
Vol. 17 No. 1
Winter 2006



Consolidating Local Government: What Works and What Doesn't

The Marion County Consolidation Study Commission of the Indiana Legislature asked the foundation to conduct a two-part review of city-county government consolidation. The first part is a survey of the recent academic literature on the effects of city-county consolidation on the provision of public services. The second part is a survey of expert opinion on the efficacy of city-county consolidation on those public service provisions. Both aspects of the project capture the knowledge, expertise and opinion of researchers to help inform the deliberations of the study commission. Among the findings is reason to suggest that those pushing for full-scale consolidation may be “killing the goose that laid the golden egg.” Consolidation under Unigov represented an incremental rather than utopian step toward improving efficiency. The literature indicates, however, that the city already has merged those services that promise the greatest yield. Indeed, the leaders of Indianapolis in the late 1960s have been proven wise to have consolidated only those few services that lent themselves most efficiently to their regional approach.

A Review of the Literature

The research team found that the academic literature on city-county consolidation is often built on case-by-case analysis. Consolidation can be done well or done poorly, and consolidation can be sold one way in theory and be done another way in practice. In sum, the literature is helpful but not definitive in establishing whether any given effort to consolidate will be beneficial for a community. The findings suggest these additional points:

- Significant gains in efficiency are unlikely.
- Significant gains in perceived service quality are more likely but by no means assured.
- When making modest changes to city governance — consolidating a few units of service provision — it is unlikely to have a significant impact on economic development.
- Morale problems are a potential land mine facing any effort to consolidate governmental units, especially those which differ considerably.
- Context matters; that is, who is consolidating and for what purpose.

A Survey of the Experts

The academic experts were split over whether Unigov in Indianapolis resulted in significant cost savings. Barely half the members of the group (academics that some might consider sympathetic to consolidation) indicated a belief that economies of scale from consolidation could reduce costs. Moreover, nearly half believed that consolidation increased the transaction costs for residents working with the city. The experts were near consensus, however, that the city-county consolidation would:

- Improve the technical efficiency of services provided.
- Improve economic development.
- Reduce urban-suburban inequalities.
- Encourage uniform service provision.
- Not reduce taxes.
- Not reduce public employee satisfaction.

•
•
• **AN OVERVIEW**
•
• *The Marion*
• *County*
• *Consolidation*
• *Study*
• *Commission*
• *Report*
• PAGE 2

•
•
• **THE LITERATURE**
• *Faulk*
• *Schansberg*
• PAGE 3

•
•
• **THE SURVEY**
• *Leland*
• *Staley*
• PAGE 20

OVERVIEW

The “partial” consolidation of Indianapolis under Unigov represented an incremental step toward improving efficiency that was both practical and realistic. A consensus existed, however, and was supported by the research, that consolidation does not reduce taxes.

Mayor Bart Peterson proposed an ambitious plan to fully consolidate the city of Indianapolis and Marion County, completing what many saw as an inefficient “partial” consolidation begun in 1969.

Many can be excused for thinking that Indianapolis’ government already was consolidated. Unigov was put into effect in 1970, pulling administration, planning, building regulation, parks and recreation and other major urban services under one roof.

Unigov, however, is not comprehensive. Now, Mayor Peterson wants to “complete the job” by merging local fire departments, police departments, tax assessment and other social services.

Skeptical of the mayor’s claims of more than \$36 million in savings from consolidation, the last General Assembly created an *ad hoc* Marion County Consolidation Study Commission chaired by Sen. Michael Young. The commission asked the independent accounting firm Reedy & Peters and the Indiana Policy Review Foundation to do some homework and report back.

The accounting firm found that after making some standard accounting adjustments, the projected savings plummeted from \$36 million to about \$5 million.

The Indiana Policy Review Foundation, in turn, conducted research on the effects of consolidation on the efficiency and effectiveness of providing local public services. It had a different task and focus. The commission asked the foundation to summarize what experts thought about local government consolidation. It did this in two steps.

First, the research team reviewed the most recent academic research to determine how much evidence supported the idea that efficiencies could be reaped from consolidating local services.

Second, the team asked more than 80 experts who have researched these issues to answer a survey. Twenty-eight responded, and the responses were summarized.

The results? Mixed, at best. Few services seemed to benefit from consolidation. Indeed, some seemed to become less efficient as governments became bigger. This was particularly true for so-called “labor-intensive” services such as law enforcement.

The experts surveyed tended to be more positive about the effects of consolidation than the published academic research. An expert consensus seemed to indicate that consolidation would improve regional economic performance, but the evidence from published studies is mixed. One study concluded Indianapolis experienced no significant economic impact.

On the other hand, a consensus existed among experts, and was supported by research, that consolidation does not reduce taxes.

While many seemed to believe consolidating fire services and tax assessment would improve efficiency or effectiveness, they were significantly split on the impact of consolidating police.

A clue toward making sense of the divergent expert opinions may be found by re-examining the assumption underlying Indianapolis Works, Mayor Peterson’s consolidation plan, *i.e.*, comprehensive consolidation will increase efficiency.

Consolidation does not assure service-delivery improvements. Services must be evaluated on a case-by-case basis. A political scientist writing on the topic, Laura Reese, may have said it best: “In short, some things have stayed the same, some things have improved and some things have become more complicated.”

Ironically, full-scale consolidation may be killing the goose that laid the golden egg. The “partial” consolidation of Indianapolis under Unigov represented an incremental step toward improving efficiency that was both practical and realistic.

Rather than merging everything, leaders consolidated a few services that lent themselves most efficiently to regional approaches at the time. One study concluded: Indianapolis and “its somewhat quirky approach to regionalism may be more than a mere curiosity; it may actually be a model for certain types of communities.”

The key for communities is to think beyond a “one-size-fits-all approach.” Based on the evidence, community leaders looking for across-the-board benefits by making sweeping across-the-board changes to local government are likely to be disappointed. Indeed, they may be worse off if the new system of government has less accountability and fewer incentives to provide services efficiently. — *Sam Staley*

The research team for this project was assembled with the assistance of the Los Angeles-based Reason Foundation and included Dagny Faulk and D. Eric Schansberg of Indiana University Southeast, Suzanne M. Leland at the University of North Carolina-Charlotte and Samuel R. Staley at the Reason Foundation. While all contributed to both studies, Faulk and Schansberg were the lead authors of the section reviewing the consolidation literature and Leland and Staley were the lead authors of the section surveying the academic experts. Credentials and backgrounds of the authors appear at the end of their respective sections.



THE EFFECTS OF CITY-COUNTY CONSOLIDATION:

A Review of the Recent Academic Literature

This review was commissioned from the foundation by the Marion County Consolidation Study Commission of the Indiana Legislature. It was approved on Aug. 31 with work beginning in mid-September and presentation of the results in November. It includes two parts: 1) a survey of the recent academic literature on the effects of city-county consolidation on the provision of public services; and 2) a survey of expert opinion on the efficacy of city-county consolidation on public service provision. Both aspects of the project capture the knowledge, expertise and opinion of researchers to help inform the deliberations of the study commission. Moreover, the reports identify perspectives and research that directly address legislative concerns about the proposed further consolidation of public services in Indianapolis and Marion County. Here are the results and an analysis of the first part: a review of the recent academic literature on city-county consolidation.

The Indiana General Assembly is expected to consider legislation that would allow for the further consolidation of public services in Marion County and the city of Indianapolis. At the request of the Marion County Consolidation Study Commission, it reviewed the recent academic research on the effects of local government consolidation to identify key issues, questions and outcomes that might help inform commission members as they deliberate on proposals. A careful review of the literature yields some narrow but relevant findings that are consistent with economic theory and pertinent to local government practice.

A few studies have focused on the effects of the approval in 1969 of consolidation for the Indianapolis and Marion County governments. This literature suggests that

consolidation was essential for Indianapolis to revitalize its downtown, foster regional thinking and may have contributed to economic growth in the region.

Beyond Indianapolis, the more recent literature suggests that police services do not often experience economies of scale as the level of production increases. Thus, creating larger departments through the consolidation of police services will not likely lead to lower costs of provision.

The literature on consolidation and general government performance seems to point to mixed effects. Laura Reese's summary (2004, p. 605) is perhaps indicative of the literature in this area: "In short, some things have stayed the same, some things have improved and some things have become more complicated. The outcomes

• As local governments
• with differing
• compensation
• structures are
• consolidated, salaries
• and benefits are often
• standardized at
• the higher level.

THE LITERATURE

Proponents of consolidation argue that metropolitan areas with many fragmented local governments result in inefficiencies. Public-choice theorists, however, suggest that consolidation limits competition between smaller units of government.

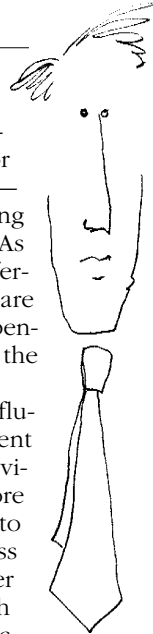
... have been mixed.” In general, it is uncommon (although not impossible) for operating costs to decrease — due primarily to the “leveling up” of salaries and benefits. As local governments with differing compensation structures are consolidated, salaries and benefits are often standardized at the higher level.

Consolidation hopes to influence economic development through more efficient provision of public goods, a more coherent regional strategy to attract businesses and address environmental issues and other external issues (e.g., growth issues like sprawl and traffic congestion). The literature indicates a modest but positive correlation between consolidation and economic growth, but this correlation is less impressive when compared with statewide economic growth and growth in comparable areas without consolidation.

