

## **Turbocharging Government's Human Services Contracting:**

### *5 Ways to Improve the Impact of Local Government Contracting with Community-based Organizations*

By Lauren Gilbert and Matthew Klein

#### **Introduction:**

As a city government leader and nonprofit chief executive officer, we see the urgent need to increase the impact of the services we provide. There are real challenges in our communities and we know that solutions exist and change is possible. One key to that change is better collaboration between government and their nonprofit service providers.

Governments at the federal, state and local levels increasingly depend on community-based organizations to provide human services to communities, and these organizations are increasingly dependent on government for funding to support their services. According to a national study by the Urban Institute conducted in 2013, it is estimated that government funding accounts for over 65 percent of total revenue for human service organizations, including mental health, substance abuse, youth services, aging services and criminal justice support services.<sup>1</sup>

While the local, state, and federal government investments in nonprofit services has continued to grow, the mechanisms for distributing funds and sharing data have not kept up with this growth. In sum, the government contracting process can be confusing, inefficient, and focused on inputs rather than outcomes. Further, while governments are becoming savvier about data collection and use, administrative data remains under-shared, undervalued, and under-leveraged by contract managers, program managers, service providers, legislative leaders, and communities themselves. The lack of progress on contracting and data sharing processes limits positive partnerships between the government agencies and human service providers; this distracts both sides from focusing on how to achieve better outcomes for community members.

That is why, we agreed to come together with our colleagues from Results for America's [What Works Nonprofit Fellows](#) and [Local Government Fellows program](#) representing 14 prominent nonprofits and 16 city and county governments from across the country who are at the forefront of using data and evidence to produce better results for residents to discuss the state of governments human services contracting and to offer solutions to improve outcomes. .

In our collective view, several factors inhibit government human service contracts from achieving full impact including local governments that use complex contract and grant application processes, change contracts midstream, impose complex and time-consuming reporting requirements, and use complicated funding formulas. Government contracts are

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<sup>1</sup> Boris, E. T., De Leon, E., Roeger, K. L., & Nikolova, M. (2010, October). *Human Service Nonprofits and Government Collaboration Findings from the 2010 National Survey of Nonprofit Government Contracting and Grants* (Rep.). Retrieved <https://www.councilofnonprofits.org/sites/default/files/documents/Full%20Report.pdf>

typically focused on measuring inputs rather than outcomes, which reduces flexibility and prevents service providers from redirecting resources to meet changing program needs without a time consuming contract amendment.

Further, many problems inhibit the effective use of data for program management and outcome measurement, including privacy laws that have been frequently misunderstood and applied too broadly; data that is siloed among disparate agencies; and data system technology that further restricts access. Overall, a complex and compliance-focused contracting process and the inability to use data to measure which programs are working (and which are not), means that contracts are renewed year after year regardless of impact.

PULL QUOTE: “The focus on contract compliance over program effectiveness, and the inability to measure which programs are achieving real outcomes, means that contracts are renewed year after year regardless of their impact on long term outcomes.”

[Perhaps you could each provide a quote?]

Despite these barriers, the Local Government Fellows noted that there are many government leaders who are committed to achieving better outcomes and focused on the importance of using data and evidence as tools to improve outcomes and provide additional flexibility to nonprofit human service providers. Nonprofit Fellows shared that while many leaders in the nonprofit sector are improving their use of data and evidence to improve their programs and better meet the needs of their clients, there remains extensive resistance among nonprofit service providers to payment for outcomes and results.

However, more than lamenting shared difficulties, this first ever joint convening of the Nonprofit and Local Government Fellows provided a rare opportunity for cross-sector collaboration and a way to reach a shared understanding of the challenges of government human services contracting with an eye towards producing new and innovative solutions. What follows are the practical recommendations developed by Results for America’s What Works Nonprofit and Local Government Fellows for re-orienting the relationship between government and nonprofits to make it more collaborative and improve outcomes for residents in the communities they serve.

