

Achieving Efficiency in Government while Maintaining the State's Social Capital

My name is Thomas Gullotta. I reside in Glastonbury and have lived in Connecticut my whole life, some 61 years. This committee's purpose is important, and its preliminary draft is an ambitious outline of a variety of ways to achieve savings in a state that right now could use all the help it can get. How wise, humane, and ultimately cost effective this document may be is contained in details that are not available at the present time. It is for that reason that I wish to offer you a cautionary tale from Connecticut's past – a past that I fear will regrettably repeat itself if we are not very careful.

Connecticut, beginning with its incorporation and through the later part of the 19th century, handled its child welfare through a process called "vendue." Simply, this entailed the public auction of orphans and other children without suitable homes to the lowest bidder. That is, the winning bidder was the person whose care of that child would cost the community the least amount of money. That bidder then had the right to work that child to extract a profit from his or her "investment."

Reacting to the mistreatment of girls, in 1809, a group of Hartford women formed a benevolent society to change this practice. Over the decades that followed and acting on behalf of other less fortunate groups of individuals like those without sight, hearing, or intellectually challenged, benevolent societies grew across Connecticut and the eastern half of the United States. In time, I suspect, some tax accessor attached the label "non-profit" to these groups.

What made these original organizations unique were their ties to the local community – a community that invested leadership talent, economic resources, and oversight into the care of those needing help. Scholars like Putnam (2000) in his classic work Bowling Alone described this investment as "social capital." Communities high in social capital have lower crime rates, report better health, cleaner neighborhoods, and the list goes on and on. Likewise, social agencies with high social capital are regarded as venerable resources within their communities, have active involved boards of directors, and have a visible role in improving their communities. Connecticut is fortunate, in part because of its early leadership role in establishing the human services movement, to have many such organizations. These organizations benefited from a wise far-sighted group of legislators who sought to support these locally-based, locally-supported, locally-governed groups.

In recent years, this efficient model of caring has been stressed by demands for the re-bidding of service contracts. This report hints at that as well. The wisdom of this direction is flawed. Presently, the non-profit sector delivers services at roughly 60% of the cost of state provided services. Is that not enough? Or in this year's nightmare before Christmas is the state's desire to increase those savings by even more? Now, before you answer that question, permit me to remind you that it is those local communities who have come to know and respect these local nonprofits that have made up for those inadequate state payments. There is no assurance that local United Ways, businesses, and private donors will be as gracious to new providers. Perhaps, you will say that "for profit" corporations should have the opportunity to serve Connecticut's needy. Thoughts of Hartford's ill-fated educational experience with the Edison Corporation and the disastrous experience this state had with behavioral managed health care leap to my mind as it should yours. Lastly, you may contend that some non-profit providers have endorsed these plans. In the spirit of the season (and a twinkle in my eye) allow me to observe that counting houses are not the only domiciles of, "squeezing, wrenching, grasping, scraping, clutching, covetous old sinners" who wish to profit at the expense others. Hopefully, the Spirits of Reformation will work their magic on these individuals within a fortnight.

I conclude my remarks with a plea that as you move forward in your important efforts not to destroy the existing reserves of local social capital built by non-profit agencies over these many years in communities like New London, Norwich, Stamford, and elsewhere. Further, unless you remain ever vigilant the practice of seeking savings and "vendue" can become indistinguishable.

A mixture of questions and suggestions:

1. Why if a non-profit is in good standing with its funding department is the contract being rebid? Who are we trying to make happy with rebidding – unions, for-profits, people who like to create mounds of paper?
2. Should a contract be rebid, the bidders should demonstrate how they have had a previous presence in that community through local board membership, local community financial support, or local United Way support. In short, demonstrate the presence of social capital.
3. As most (nay all) state contracts and fees for service do not cover the cost of service, where will the other funds come from to insure that the new service provider will provide services at the same level as the previous provider.