Perhaps the most pertinent conclusion from the literature is that government consolidation can lead to serious morale problems among government employees as distinct government units are merged. Differences in policies, compensation scales and employee classification systems are difficult to reconcile. The complexity of the transition and the resulting stress and uncertainty are often identified as a key reason for low morale. Such problems can persist for several years after consolidation. The literature suggests that morale issues are closely tied to the manner in which these differences are resolved. This suggests that these issues should be addressed carefully and in depth when considering consolidation.

The few studies that focus on citizen satisfaction suggest that citizens of consolidated governments have equivalent or higher levels of satisfaction with local government and the services provided. With respect to police services, the findings of McDavid (2002) were that citizens did not perceive a substantial difference in service quality before and after consolidation.

From the limited number of studies available on the effects of city-county con-



*“The plural of anecdote is not data.”
(Frank Kotsonis)*

solidation, the various research methods used and conclusions drawn from them, it is possible to draw a few relevant conclusions.

1. Significant gains in efficiency are unlikely.
2. Significant gains in perceived service quality are more likely but by no means assured.
3. When making modest changes to city governance — consolidating a few units of service provision — it is unlikely to have a significant impact on economic development.
4. Morale problems are a potential land mine with any effort to consolidate governmental units, especially those which differ considerably.
5. Context matters.

The results of the literature are spotty and often built on case-by-case analysis. Thus, the literature can best point to general principles. Beyond that, any given effort to consolidate can be done well or done poorly; and consolidation can be sold one way in theory and be done another way in practice. In a word, the literature is helpful but not definitive in establishing whether any given effort to consolidate will be beneficial for the community.

General Considerations

Two prevailing points of view dominate the consolidation literature.

On one hand, proponents of consolidation argue that metropolitan areas with many fragmented local governments result in service duplication, diseconomies of scale and other inefficiencies.

Consolidation also enhances a regional perspective and increases the prospects for regional cooperation in economic development.

On the other hand, public-choice theorists suggest that consolidation limits competition between smaller units of government. Such competition provides more choice for city residents and results in more efficient levels of service provision — as

people “vote with their feet” in the face of poor quality or high taxes.¹

Quality of Research

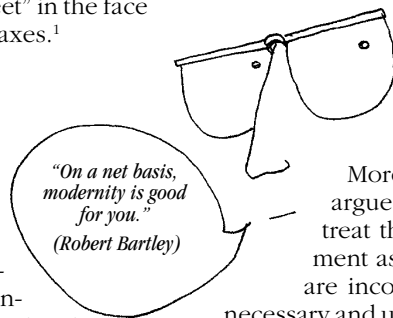
Unfortunately, evidence in support of either view is limited. One vital limitation is the nature of the available data and analysis. Most research is largely a compendium of case studies varying in sufficient detail that comparisons are relatively difficult and inferences relatively risky. Dolan (1990) argues further that such noisy data allows bias to more easily enter analysis within academia and the media: “arguments traditionally are based on political ideologies and impressionistic views rather than on empirical analysis.” Over a decade later, Carr (2004) noted that “. . . much of this literature seems to advocate, rather than analyze, this topic.” That said, a careful review of the literature does yield some narrow but relevant findings that are consistent with economic theory and pertinent to political practice.

Nevertheless, even with these limitations, the purpose of this project is to summarize the findings of the existing literature on the effects of local government consolidation. The focus of this literature review is peer-reviewed journal articles on the U.S. experience since 1990. Boyne (1992b) provides a thorough review of the pertinent academic literature prior to 1990. Beyond that, we have also included a few recent studies focusing on the Canadian experience. And given the limited number of studies focusing on police and fire services, we have included articles on those topics prior to 1990. The appendix includes a summary table of the articles reviewed in this study.

Further Considerations

Three other caveats should be mentioned.

First, Hawkins *et al.* (1991, p. 254) note that “consolidation” is a misnomer, given the continuing autonomy of fragmented governmental units and the overlaps that result. While awkward, a more accurate



reference would be to “degrees of consolidation” and to focus on the degree of fragmentation within the provision of certain services.

Moreover, Hawkins and others argue that there is no need to treat the two “sides” of the argument as competing principles that are incompatible. “Just as it is unnecessary and unwise to drive out all small-scale organizations in order to obtain the benefit of large-scale organization, it is also unnecessary and unwise to do the opposite, both as a matter of logic and because there is empirical evidence that a diversity of scales of production enhances service efficiency and represents better the full range of interests in the metropolis” (p. 255).

Second, the literature repeatedly stresses the importance of context-specific details. For example, there is a vital difference between consolidation of capital-intensive public goods “that are well-suited to technical solutions” (Mattoon 1995) and labor-intensive public goods (*e.g.*, social services). Generally, capital-intensive services (like sewers) achieve decreasing average costs at larger levels of production, while labor intensive services face higher average costs as the level of service output increases. So, optimal government size varies by type of service.

Third, as always, one should be wary of the distinction between theory and practice, especially given political and bureaucratic realities. As Durning and Nobbie (2000) note:

The success or failure of consolidation is not preordained by structure but depends largely on local context, including how well local governments match, the provisions of the charter that do or do not give decision-makers the flexibility to implement changes that would increase efficiency, effectiveness or fairness, who is elected to the new government and the implementation decisions of the policy-makers.

Moreover, the employees who provide public services often represent the most

The success or failure of consolidation is not preordained by structure but depends largely on local context.

1. Boyne (1992b, p. 430, table 1) presents a detailed list of the benefits and costs of consolidation.

THE LITERATURE

The more recent literature suggests that police services do not experience economies of scale as the level of production increases, so creating larger departments through the consolidation of police services would not lead to lower costs of provision.

powerful constituencies in the electoral process. Their influence should be taken into account when crafting public policy.

Unigov and the Effects of Consolidation

Summary: A few recent studies have focused on the effects of the 1969 consolidation of the Indianapolis and Marion County governments. This literature generally suggests that consolidation was essential for Indianapolis to revitalize its downtown, foster regional thinking and may have contributed to economic growth in the region.

Rosentraub (2000), for example, provides impressive detail on Unigov — historically and numerically — and, among other things, argues that consolidation was essential for Indianapolis to achieve downtown revitalization. Rosentraub argues that Indianapolis' success was due to attracting more attention as a "larger city," its ability to leverage more debt given greater total assessed property value and a greater ability to leverage funds from various levels of government and the private sector. But he also notes that Indianapolis' consolidation plans were far from complete. In a word, he concludes that

Indianapolis' specific contribution to the experiment in governance models was a city-county consolidation program that concentrated a limited or select group of urban services at the regional (county) level while permitting most other critical urban services to be delivered by administrations and agencies serving different, often much smaller, areas within the county.

Similarly, Segedy and Lyons (2001) reference the Indianapolis Regional Center Plan, 1990-2010. Impressed by the level of detail in the plan, they conclude: "Thus, Indianapolis' somewhat quirky approach to regionalism may be more than a mere curiosity. It may actually be a model for certain types of communities. It represents a way to foster regional thinking and acting in a largely libertarian environment."

Blomquist and Parks (1995) also detail the history and implications of Unigov on fiscal policy, service delivery, economic development and political outcomes, noting that the effort fell far short of complete consolidation.² Again, the impact would "depend critically on specific details of how a consolidation is designed and implemented by policy-makers." A 1993 survey revealed little difference in household perceptions of service quality. The consolidation raised the debt limit, allowed reduced insurance premiums and encouraged federal funds. Blomquist and Parks also note impressive economic growth post-consolidation and this growth compared favorably to similar metropolitan areas.³

Republican control also increased in the post-consolidation period and voter turnout increased initially. Steep declines followed, however. "The 1975 elections sent a message that Democrats could not win under Unigov [until Bart Peterson]," Blomquist and Parks observe.

Effects of Consolidation on Police and Fire Services

Summary: Proponents argue that the consolidation of police services will increase efficiency through a reduction of duplicate services, equipment and positions and increase effectiveness by eliminating political tampering, lessening the ability of criminal activity to move from one jurisdiction to another, increasing professionalism and lowering turnover rates by providing more opportunities in the merged agency.

Opponents of the consolidation of police services argue that local control is important to citizens and lower costs are not likely to result from consolidation. Differences between pay scales and issues involving longevity and union membership are identified as the most difficult to address during consolidations.

If economies of scale exist, the average cost of producing police services decreases as the level of production increases. It is particularly difficult to measure the quantity of police services provided. Some measures

2. *The consolidation effort excluded fire, police, schools and township-administered "poor relief."*

3. *Later research by Carr and Feiock (1999), however, questions whether this growth can be attributed to consolidation. Their analysis of nine consolidated cities and counties found that increases in growth rates in the post-consolidation period were not statistically significant once statewide growth rates were factored into the analysis.*

of police services that have been used in the literature include the number of arrests and the inverse crime rate, both of which represent only a small portion of the activities that police officers perform. Studies testing for economies of scale in the production of police services use different measures of cost and services and different assumptions and statistical methods, so it is difficult to compare results or draw firm conclusions. The more recent literature in this area suggests that police services do not experience economies of scale as the level of production increases, so creating larger departments through the consolidation of police services would not lead to lower costs of provision.

General Effects

McDavid (2002) examined the 1996 consolidation of three police departments in Halifax, Canada. The study compared data from surveys, interviews and budget and manpower reports three years before the consolidation with four years after. After consolidation, the number of sworn officers decreased resulting in higher workloads for sworn officers. Service levels, as measured by the number of officers serving the population, also decreased. Expenditures on police services increased primarily due to union negotiations that included substantial salary increases. Consolidation did not affect crime rates. Citizens were also surveyed on their perception of the quality of policy services before and after consolidation. The majority of respondents in each year surveyed (78.1 percent in 1999) believed that the quality of police services stayed the same.