## **Recommendations:**

### **1. Be Collaborative by Gathering Feedback and Defining Outcome Goals**

To achieve better outcomes both government and nonprofits need to change their normal way of doing business. Government should work with their nonprofit services providers to engage them in developing shared goals and outcomes. Ideally, this conversation should also include other community organizations and philanthropic groups. Each organization should consider one another as a partner to achieve outcomes for their residents and clients. The key is to

remember that all stakeholders are engaged is in this work because they care about helping clients. This collaboration requires respecting one another's experience and perspective.

## **2. Provide Funding Flexibility by Breaking Down Government Funding Silos**

Focusing on outcomes requires flexible funding. This flexibility, in turn, allows nonprofits to align programs and funding streams to focus on holistic outcomes for their target populations. Government can create flexible funding by allowing dollars from multiple budget sources to be blended together in a way that reduces compliance technicalities. A further innovation would provide bonus payments to service providers when they exceed outcome goals. Nonprofits also need to be prepared to use this flexibility to implement interventions that achieve the agreed upon outcomes.

## **3. Use Clear Requests for Proposals**

The local government procurement process should be straightforward, transparent, and efficient. This requires that governments use a standardized Request for Proposal (RFP) template, a uniform RFP process, and consistent timelines. The content of the RFP should incorporate clear outcome goals and the scoring system should award points for evidence-based interventions.

## **4. Prioritize and Fund Outcomes, Not Outputs**

Government should give service providers the freedom and the tools necessary to meet outcomes, rather than focusing on reaching a narrow set of inputs and outputs. This requires that contracts are structured to pay for achieving long term outcomes rather than mandating service delivery models. These contracts should use consistent templates to increase consistency among programs and streamline the contracting process. In turn, nonprofits should focus on meeting outcome goals defined by the government which requires them to build the programmatic and staff capacity to meet long term outcomes goals, rather than short term outputs.

## **5. Check-in Regularly to Create Feedback Loops**

While collaboration is key in designing programs, it is perhaps more important for implementing effective programs. Closing the feedback loop, with governments soliciting and nonprofits providing frequent updates on program progress and interim goals, is the best way to improve coordination. Government contracts should include provisions for ongoing information sharing, including (but not limited to) data sharing agreements. These data sharing agreements should outline the provisions for collecting, sharing and making decisions based on real time data. Governments and nonprofits can use dashboards, regular

meetings, and site visits as tools to improve feedback mechanisms and improve their mutual efforts to ensure that human services reach desired outcome goals.

**Conclusion:**

Underlying all of these recommendations is a basic approach that aligns local governments and nonprofits towards facilitating the use of evidence and data to improve outcomes. This can be accomplished when governments focus on funding evidence-based interventions as well as supporting evaluation of innovative practices to learn more about what works. In turn, nonprofits should develop evaluate their programs, identify other evidence-based interventions, and ensure that such programs are implemented with fidelity. Both nonprofits and governments should commit themselves to a culture of learning; in the long term this is the only way to improve the effectiveness of human services programs.

A key way to institutionalize these efforts is to elevate the role of contract managers and procurement officers by providing them with standardized tools, which allow them to spend more time on active contract management and less time on bureaucratic and technical compliance. Similarly, nonprofits can take advantage of this streamlined process and increased focus on outcomes by improving their billing process and contract compliance and reporting systems. Removing the strain of cumbersome compliance processes allows both governments and nonprofits to increase their long term efforts to improve outcomes.

In sum, collaboration, flexible funding, an improved contracting process, outcome focused contracts, and consistent feedback loops are essential steps to improve the impact of human service programs and ensure that taxpayer funds are achieving the greatest possible impact. Implementing these recommendations will catalyze important changes in the way governments and nonprofits work together and bring about a cultural change in human services contracting, which allow local government and human services providers to achieve better results for communities.

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