no single higher authority that can make a decision and resolve the

impasse. This illustrates that there are solid experiential reasons for the fact that negotiation skills have become important in the complex interorganizational environment in which we live.

In the author's experience there are seven elements that are critical to the design of an effective strategy. First is the importance of identifying all of the players in the game, both the direct players, and those who may be indirect players due to their influence on various aspects of the system. The second element is to try to identify all of the decision points in the process of implementation, and determine which of the players will be in the game at each of the points. The third element, and one that will provide insight into the way the players approach the decision points, is to try to identify the attitudinal and organizational responses of each of the players. In other words, who will in general be supportive of the process, or can be counted on for a positive endorsement at the right time, and why. Also who is opposed to the process, either overtly or implicitly, why, and how their influence can be counteracted.

Subsequent to the identification of the attitudinal responses, both pro and con, is the work necessary to identify the major support for the implementation. Some of

the strategy may well be to identify which agencies or persons are supportive, and then work to directly enhance those allies in order to use that support to further the implementation process. In a like manner, the strategy that is developed must clearly identify the opposition to the plan as well. The strengths and weaknesses of the opposition must be researched in as much detail as those of the supporters, so that counteracting strategies can be utilized. Finally, it is critical to research and understand the institutional barriers to the implementation of the policy. In the instance discussed in this paper, the varying fiscal years, and varying budgetary systems utilized by the three funding agencies, were all institutional barriers, as was the internal review and approval process of TDHS. What proved to be the sole insurmountable institutional barrier was the State's refusal to discuss joint planning with the City.

Once all of these elements are identified, then the strategy itself can be developed, and formalized. By waiting until this step to formulate the strategy, various options to implement the general goal can be researched and put forward. The strategy is likely to be weak or incomplete if it is devised before these seven elements have been formally identified. This is due to the fact that the opportunity to align the strategy to build on the related

concerns of major supporters might be missed. Of equal, if not greater, importance is the fact that major opposition or barriers have not been adequately anticipated and addressed by implication in the goal statements themselves. Within the overall goal strategy that is implicit in formal goal statements, the steps necessary to initiate and follow through on the tasks will then emerge. By saying emerge, I do not mean to imply that the process occurs without stress and strain. At least with the preparation that has gone before, the identifying and sequencing of the strategic tasks necessary to accomplish the process will become fairly clear.

STRATEGY IMPLEMENTATION

This phase is the actual working out of all of the elements that have been devised to make the process occur. In the case study presented in this paper, the implementation of a master contract was never achieved because the strategies followed by the City and the State proved to be irreconcilable. The State's strategy was to get the contract agreed to formally and work out the details later. The City's strategy was to use all of the other organizations to put pressure on the State to include the City in its planning processes. The City's strategy to block unless it was given a mechanism of control in the

system as a whole succeeded. The result was that the City did not accept the implicit liability for increases in daycare funding in the subsequent years.

An important factor in the success of any strategy is the energy and commitment of the persons involved. If a strongly committed, but small, group is trying to implement a change, its chances of success are probably as good as that of a large agency staffed with a lot of people who just do not care. This is why the climbers - the newcomers who bring in energy, and enthusiasm - can be so effective in a settled bureaucracy. Because the conservers have grown used to not worrying about much except their own relative positions in the scheme of things, their ability to adequately strategize against an energetic climber has atrophied. In a large-enough bureaucracy which is not under current budget pressures, the ennui of the system can win out. On the other hand, as the dollars get tight, and the demands for service remain the same, or even escalate, those with the energy and commitment to propose a new way of doing things can sometimes be rapidly and spectacularly successful. This is confirmed by the examples of Reagan's first budget proposal, or the Gramm-Rudman legislation.

DEVELOPING COUNTERACTING STRATEGIES

The final phase of implementation occurs when the game plan doesn't go exactly as planned, which probably covers the majority of all situations. Even under the most thoroughly researched circumstances, an unanticipated player who feels threatened by the process may emerge and delay, or even derail, the whole process. In the case discussed above, the City employed a strategy to seize control of the planning process, in order to hold the negotiation hostage to the demand for a formal City role in the jointly-funded daycare system. The City also chose to delay the process by insisting on a written commitment from the State regarding future funding, bidding and slot monitoring. The State employed a strategy to try to get a quick decision, to call on peripheral political loyalties, and to threaten the operators with an onerous contracting system if they were not supportive. The City's strategy could have been interpreted as being anti-daycare if it were not for the fact that the City had increased its funding in this area by almost 300% in two years. The State's strategy never transcended its reputation for being difficult to work with. In a situation such as this one, the inertia of the current system won out because the State could not muster the resources to change the system. It was as if the State was trying to blow up a balloon with a baseball bat.