In contrast, in an earlier study, Krimmel (1997), compared operational costs of the Northern York, Pennsylvania, Regional Police Department (a consolidated police department consisting of eight municipalities) with eight similar and non-consolidated police departments in neighboring Lancaster County. The operational costs of the consolidated department were 28 percent lower than those of the non-consolidated departments (25 percent lower on a per capita

basis). The number of officers per 1,000 population was 34 percent less and the number of patrol vehicles was 56 percent lower than in the non-consolidated department. Other benefits of consolidation were:

- The department offered more services (a canine unit, investigations unit and juvenile specialists were added after consolidation).
- Officers were able to participate in more training opportunities.
- Officers had more professional choices within the department.
- Officers received higher salaries.

The management style of the police board overseeing the consolidated department is touted as a major contributor to the department's success. Each municipality has a member on the board.

McAninch and Sanders (1988) conducted a survey to measure attitudes of 102 police officers (the entire population of officers) in Bloomington and Normal, Illinois, on consolidation of the two departments. They found that a majority of the officers believed that a consolidated department would operate more economically, more effectively address local crime and eliminate duplicate services and equipment. Perceived threats to pension, future raises, choice of days off and choice of shift assignment were identified as the primary determinants of opposition to consolidation by officers in Bloomington (the larger city).

Economies of Scale and Costs

Finney (1997) examined economies of scale in consolidated police departments for 14 suburban departments over a four year period in Los Angeles County, California. In Los Angeles County, 45 percent of the local jurisdictions use intergovernmental agreements to provide police services. He found that the average cost of providing police services (measured by the inverse crime rate and the number of arrests) increased with the quantity of police services provided, which might suggest they experience diseconomies of scale.⁴ However, the author noted that the jurisdictions that contracted for police services appear to

Average costs remain constant as provision (measured by the population) increases. This implies that consolidating small fire departments will not result in significant cost savings.

4. *Whether diseconomies of scale exist is difficult to determine. Diseconomies of scale imply that average costs (costs per unit of a service provided) increase as output increases. Thus, the cost of providing law enforcement per average unit increases as more public services are provided. These studies use total expenditure (cost) on police, total number of arrests and crime rate in each jurisdiction.*

Consolidation could result in eliminating service duplication, achieving various economies of scale and enhancing regional cooperation in economic development efforts. But consolidation also serves to limit competition and choice, perhaps resulting in poor quality and higher costs.

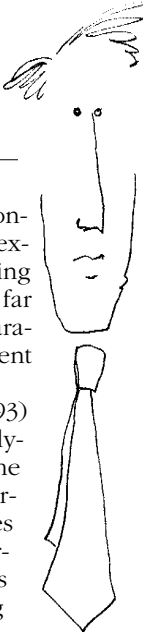
THE LITERATURE

base their decision on cost considerations in that “police expenditures by the contracting municipalities typically are far below those found in comparably sized cities with independent police departments.”⁵

Duncombe and Yinger (1993) perform the most rigorous analysis of returns to scale in the provision of fire protection services. Their analysis indicates that the provision of fire services exhibits constant returns to population scale meaning that average costs remain constant as provision (measured by the population) increases. This result “implies that consolidating small fire departments will not result in significant cost savings.”

Two earlier studies are worth mentioning at this point because the current research tends to confirm prior analysis.⁶ Gyapong and Gyimah-Brempong (1988) estimated a production function for police services using 1984 and 1985 data on 130 municipal police departments in Michigan cities with populations of 5,000 or more. Number of arrests is the measure of output.⁷ Their estimate of economies of scale is positive indicating increasing returns to scale, but it is not statistically significant. Earlier, Gyimah-Brempong (1987) found statistically significant diseconomies of scale (average costs increase as the number of arrests increase) in the average police department in Florida using 1982 and 1983 data from 256 police departments in municipalities with populations of 5,000 or more. He also divided the sample to test for economies of scale in small, medium and

large cities. He found that police departments in large cities (41 of the 256 cities in the dataset) experienced statistically significant diseconomies of scale for police services, while police services in small and medium cities did not exhibit significant economies or diseconomies of scale.



“What can be added to the happiness of a man who is in health, out of debt, and has a clear conscience?”

(Adam Smith)

Effects of Consolidation on Government Performance

Summary: Consolidation could result in eliminating service duplication, achieving various economies of scale and enhancing regional cooperation in economic development efforts. But consolidation also serves to limit competition and choice, perhaps resulting in poor quality and higher costs.

In attempting to measure these effects, one must be careful not to focus on one variable to the exclusion of others. For example, evidence of cost savings might mask deteriorating service quality and is, therefore, not necessarily indicative of improved efficiency. That said, the literature points to mixed effects. Again, Reese’s summary (2004, p. 605) is perhaps indicative of the literature in this area: “In short, some things have stayed the same, some things have improved and some things have become more complicated. The outcomes . . . have been mixed.”

Fiscal Impact on Cities

Miller *et al.* (1995) reassessed the results of a study on Allegheny County, Pennsylvania, commissioned by the Advisory Com-

mission. They find a positive relationship between police expenditures and number of arrests and between police expenditures and the crime rate — two separate equations — and interpret this relationship to mean that police costs increase with the number of arrests and the crime rate.

5. This suggests that there are severe measurement problems with the statistical methods used in these sorts of studies. In these studies (Finney and the Gyapong *et al.* studies), cost is a function of arrests or crime rate (the outputs), input prices (wages and capital costs) and socioeconomic variables. These studies estimate a translog cost function which is a nonlinear regression technique. The fundamental problem is that public outputs like the production of police services are difficult to measure; these studies have used the intermediate good arrests as a proxy for production.

6. Several studies in the 1970s addressed economies of scale and the provision of police services, but studies from this period are not the main focus of this literature review. Walzer (1972) finds that police departments in Illinois experience economies of scale — decreasing average costs (measured as per capita expenditure on police) as the scale (a measure of the quantity of services provided by the police in different jurisdictions) increased. Other studies not reviewed in detail here: Chapman, Hirsch and Sonenblum also find economies of scale are present for police services. Ehrlich (1973), Popp and Sebold (1972) and Votey and Philips (1972) find diseconomies of scale. The assumptions and statistical methods used in these studies have been criticized in more recent studies.

mission on Intergovernmental Relations (ACIR), that found benefits from fragmentation — citizen choice, competition among service providers, diminished fiscal disparity, greater accountability and representation. In contrast to the original ACIR report, Miller *et al.* find that fiscal disparity has continued to increase despite continuing ongoing fragmentation.

Dolan (1990) developed several measures of metropolitan fragmentation to determine whether cities in more consolidated regions spend more on average than those facing more competition among local governments. Presenting new measures of fragmentation, Dolan found spending tended to increase as a metropolitan area became more fragmented.⁸

Liner (1994) analyzed annexation trends for 235 cities in 43 states between 1960 and 1970 and examined changes in spending for fire, police and sewer. He found that total expenditures were not significantly different between cities that annexed aggressively and those that did not, but found that spending for each of these individual public services increase. After adjusting for population size, these changes in expenditures were not significant.

Selden and Campbell (2000) studied the cost of government in Athens, Georgia, after its consolidation with the county. They found cost-savings in some departments and in real operating expenditures, but overall, an increase in real and per capita expenditures (given one-time transition costs). The authors noted that “there is nothing intrinsic in the act of consolidation that will guarantee more efficient operations.” In-depth interviews with department heads point to the importance of individual decision-making within the new government.

Bunch and Strauss (1992) developed an interesting simulation of projected costs and revenues from the proposed consoli-

dation of nine small, fiscally-distressed communities outside of Pittsburgh.⁹ The authors make conservative assumptions (*e.g.*, they only include job destruction from complete overlap; and they calculate that salaries will increase to the lowest common denominator). They find some distributional effects among the communities, but on net, reduced operating deficits and greater economies of scale in service provision. Bunch and Strauss argue that the size of the city may be important to the results of consolidation, noting the literature’s usual emphasis on large cities.¹⁰ A recent study by Moore, Nolan and Segal (2005), however, found in an analysis of 46 large U.S. cities and 11 public services that city size was not a significant determinant of efficiency.

Boyne (1992) draws inferences from a literature review of the U.S. data on local government structure to the debate in the United Kingdom. He found conflicting results with respect to horizontal fragmentation (*e.g.*, the number of units within a local government), but explains this by noting a negative relationship for spending with multi-purpose governments and no effect on single-purpose units. Single-purpose units, Boyne noted, tend to be capital-intensive and argued that changing them is not significant enough to effect population or general economic development. He also cites mixed results or statistical difficulties for vertical fragmentation, horizontal concentration and vertical concentration.

McKay (2004) argues that the different perspective of decision-makers within a newly formed consolidation — or differences in stated purpose *ex ante vs.* behavior *ex post* — may limit gains in efficiency. Although consolidation can look effective on paper, the limited knowledge of consultants and the political actions of governing officials can easily detract from potential efficiencies. This belief is also supported by Moore, Nolan and Segal (2005)

As different pay systems were consolidated and union contracts renegotiated, pay and benefit levels have tended to increase. Overall operating costs have remained steady.

7. Using number of arrests as the output measure may be problematic since arrests represent only a portion of the services that police provide.

8. Boyne (1992), however, strongly criticized Dolan’s measures of fragmentation, his model and the inferences he draws from the faulty results — concluding that “Dolan’s result is largely a statistical quirk produced by his measure of fragmentation.”

9. This research project is unique in that it wrestles with a hypothetical consolidation rather than an observed change in governance. This may seem odd, but they note that the usual empirical work makes implicit assumptions about non-consolidation after consolidation occurs.

10. Since then, from a personal discussion with Strauss, fiscal distress has continued and been exacerbated in many of the cases. At present, Pittsburgh continues to wrestle with consolidation issues.

THE LITERATURE

There may be a modest but positive correlation between consolidation and economic growth, but this correlation weakens considerably when compared with statewide growth rates and economic growth in comparable areas without consolidation.

who found that the single largest factor influencing the level of efficiency was whether a city was run by a city manager rather than an elected mayor.¹¹

Several studies from Canada provide potential lessons for consolidation in the United States. Reese (2004) provides analysis based on a series of three rounds of interviews with elected and administrative officials in Ottawa beginning at consolidation and continuing for two years. Savings resulting from increased economies of scale have been realized for some services such as libraries and fire service. Other services, such as snow removal and street repair have not been consolidated and economies of scale have not been realized. As overlapping elected and administrative officials were eliminated cost savings have occurred. However, some departments were short-staffed. As different pay systems were consolidated and union contracts renegotiated, pay and benefit levels have tended to increase. Overall operating costs have remained steady. Property tax rates were reduced but at the same time assessment increased due to growth pressures, so tax bills have remained the same or increased slightly. Competition for development in the region has decreased but has not been eliminated. The quality of regional planning has increased including growth management initiatives. Consolidation has resulted in increased equity in service levels.

Vojnovic (2000) examines the transition and short-term effects of consolidation in five Canadian municipalities. A variety of data including interviews, legislation, tax rate and financial reports and surveys with municipal officials are included in the analysis. In four of the five municipalities, government employee responsibilities became more specialized after consolidation and the need for more specialized equipment (particularly for information and accounting systems) increased. In one municipality (Abbotsford), salary increases averaged 1.5 percent; in the other four municipalities, salary increases were considerably larger. Abbotsford's ability to contain salary increases was due to explicit agreements regarding salary changes made before the consolidation. Consolidation agreements

should include the expected level and direction of changes in staff salaries, service standards and taxes. Two municipalities had decreases in the overall costs of administration and service delivery after the consolidation and two had increases. The fifth municipality is expected to have higher administrative costs since salaries were standardized at the highest levels. Larger municipalities have higher transition costs than smaller municipalities (\$75.56 per capita in Halifax versus \$3.70 in Victoriaville). In Victoriaville, numerous municipal functions were already merged prior to consolidation, which reduced transition costs. When tax rates and service levels differ dramatically in government units to be consolidated, tiered rate structures and service levels may be appropriate. The author summarizes "the success of achieving greater efficiency and effectiveness in governance and service delivery will depend on the distinct history as well as the spatial and economic circumstances" of the local governments considering consolidation (p. 1).

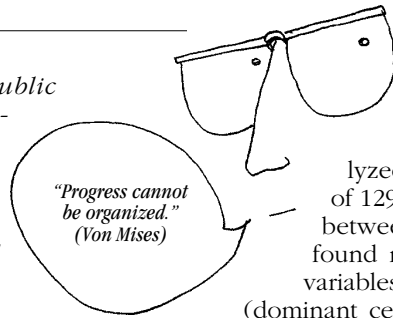
Parks and Oakerson (1993) conducted a comparative analysis of two metropolitan city-counties, the city of St. Louis-St. Louis County (Missouri) and city of Pittsburgh-Allegheny County (Pennsylvania). Neither area has a consolidated city-county government. The study examined service production and government structure focusing on the level of government fragmentation (the number of local governments) in each county. One part of the study examined the relationship between population served and per capita expenditures for services provided by municipalities in each area. The authors argue that if fragmented government structures are inefficient then population and per capita expenditures should be negatively related, as municipal population increases, per capita expenditures should decrease. Statistical analysis did not support this relationship, suggesting that small government structures are more efficient than large government structures.

Economic Development

Summary: Consolidation hopes to influence economic development through more

11. Moore, Nolan and Segal (2005) also found faster population growth was correlated with lower public-service efficiency.

efficient provision of public goods, a more coherent regional strategy to attract businesses and addressing environmental issues and other externalities (e.g., growth issues like sprawl and traffic congestion).



The literature indicates a modest but positive correlation between consolidation and economic growth, but this correlation weakens considerably when compared with statewide growth rates and economic growth in comparable areas without consolidation.

Importantly, some evidence shows support for consolidation among groups interested in promoting economic growth. Edwards and Bohland (1991), for example, surveyed 1,000 people in Roanoke, Virginia, and found a strong correlation between pro-growth attitudes and the desire for consolidation. Similarly, Rosentraub (2000) attributes much of Indianapolis' national reputation and downtown revitalization to the consolidation of core development services under a unified Department of Metropolitan Development under Unigov.

More generally, Carr and Feiock (1999) analyzed attraction of manufacturing and service firms to nine cities, before and after consolidation, from 1950-1993 and found some support that consolidation was correlated with economic development. But when compared with economic development in the state, the (causal) statistical significance dissipates. Nevertheless, the relationship was positive in all cases. The authors also noted the frequent opposition of local business to consolidation and speculate that the impact of consolidation (or fragmentation) is more distributive than developmental.

Nelson and Foster (1999) analyzed 287 of the largest metropolitan areas from 1976 to 1996, concluding that "elastic central cities" — cities that were able to expand their geographic size through annexation or consolidation — large suburbs and a regional coordination were positively correlated with per capita income growth. These results contrast with Blair, Staley and Zhang's (1996) analysis of 117 metropolitan areas that found no significant relationships between income and poverty rates and city "elasticity" and only modest effects on

employment and population growth. Earlier, Foster (1993) analyzed the population growth of 129 large metropolitan areas between 1962 and 1982 and found mixed results with some variables supporting consolidation (dominant central city and consolidation within suburbs) and others supporting fragmentation (suburbs unincorporating and less centralized school districts). Moreover, younger areas grew faster and results varied by region (measured with binary variables), pointing to the need to look at specific contexts.

Feiock and Carr (1997) examined job growth after consolidation in Jacksonville, Florida. They found a positive but statistically insignificant relationship between consolidation and job growth in manufacturing, retail or service sectors. The authors speculate that effects (and perhaps, interest) are more distributional than growth-oriented.

Local Government Consolidation and Equity

Increasingly, supporters of local government consolidation point to the potential for equalizing income and minimizing the potential for economic and racial integration. This is particularly important in the work of advocates such as former Albuquerque mayor David Rusk (1995; 1999) and Minnesota legislator Myron Orfield (1997). Both Rusk and Orfield present evidence that cities that are geographically larger or capable of expanding to include suburban areas are less segregated by race and income.

Blair, Staley and Zhang (1996) examined economic and demographic trends in 117 metropolitan areas and found that while economic growth was modestly related to the ability of local governments to expand, measures of metropolitan welfare were not. They concluded that the geographic size of the city has little practical impact on achieving more equitable outcomes in metropolitan areas.

This view is supported by at least one study of a geographically large city. An analysis of public spending in the city of Phoenix by Guhathakurta (1998) examined

Government consolidation can lead to serious morale problems among government employees as distinct governments with different policies, pay scales, etc., are merged.

THE LITERATURE

While consolidation was expected to increase government efficiency and lower costs, the consolidated government's charter mandated that city and county workers with similar responsibilities should receive uniform compensation by the end of the fourth year after unification.

property values for 27,933 properties in 200 census tracts and found that inner-city homes were taxed at a higher rate than similar homes in newer suburban-style neighborhoods in the city. An examination of planned spending for historic preservation, parks and recreation, storm sewers, street and bridges and water found that newer and suburban areas of the city received the "lion's share of the planned capital expenditure funds." The presumption that neighborhoods would be treated more equally or fairly was not validated by his analysis.

Morgan and Mareschal (1999) attempted to determine whether inner-city-suburban economic performance and racial segregation were caused by three measures of fragmentation. Fragmented metropolitan governments were associated with more demographic segregation. One surprising result with respect to economic variables was that the smaller the central city was relative to the metropolitan area the stronger its fiscal health was. Thus, while fragmentation appeared to increase segregation, cities in more fragmented regions were stronger fiscally.

Post and Stein (2000), however, examined urban-suburban economic "dependence" by looking at the statistical relationship between urban and suburban economic performance as a function of fragmentation (measured as per capita number of governments and geographic density of governments). In contrast to their expectations and most of the then-previous literature, they found no relationship between fragmentation and urban-suburban income disparities.

Effects of Consolidation on Personnel Issues

Summary: The limited number of studies on this topic precludes firm conclusions. The literature suggests that government consolidation can lead to serious morale problems among government employees as distinct governments with different policies, pay scales, etc., are merged.

The complexity of the transition and the stress and uncertainty that result are identified as reasons for low morale. Differences in compensation scales and employee classification systems are difficult to

reconcile and contribute to morale issues. Such morale issues persist for several years after consolidation.

Durning (1995) conducted three surveys in January 1991 (before unification of Athens-Clarke County, Georgia), June 1992 and July 1993 of city and county employees who had previously worked in the separate city and county governments. The surveys focused on employee perceptions of government efficiency (including costs, taxes, water rates), effectiveness (service quality), responsiveness, fairness and leadership (including quality of officials), power distribution, departmental efficiency, effectiveness and responsiveness, morale and advancement opportunities. Survey analysis indicates government workers became less optimistic about the consolidation over the 1991-1993 period. In particular employees viewed unified government as less efficient and indicated that service quality decreased, quality of local leadership decreased, government costs and taxes increased, employee morale decreased, department efficiency decreased and effectiveness and responsiveness decreased compared with separate governments. Employees indicated that the consolidation did not threaten their jobs or the jobs of other employees or cause them to be assigned to less desirable jobs, and consolidation was not leading to faster pay increases or improving chances for advancement. The author points out that the negative views may result from "transition to unification, not the functioning of a unified government." One point the author makes is that (based on mergers in other jurisdictions) it probably takes between two and four years to make the administrative-government changes needed in a typical merger.