The situation might have ended differently had the State staff recognized the depth of the City opposition to the arrangements being offered, and restrategized its own position to provide an element of subformal, if not formal, accommodation to the City's concerns. Because TDHS is such a large bureaucracy this proved impossible, and the opportunity to rationalize the system was lost.

In summary these six elements of strategy design, if applied thoroughly and consistently, can significantly increase any agency's ability to implement a program change. Attachment 1 contains a summary format of the strategy elements presented in this chapter.

ATTACHMENT I - IMPLEMENTATION SUMMARY

1. Define the parameters of the process. What is to be done, by whom, and by when? Who wants it? Is it a mandate?
2. Identify the resources - staff, money, time, expertise, information - for implementation.
 - A. Internal formal resources
 - B. Internal subformal resources
 - C. External formal resources
 - D. External subformal resources
3. Evaluate the environment - Find out
 - A. The organizational history
 1. Previous positive experience
 2. Previous negative experience
 - B. The people
 - C. The legislative mandates
 - D. The politics
4. Strategize the game
 - A. Clarify the goal
 - B. Align the strategy with those who are supporters
 - C. Counteract the opposition, implicitly or explicitly
5. Implement the strategy - Play the game
6. Develop counteracting strategies based on feedback to refine the strategy and gain success

CONCLUSION

This case study of the master daycare contract negotiation between TDHS and the City was chosen for study because its failure offered a way to identify the causal procedural elements. Usually in the public sector there is a mandate, either legislative or political, that requires staff to work out the agreement. In this instance there was no such mandate, either explicit or implied, so the conflicts came out in the open where they could be studied.

A number of conclusions can be drawn from this study. One of the most significant is that the complexity of coordinating a major procedural change within the public sector is greatly increased when two independent public entities are involved. If each have claimed overlapping mandates to the same public, working out the mechanics of sharing that responsibility can be extremely difficult even when the two agencies wish to cooperate with each other. When, for one reason or another, one does not wish to cooperate in the process, working those arrangements out without a formal mandate can prove impossible. This in fact occurred in this situation.

A second major conclusion is that the depth and extent of the subformal communications networks within and between public agencies should not be under-estimated in designing and following through on a strategy. To the extent that there has been a recent or intense history of conflict, these networks can be used to work out solutions before they are publicly presented, so that possible problems are resolved.

A third inescapable conclusion from this particular case study is that when there is no formal mandate to get something done that can force one agency to accommodate to another, the negotiation must be structured to have some accommodation points in it. Otherwise the player that refuses to play unless there is some accommodation, will control the end result.

One of the clearest lessons to be learned from this study is that if there is a history of conflict between agencies, then any negotiations will have to address relieving the inherent distrust among the agencies at the same time that the procedural issues are being addressed. Most important to the process however, is a recognition on the part of the public agencies' staffs that each has like and perhaps conflicting commitments to that public. To the extent that each agency's staff is charged with an

implementation process such as that discussed in this paper, it is important for all players to remember to accord due respect to each other's public mandates. This does not mean that the issues should not fully surfaced and aggressively addressed, but that the conflict on a philosophical level should not be allowed to carry over to a personal level. To the extent that any player can accurately read the motivation of the other players, then that player has the ability to strategize a response to deal with the conflict, either implicitly or explicitly.

The elements of designing a strategy, presented in the final chapter of the study, are offered in the hope that the this simple way of sequencing the strategy process will be useful to other public administrators, those who are actually working on the front lines to maximize service delivery in an environment that does not, and in many cases cannot, always provide clear direction to its staff in a complex inter-organizational environment. The following few statements drawn from experience are offered to assist any public administrator in meeting the challenges and frustrations of a career in the public sector.

1. Do not forget the end goal when caught up in the conflicts of implementation.

2. Do not forget to be courteous and accord professional respect to the others in the process, even if you know for a fact that they are lying through their teeth. The time will probably come when you need them, and unnecessary ugliness in one situation will come back to haunt you later on.
3. Deal with conflicts on a program level, not a personal level.
4. Do not assume someone will help you because you are a friend, and do not assume someone will not help because you are not a friend. Stick to the issues.
5. Take good notes, but put conflicts in writing only if there is no other way to surface the issue. When you do have to write, cite the history in detail from the notes and also say clearly what you want to be the result. Do not just complain about past actions, tell how to solve the problem.

Most important, if a public administrator builds a reputation for honesty and trust, the ability to work through conflicts will follow.

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