Durning and Nobbie (2000) include an analysis of a 1997 survey that follows up on the previous surveys (above). The survey was conducted in 1997 because they expected transition issues related to the consolidation to be resolved. The 1997 survey responses were somewhat less negative but still indicated that employees found the effects of the consolidation to be "negative on them, their departments and the government." The authors point out that employee views of the consolidated government differ from those of the public and cite an opinion survey of the citizens of the con-

solidated government indicating widespread satisfaction with government services.

Condrey (1994) examines issues surrounding the consolidation of county and city government employees in Athens-Clarke County, Georgia, based on personal interviews with over 800 employees. The analysis spans 1991 through early 1993. While consolidation was expected to increase government efficiency and lower costs, the consolidated government's charter mandated that no employees should lose their jobs due to consolidation, employees should be assigned jobs with similar duties after consolidation, no employee should receive any reduction in compensation, former city and county workers with similar responsibilities should receive uniform compensation by the end of the fourth year after unification, and duplicated activities should be eliminated through attrition and reassignment.

Because the compensation scales and merit increases for city and county employees prior to consolidation were quite different, projected personnel costs actually increased (seven percent) after consolidation. As a result, personnel costs were held down by delaying the implementation of employee classification systems and pay plans, freezing general and merit increases, early retirement and a hiring freeze. The consolidated government workforce actually increased by about 50 positions (due to staffing a court-mandated jail facility). Decreased employee morale led to the first attempt to unionize. Not all departments were merged. Separate departments continued to exist for parks and recreation, arts and environmental education. The confusion surrounding consolidation provided an opportunity for some departments to restructure and increase the number of managers and employees.

The author points out that efficiencies achieved through early 1993 were the result of spending cuts rather than efficiencies achieved from merging the two governments.

Effects on Regional Governance

Summary: The key reason for supporting local government consolidation is the potential for more comprehensive approaches to solving problems that are regional in scale.

Several studies suggest that those participating in decision-making believe they are more capable of addressing regional concerns through consolidated government. The few studies that focus on these issues suggest that citizens of consolidated governments have higher levels of satisfaction with local government and the services provided. The limited literature is inconclusive on the relationship between consolidation and voter turnout with some studies concluding that consolidation increases voter turnout and other studies concluding that it does not.

Effects on Decision-Making

Fleishman (2000) conducted a comparative analysis to examine the ability of city-county consolidation to influence regional problem-solving. The analysis is based on 1999 interviews with 44 local leaders in four Georgia communities: two with consolidated governments, Athens-Clarke County and Augusta-Richmond County, and two that rejected merger, Macon-Bibb County and Brunswick-Glynn County. Local leaders in the two consolidated communities had positive views of the consolidated communities' ability to address issues more quickly and "without governmental bickering" and set agendas that are "more forward-looking" and take the lead "on regional issues affecting surrounding counties."

Notably, Wolfson and Frisken (2000) analyzed regional governance in Toronto and York, Ontario, and found that municipalities tended to compete, even when cooperation would seem to be more efficient. This would support the contentions of Rusk (1995; 1999), Orfield (1997) and others that regional approaches to local governance would allow for more a more effective decision-making process.

Effects on Citizen Satisfaction

DeHoog, Lowery and Lyons (1990) surveyed five types of communities in two metro areas (total of 10 surveys and 150-250 respondents in each community), in Louisville-Jefferson County, Kentucky, and Lexington-Fayette County, Kentucky, during the mid-1980s to examine the determining factors of citizen satisfaction with local government. Louisville-Jefferson County was

The literature is inconclusive on the relationship between consolidation and voter turnout with some studies concluding that consolidation increases voter turnout and other studies concluding that it does not.

THE LITERATURE

1) Significant gains in efficiency are unlikely.

2) Gains in perceived service quality are more likely but by no means assured.

3) When making modest changes to city governance — consolidating a few units of service provision — it is unlikely to have a significant impact on economic development.

4) Morale problems are a potential land mine with any effort to consolidate governmental units, especially those which differ considerably.

5) Context matters. The results of the literature are spotty and often built on case-by-case analysis.

not consolidated at the time and Lexington-Fayette County was consolidated. They examined individual, jurisdiction and city-neighborhood characteristics. One of the topics that they considered was citizen satisfaction with consolidated government. They found that citizens of consolidated government have higher levels of satisfaction with local government in general and service provision in particular.

Gerston and Haas (1993) reported the findings of a 1991 telephone survey in Santa Clara County – San Jose, California, a rapidly growing, urban area. This is not a consolidated government. Of 411 respondents, just over half supported the merger of several government agencies into one. Long distance commuters (greater than five miles) show stronger support than the general population for this type of merger. The authors suggest that the support is linked to the need for regional solutions to urban problems such as congestion and pollution in the area.

Effects on Voter Turnout

Seamon and Feiock (1995) found that voter turnout decreased after the consolidation of Jacksonville-Duval County, Florida. They examined voter turnout in the 15 years prior to and 19 years after consolidation. They concluded that consolidation decreased popular participation in government.

Kellerher and Lowery (2004) examined voter turnout in 1999-2002 municipal elections (city councils and equivalents) in 12 urban counties (total of 466 municipalities). They found that urban counties with fewer municipal governments have higher voter turnout.

Conclusion

From the limited number of studies available on the effects of city-county consolidation, the various research methods used and conclusions drawn from them, it is possible to draw a few relevant conclusions:

- First, significant gains in efficiency are unlikely.
- Second, significant gains in perceived service quality are more likely but by no means assured.

• Third, when making modest changes to city governance — consolidating a few units of service provision — it is unlikely to have a significant impact on economic development.

• Fourth, morale problems are a potential land mine with any effort to consolidate governmental units, especially those which differ considerably.

• Finally, context matters. The results of the literature are spotty and often built on case-by-case analysis.

Thus, the literature can best point to general principles. Beyond that, any given effort to consolidate can be done well or done poorly; and consolidation can be sold one way in theory and be done another way in practice. In a word, the literature is helpful but not definitive in establishing whether any given effort to consolidate will be beneficial for the community. Q

References

- Blair, John P., Samuel R. Staley and Zhongcai Zhang, "The Central-City Elasticity Hypothesis: A Critical Appraisal of Rusk's Theory of Urban Development," *Journal of the American Planning Association*, vol. 62, no. 3 (1996), pp. 345-53.
- Blomquist, William, and Robert B. Parks. "Fiscal Service and Political Impacts of Indianapolis-Marion County's Unigov." *Publius: The Journal of Federalism*, 25. 4 (1995), 37-54.
- Boyne, George A. "Is There a Relationship Between Fragmentation and Local Government Costs? A Comment on Drew Dolan." *Urban Affairs Quarterly*, 28.2 (Dec. 1992a), 317-323.
- Boyne. "Local Government Structure and Performance: Lessons from America?" *Public Administration*, 70 (1992b), 332-357.
- Bunch, B. S., and R. P. Strauss, "Municipal Consolidation." *Urban Affairs Quarterly*, 27.4 (June 1992), 615-630.
- Campbell, Richard W., and Dan Durning. "Is City-County Consolidation Good Policy? A Symposium." *Public Administration Quarterly*, 24.2 (Summer 2000), 133-139.
- Carr, Jared B. "Perspectives on City-County Consolidation and Its Alternatives." In J. B. Carr and Richard C. Feiock, editors, *City-County Consolidation and Its Alternatives: Reshaping the Local Government Landscape*. New York: M.E. Sharpe (2004).

Carr, J. B., and Richard C. Feiock, "Metropolitan Government and Economic Development." *Urban Affairs Review*; 34.3 (Jan. 1999), 476-489.

Condrey, Stephen E. "Organizational and Personnel Impacts on Local Government Consolidation: Athens-Clarke County Georgia." *Journal of Urban Affairs*, 15 (1994), 461-478.

DeHoog, R.H., and Lowery, D. "Citizen Satisfaction with Local Governance: A Test of Individual, Jurisdictional and City-Specific Explanations." *Journal of Politics*, 52.3 (Aug. 1990), 807-828.

Dolan, D. "Fragmentation: Does It Drive Up the Costs of Government?" *Urban Affairs Quarterly*, 26.1 (1990), 28-45.

Durning, Dan. "The Effects of City-County Government Consolidation: The Perspectives of United Government Employees in Athens — Clarke County, Georgia." *Public Administration Quarterly*, 19.3 (Fall 1995), 272-298.

Durning, Dan, and Patricia Dautel Nobbie. "Post-Transition Employee Perspectives of City-County Unification: The Case of Athens-Clarke County." *Public Administration Quarterly*, 24.2 (Summer 2000), 140-168.

Duncombe, William, and John Yinger. "An Analysis of Returns to Scale in Public Production, With an Application to Fire Protection." *Journal of Public Economics*, 52 (1993) 49-72.

Edwards, P.K., and J.R. Bohland. "Reform and Economic Development: Attitudinal Dimensions of Metropolitan Consolidation." *Journal of Urban Affairs*, 13.4 (1991), 461-478.

Feiock, Richard C., and Jered B. Carr. "A Reassessment of City-County Consolidation: Economic Development Impacts." *State and Local Government Review*, 29.3 (Fall 1997), 166-171.

Finney, Miles. "Scale Economics and Police Department Consolidation: Evidence from Los Angeles." *Contemporary Economic Policy*, 15 (1997), 121-126.

Fleischmann, Arnold. "Regional and City-County Consolidation in Small Metro Areas." *State and Local Government Review*, 32 (2000), 213-226.

Friskin, F. "The Contributions of Metropolitan Government to the Success of Toronto's Public Transit System: An Empirical Dissent From the Public-Choice Para-

digm." *Urban Affairs Quarterly*, 27 (1991), 268-292

Foster, Kathryn A. "Exploring the Links Between Political Structure and Metropolitan Growth." *Political Geography*, 12.6 (1993), 523-547.

Gerston, Larry N., and Peter J. Haas. "Political Support for Regional Government in the 1990s." *Urban Affairs Quarterly*, 29.1 (Summer 2000), 154-164.

Guhathakurta, Subhrait. "Who Pays for Growth in the City of Phoenix? An Equity-Based Perspective on Suburbanization." *Urban Affairs Annual Review*, 33.5 (1998), pp. 813-838.

Gyapont, Anthony O., and Kwabena Gyimah-Brempong. "Factor Substitution, Price Elasticity of Demand and Returns to Scale in Police Production: Evidence from Michigan." *Southern Economic Journal*, 54.4 (1988), 863-878.

Gyimah-Brempong, Kwabena. "Economies of Scale in Municipal Police Departments: The Case of Florida." *Review of Economics and Statistics*, 69.2 (1987), 352-356.

Hawkins, Brett W., Keith J. Ward and Mary P. Becker. "Governmental Consolidation as a Strategy for Metropolitan Development." *Public Administration Quarterly*, 15.2 (Summer 1991), 253-267.

Kelleher, Christine, and David Lowery. "Political Participation and Metropolitan Institutional Contexts." *Urban Affairs Review*, 39.6 (July 2004), 720-757.

Krimmel, John T. "The Northern York County Police Consolidation Experience: An Analysis of the Consolidation of Police Services in Eight Pennsylvania Rural Communities." *Policing: An International Journal of Police Strategies and Management*, 20.3 (1997), 497-507.

Liner, Gaines H. "Institutional Constraints, Annexation and Municipal Efficiency in the 1960s," *Public Choice*, 79.3-4 (1994), pp. 305-23.

Mattoon, R. H. "Can alternative forms of governance help metropolitan areas?" *Economic Perspectives*, 19 (1995), 20-32.

McAninch, Thomas, and Jeff Sanders. "Police Attitudes Toward Consolidation in Bloomington/Normal, Illinois: A Case Study." *Journal of Police Science and Administration*, 16.2 (1988), 95-104.

McDavid, James C. "The Impacts of Amalgamation on Police Services in the

Any given effort
to consolidate can
be done well or
done poorly; and
consolidation can
be sold one way in
theory and be done
another way in
practice.

“In short, some things have stayed the same, some things have improved and some things have become more complicated. The outcomes . . . have been mixed.”

— Laura Reese, a political scientist, writing on the topic of consolidation

THE LITERATURE

Halifax Regional Municipality.” *Canadian Public Administration*, 45.4 (Winter 2002), 538-565.

McKay, Ruth B. “Reforming Municipal Services After Amalgamation: The Challenge of Efficiency.” *International Journal of Public Sector Management*, 17.1 (2004), 24-47.

Miller, David. *et al.* “The Fiscal Organization of Metropolitan Areas: Allegheny County Case Reconsidered.” *Publius: The Journal of Federalism*, 25.4 (1995), 19-35.

Moore, Adrian, James Nolan and Geoffrey Segal. “Putting Out The Trash: Measuring Municipal Service Efficiency in U.S. Cities.” *Urban Affairs Review*, 41.2 (2005), pp. 237-259.

Morgan, David R., and Patrice Mareschal. “Central-City and Suburban Inequality and Metropolitan Political Fragmentation.” *Urban Affairs Review*, 34.4 (March 1999), 578-596.

Nelson, Arthur C., and Kathryn A. Foster. “Metropolitan Governance Structure and Income Growth.” *Journal of Urban Affairs*, 21.3 (Sept. 1999), 309-325.

Orfield, Myron. *Metropolitics: A Regional Agenda for Community and Stability*. Washington, D.C.: Brookings Institution, 1997.

Parks, Roger, and Ronald J. Oakerson. “Comparative Metropolitan Organization: Service Production and Governance Structures in St. Louis (Missouri) and Allegheny County (Pennsylvania).” *Publius: The Journal of Federalism*, 23 (Winter 1993), 19-39.

Post, Stephanie Shirley, and Robert M. Stein. “State Economics, Metropolitan Governance, and Urban-Suburban Economic Development.” *Urban Affairs Review*, 36.1 (Sept. 2000), 46-61.

Reese, Laura A. “Same Governance, Different Day: Does Metropolitan Reorganization Make a Difference?” *Review of Policy Research*, 21.4 (July 2004), 595-611.

Rosentraub, M.S. “City-County Consolidation and the Rebuilding of Image: The Fiscal Lessons from Indianapolis’ Unigov Program” *State and Local Government Review*, 32.3 (Fall 2000), 180-191.” <http://www.cviog.uga.edu/publications/slgr/issues.php>

Rusk, David. *Cities Without Suburbs*. Baltimore, MD: Johns Hopkins University Press.

Rusk. *Inside Game, Outside Game*. Washington, D.C.: Brookings Institution Press.

Seamon, Fred, and Richard C. Feiock. “Political Participation and City-County Consolidation: Jacksonville-Duval County.” *International Journal of Public Administration*, 18.11 (1995), 1741-1752.

Segedy, James A., and Thomas S. Lyons. “Planning the Indianapolis Region: Urban Resurgence, *de facto* Regionalism and Unigov.” *Planning Practice & Research*, 16.3/4 (Aug. 2001), 293-305.

Selden, Sally Coleman, and Richard W. Campbell. “The Expenditure Impacts of Unification in a Small Georgia County: A Contingency Perspective of City-County Consolidation.” *Public Administration Quarterly*, 24.2 (Summer 2000), 169-201.

Vojnovic, Igor. “The Transitional Impacts of Municipal Consolidations.” *Journal of Urban Affairs*, 22.4 (2000), 385-417.

Wolfson, J., and F. Frisken. “Local Response to the Global Challenge: Comparing Economic Development Policies in a Regional Context.” *Journal of Urban Affairs*, 22 (2000), 361-384.

THE AUTHORS



Dagny Faulk, Ph.D., is associate professor of economics at Indiana University Southeast. She has worked at the World Bank, the U.S. Department of Housing and Urban Development and the Indiana Legislative Services Agency. Her academic research, focusing on state and local public finance and economic development issues, has appeared in leading journals including the National Tax Journal and the Review of Regional Studies. She is a frequent contributor to the Indiana Business Review. She received her Ph.D. in economics from Georgia State University.



D. Eric Schansberg, Ph.D., is professor of economics at Indiana University Southeast and visiting professor at The King’s College. His academic research has focused on applied microeconomics, with an emphasis on labor and poverty. His work has appeared in leading journals such as Economics and Politics, Public Choice, Economic Inquiry, Markets and Morality, Public Finance Review, Applied Economics and Social Science Quarterly. He also is the author of Poor Policy: How Government Harms the Poor (Westview Press, 1996) and Turn Neither to the Right nor to the Left: A Thinking Christian’s Guide to Politics and Public Policy (Alertness Books, 2003). He earned his Ph.D. in economics from Texas A&M University and bachelor’s degrees in economics and mathematics from George Mason University.

APPENDIX: Summary of major published research in peer-reviewed journals

AUTHOR (DATE)	TOPIC	CITY-COUNTY	COMMENTS
UNIGOV			
Rosenraub (2000)	Economic development	Indianapolis	Argues that consolidation was essential for Indianapolis to achieve downtown revitalization and that Indianapolis presents an effective hybrid model of consolidation.
Segedy & Lyons (2001)	Economic development	Indianapolis	Indianapolis' hybrid model and its impact on regional perspective are effective.
Blomquist & Parks (1995)	Fiscal ramifications, service delivery, economic development and political impacts of Unigov.	Indianapolis	Impact depends on context. 1993 survey reveals little difference in perceptions of service quality. Consolidation allowed for higher debt limit, reduced insurance premiums and increased federal funds. Impressive economic growth post-consolidation which compares favorably to similar metro areas. Resulted in Republican control and increased voter turnout initially, followed by steep declines.
POLICE AND FIRE SERVICES			
McDavid (2002)	Consolidation of three police departments.	Halifax, Canada	Expenditures on police services decreased substantially. The number of sworn officers decreased and workloads increased. There was no effect on crime rates. The majority of citizens surveyed believed that the quality of police services stayed the same.
Krimmel (1997)	Compares operational costs in a consolidated police department with similar nonconsolidated departments.	York and Lancaster Counties, PA	The operational costs of the consolidated department were 28 percent lower than similar non-consolidated departments.
McAninch and Sanders (1988)	Surveyed 102 police officers on their attitudes toward consolidation.	Bloomington and Normal, IL	Majority of officers believe that a consolidated department would operate more economically, more effectively to address local crime, and eliminate duplicate services and equipment. Perceived threats to pensions, future raises, etc., were the main source of opposition.
Finney (1997)	Economies of scale	14 suburban police departments, Los Angeles County, CA	The average cost of providing police services does not decrease with the quantity of police services provided.
Duncombe and Yinger (1993)	Returns to scale	Municipal fire departments in New York State.	The consolidation of small fire departments will not result in significant cost savings.
Gyapong and Gyimah-Brempong (1988)	Economies of scale	Michigan cities with population of 5000 or more.	No statistical evidence of economies of scale.
Gyimah-Brempong (1987)	Economies of scale	Florida municipalities with populations of 5000 or more.	Police departments in large cities experience diseconomies of scale.
GOVERNMENT PERFORMANCE			
Miller <i>et al.</i> (1995)	Fiscal disparity between urban and suburban	Allegheny County, PA	Allegheny County has talked about consolidation but has not done so. Continuing local government fragmentation has not been correlated with budget improvement. Of course, there are a variety of factors that may explain this aside from the organization of governments. But continuing competition has not been correlated with budget improvement.

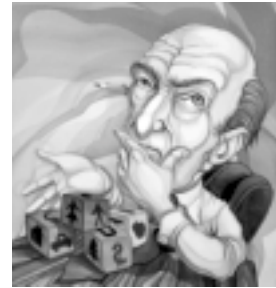
APPENDIX

AUTHOR (DATE)	TOPIC	CITY-COUNTY	COMMENTS
Dolan (1990)	Government spending	Cities in Illinois	Finds positive relationship between spending and fragmentation (but strongly criticized in Boyne [1992] for his measures of fragmentation, his model and the inferences he draws from the "faulty results.")
Selden & Campbell (2000)	Government spending	Athens, GA	Finds cost-savings in some departments and in real operating expenditures, but overall, an increase in real and per capita expenditures. Focuses on the problems caused by one-time transition costs. Consolidation does not guarantee more efficient operations. Interviews with department heads point to the import of individual decision-making within the new government.
Bunch & Strauss (1992)	Consolidation as a remedy for small, fiscally-distressed communities	Small communities outside Pittsburgh, PA	Some distributional effects, but on net, reduced operating deficits and economies of scale. Authors argue that the size of the city is an important but oft-overlooked factor.
Boyne (1992)	Impact of fragmentation on government spending		Negative relationship for spending with multi-purpose governments and no effect on single-purpose units. Cites mixed results or statistical difficulties for vertical fragmentation, horizontal concentration, and vertical concentration.
McKay (2004)	Ex ante stated intentions vs. ex post decisions	Sandwell Township, Ontario	May limit gains in efficiency.
Parks and Oakerson (1993)	Service production	St. Louis City and County, Missouri and Allegheny County (Pittsburgh), Pennsylvania	Smaller government structures are more efficient than large government structures.
Reese (2004)	Variety of issues including service efficiencies, service effectiveness, tax reductions, competition and economic development, planning and land use, equity, number of elected officials and responsiveness	Ottawa, Canada	Countervailing forces have offset many of the changes attributed to consolidation in Ottawa. In the long run consolidation may not make much difference in how citizens and businesses interact with and experience their local government.
Vojnovic (2000)	Variety of issues including bureaucratic specialization and employee salaries, structure of consolidation agreements, cost of administration and service delivery, size of local governments, fiscal accountability, equity	Abbotsford, British Columbia; Aldborough Township, Ontario; Victoriaville, Quebec; Miramichi, New Brunswick; the Halifax Regional Municipality, Nova Scotia	The ability of consolidated government to achieve greater efficiency and effectiveness depends on the historical and economic circumstances of the local governments involved.
Moore, Nolan, and Segal (2005)	Efficiency of 11 public services.	46 major U.S. cities	City size was not related to the efficiency of public services provision.
Liner (1994)	Costs of providing fire, police and sewer in cities that annexed aggressively	235 cities in 43 states	The ability to expand city size did not result in more efficient provision of services.
ECONOMIC DEVELOPMENT			
Post & Stein (2000)	Urban vs. suburban economic performance	150 metro areas with population greater than 250,000	No relationship between fragmentation and income disparities.
Carr & Feiock (1999)	Impact of consolidation on economic development in manufacturing and service industries	Nine cities, including Indianapolis	Consolidation is correlated with economic development, but when compared to economic development in the state, this disappears. Authors speculate that its impact is more distributive than developmental.
Nelson & Foster (1999)	Economic development proxied by income growth	287 large metro areas	Elastic central cities, large suburbs and a regional coordination are positively correlated with per capita income growth.

AUTHOR (DATE)	TOPIC	CITY-COUNTY	COMMENTS
Foster (2000 continued)	Consolidation and Population Growth	129 Large metro areas	Author finds mixed results—with some variables supporting consolidation (dominant central city and consolidation within suburbs) and others supporting fragmentation (suburbs unincorporating and less-centralized school districts). Also finds that younger areas grow faster and results vary by region (measured with binary variables), pointing to the need to look at specific contexts.
Feiock & Carr (1997)	Consolidation and job growth in manufacturing, retail, service sectors.	Jacksonville, FL	Positive but statistically insignificant relation between consolidation and job growth in manufacturing, retail or service sectors. Authors speculate that effects are more distributional than growth-oriented.
Edwards & Bohland (1991)	Popular desire for consolidation	Survey of 1000 people in Roanoke, VA	Strongest correlation between pro-growth attitudes and desire for consolidation.
Hawkins <i>et al.</i> (1991)	Political prospects for consolidation	Various metro areas	Argues for a case-specific analysis based on their context.
Blair, Staley and Zhang (1996)	Metropolitan development and city size	117 metropolitan areas	Elasticity—the ability of cities to expand through annexation or consolidation — was not associated with income growth or poverty rates, but had small positive effects on population and employment growth.
EQUITY			
Morgan & Mareschal (1999)	Economic performance and segregation	97 large metro areas	Central city as smaller percentage of the total population results in greater fiscal health. Fragmentation appears to increase segregation.
Guhathakurta (1998)	Property values and distribution of public spending within a large city	City of Phoenix	Spending for five major public services was not more equitable; inner-city neighborhoods tended to face higher tax rates.
REGIONAL GOVERNANCE			
Durning (1995)	Employees of consolidated government (Survey)	Athens-Clarke County, GA	Consolidation had a negative effect on employee morale.
Durning and Nobbie (2000)	Employees of consolidated government (Survey)	Athens-Clarke County, GA	Consolidation had a negative effect on employee morale.
Condrey (1994)	Employees of consolidated government (Interviews with more than 800 employees)	Athens-Clarke County, GA	Increased efficiencies were the result of spending cuts rather than efficiencies achieved from merging the two governments.
Wolfson & Frisken (2000)	Regional competition within economic development	Toronto and York, Ontario	Municipalities tended to compete, even when cooperation would seem to be more efficient.
Seamon and Feiock (1995)	Voter turnout rates	Jacksonville-Duval County	Voter turnout rates decrease after participation.
Kellerher and Lowery (2004)	Voter turnout rates	12 urban counties	Urban counties with fewer municipal governments have higher voter turnout.
Fleishman (2000)	Regional Problem-Solving (Interviews with local leaders)	4 Georgia communities – 2 consolidated and 2 that rejected merger	Local leaders in the two consolidated communities had a positive view of consolidation in addressing regional issues.
DeHoog, Lowery, and Lyons (1990)	Citizen satisfaction with local government	Louisville-Jefferson County, KY and Lexington-Fayette County, KY	Citizens of consolidated government have higher levels of satisfaction with local government in general and service provision in particular.
Gerston and Haas (1993)	Support for the merger of government agencies.	Santa Clara County, San Jose, CA	Support for the merger of several government agencies into one.

THE EFFECTS OF CITY-COUNTY CONSOLIDATION OF LOCAL GOVERNMENT SERVICES

A Survey of Academic Experts



Academic opinion lacked consensus or general agreement on whether city-county consolidation would increase responsiveness. This disagreement was particularly split for law enforcement.

This is the second part of a review commissioned by the Marion County Consolidation Study Commission. It presents the results of a national survey of 76 experts on the potential benefits and costs of consolidating public services. Twenty eight (36.8 percent) responded to the survey over a two-week period. A summary of the answers to the survey questionnaire is available by contacting the foundation.

The first set of questions asked academic experts on consolidation whether they believed consolidating nine specific public services (*i.e.*, law enforcement, fire protection, social services, etc.) would increase the responsiveness of these services to the public, increase the effectiveness of providing each service, create technical efficiencies (or cost savings), or reduce service duplication. The survey results indicated:

- Academic opinion lacked consensus or general agreement on whether city-county consolidation would increase responsiveness. This disagreement was particularly split for law enforcement.

- Experts appeared to agree that consolidating all nine services identified in the survey would increase effectiveness. The largest effects would most likely be seen in economic development, planning and fire

protection. Expert opinion was less certain about law enforcement, social services and utilities.

- Experts were significantly split on whether consolidation of any of these services would result in increased efficiencies.
- A consensus seemed to suggest that consolidating economic development and law enforcement would reduce duplication of services. Experts were less certain about the benefits for parks and recreation, fire protection, public works, utilities, social services and public health.

Academic experts were near consensus (70 percent or higher) that the city-county consolidation generally would:

- Improve the technical efficiency of services provide.
- Improve economic development.
- Reduce urban-suburban inequalities.
- Encourage uniform service provision.
- Not reduce taxes.
- Not reduce public employee satisfaction.

Eleven experts indicated they had specific knowledge about Unigov and consolidation efforts in Indianapolis. Universal or near universal agreement existed among these experts that Unigov has:

- Led to improved economic development.
- Led to uniform service provision.
- Lowered transaction costs for the business community.
- Not reduced public employee satisfaction.

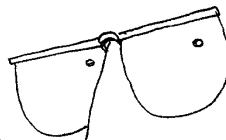
A consensus among these experts also appears to exist that Unigov has:

- Improved the efficiency of public service provision.
- Reduced inequalities between the city and suburbs.
- Increased accountability with local officials.
- Not reduced the overall tax burden.

Experts were split over whether Unigov resulted in significant cost savings. Just 54.6 percent indicated they believed that economies of scale from consolidation reduced costs. In addition, a significant minority, 45.5 percent, believed that consolidation increased the transaction costs for residents working with the city.

When asked about consolidating law enforcement, fire protection and tax assessment, academic researchers familiar with Unigov believed that these services would become more efficient, more accountable, provide services more evenly and reduce duplication. But, in one-on-one interviews, several voiced concerns that costs would increase significantly as lower-paid county and small-town personnel were merged into the larger departments and salaries adjusted upward.

Many experts believed that “regional government models are better equipped to handle the kinds of problems our metropolitan areas face.” Yet, based on the responses to this survey, these benefits have not emerged at sufficient levels to generate a consensus among experts on the benefits of consolidating services functionally or as part of a general reform effort.



“The essence of government is power; and power will ever be liable to abuse.”
(Madison)

Survey Design

The survey was developed by the research team and pre-tested among academics prior to its distribution. The team also solicited feedback from members of the Marion County Consolidation Study Commission of the Indiana General Assembly. The team determined that the most efficient and effective way to administer the survey, particularly given the time constraints of the project, was using an online survey (SurveyMonkey.com).¹

Eighty-one experts were identified based on articles published in the research or academic literature on local government consolidation. The team was unable to identify reliable contact information for five, leaving a sample of 76. The survey was conducted during the first two weeks of October and the survey was closed on October 15, 2005. Twenty-eight experts responded (a response rate of 36.8 percent).²

Eleven (39.3 percent of the sample) indicated they had “direct knowledge” or their research has specifically included “the effects or effectiveness of Unigov or consolidated local government in Indianapolis.” These researchers were then queried and six were interviewed separately through in-depth, one-on-one interviews.³ The results of these interviews have been integrated into the discussion specifically addressing Indianapolis and Unigov.

Characteristics of Respondents

The respondents were overwhelming male (85 percent) and Caucasian (95 percent). About half had worked in local government and half were currently employed in political science departments. Another 27 percent were employed in public administration or public policy departments at universities while just 19 percent worked in economics or business depart-

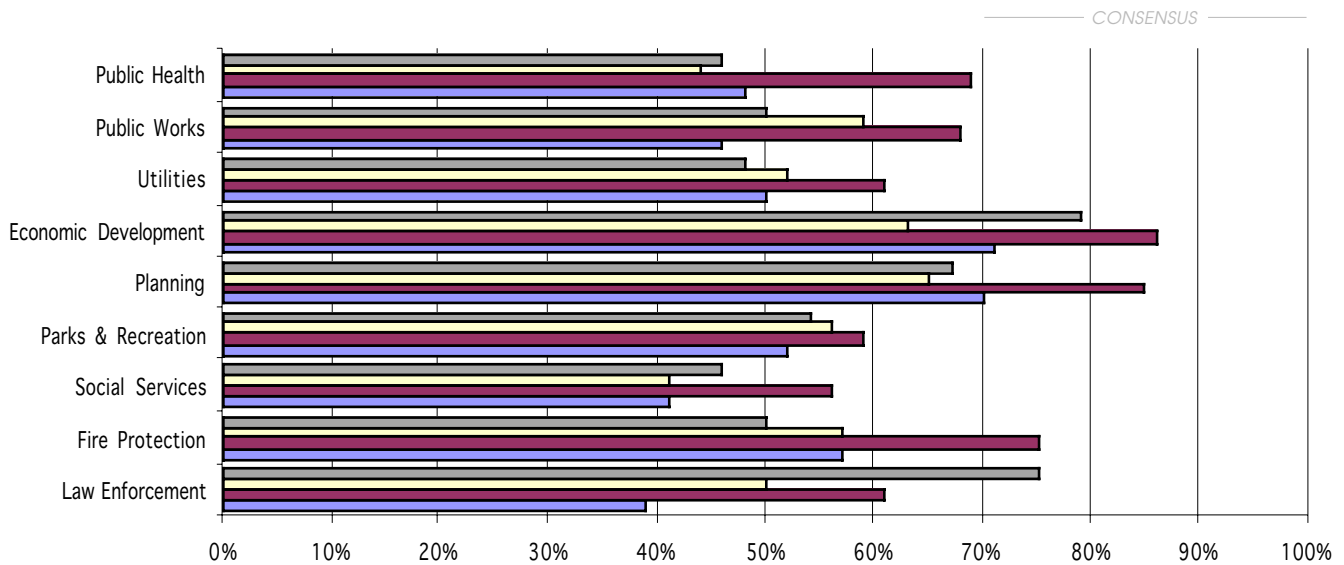
The majority of the respondents classified their political beliefs as either liberal or progressive, while 40.7 percent of the remaining experts considered themselves moderates. Only two experts (7.4 percent) described themselves as conservative or libertarian.

1. This allowed questions to be easily edited and fine-tuned based on immediate feedback from the research team and others. Moreover, given the targeted focus on the survey — academics with access to and facility with the Internet and worldwide web — the team believed an on-line survey would maximize its response rate.

2. Non-responding experts were contacted at least three times, either by personal or general e-mail, prior to closing of the survey.

3. Each of the experts was contacted but interviews could be arranged for six under the time constraints and deadlines for this project.

Table I: Expert Opinions on the Effects of Functionally Consolidating Selected Public Services



	Law Enforcement	Fire Protection	Social Services	Parks & Recreation	Planning	Economic Development	Utilities	Public Works	Public Health
■ Reduce Service Duplication	75%	50%	46%	54%	67%	79%	48%	50%	46%
■ Increase Efficiencies	50%	57%	41%	56%	65%	63%	52%	59%	44%
■ Increase Effectiveness	61%	75%	56%	59%	85%	86%	61%	68%	69%
■ Increase Responsiveness	39%	57%	41%	52%	70%	71%	50%	46%	48%

The authors interpret majorities of 70 percent or more as an indication of significant agreement among the experts surveyed, while responses closer to 50 percent represent substantial disagreement.

ments. The majority of the respondents also classified their political beliefs as either liberal or progressive, while 40.7 percent of the remaining experts considered themselves moderates.⁴ Only two (7.4 percent) described themselves as conservative or libertarian. Most, however, were not politically active in local government consolidation campaigns. Just six (22.2 percent) reported participating in a pro-consolidation campaign and only one (3.7 percent) had participated in an anti-consolidation campaign.

The survey respondents also tended to be active in research. Seventy percent had written academic articles on city-county consolidation since 2000. Nevertheless, the vast majority (77 percent) reported they were rarely or never contacted by the media to comment on local government consolidation. Only two (7.4 percent) reported they were contacted by the media five times or more each year, while 14.8 percent said they were contacted two to four times per year.

Design and Interpretation of the Results

We identified nine public service areas based on the academic research although the current Marion County consolidation effort focuses primarily on law enforcement, fire services, local welfare services (social services) and tax assessment.

The prior consolidation of Marion County and the city of Indianapolis in 1974 created Unigov, and consolidated parks and recreation, economic development, public utilities, public works and most land-use planning. Even though these services were not the focus of the current consolidation effort, the research team determined that including these functions allowed for a more complete survey and more robust interpretation of the findings. The other services such as parks and recreation, planning, economic development utilities, public works, social services and public health, all have been studied extensively in the literature on consolidation. Thus, including them allowed the research team to identify con-

4. This distribution is not out of line with academic researchers in this field.

sistencies and inconsistencies, if any, among survey responses.

Expert opinion on other services provides a useful benchmark for assessing the relative strength and consensus of expert opinion on the services under study in Marion County. Tax assessment was excluded because this has not been a focus of academic research to date, and the team believed the survey respondents would not have sufficient information to provide a general response.

To facilitate the interpretation of the survey results, we have separated law enforcement, fire protection and social services in the tables.

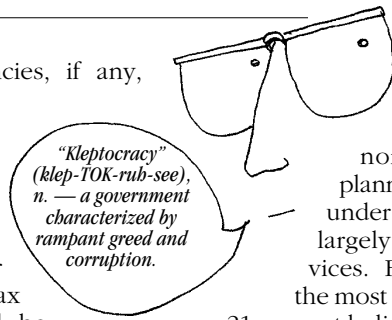
An important goal of the survey was to determine the degree to which experts had reached general agreement or a consensus about the effects of city-county consolidation on specific government functions. Average responses that are close to 50 percent represent split opinion — evenly divided about the effects on services. Thus, the more significant the majority, the closer respondents are to a consensus. We interpret majorities of 70 percent or more as an indication of significant agreement among the experts we surveyed, while responses closer to 50 percent represent substantial disagreement.

Effects of Functional Consolidation of Services

We asked experts whether, based on their knowledge of the academic research to date, they believed consolidating specific city-county services would:⁵

- Increase (decrease or have no effect on) the responsiveness to citizens
- Increase the effectiveness of service delivery
- Increase the efficiencies from service duplication (generating savings)
- Increase service duplication

Our first set of questions asked experts whether they believed the city-county consolidation of public services would increase, decrease or have no effect on the responsiveness to citizens. Academics appear to lack a consensus or general agreement on whether city-county consolidation would increase responsiveness to citizens and users. Significant



majorities believed that responsiveness would increase for economic development and planning (already consolidated under Unigov). Opinion was largely split on other public services. Fire protection received the most support (57 percent), but 21 percent believed that responsiveness might fall and 21 percent believed consolidation would likely have no effect on responsiveness. Experts were split on whether consolidation would increase (39 percent) or decrease (39 percent) or have no effect (21 percent) on responsiveness for law enforcement.

When asked about effectiveness — whether improved outcomes would be achieved through consolidation — experts believed that nine service areas would benefit from functional consolidation. Expert opinion generally agreed that functionally consolidating economic development (86 percent), planning (85 percent) and fire protection (75 percent) would lead to improved effectiveness. Researchers were less certain about law enforcement — 61 percent believed that it would lead to increased effectiveness. Twenty-one percent indicated they believed law enforcement's effectiveness would be reduced (higher than every other service except social services at 26 percent), and 18 percent believed consolidation would have no effect.

Expert opinion was split on the ability of consolidation to increase the *efficiency* of public service provision through reduced public service duplication. Economic development, planning and public works were most likely to experience efficiencies according to respondents, but about 30 percent believed consolidation would have no effect. Only 41 percent believed social services benefit from consolidation, while half believed law enforcement and fire protection would result in efficiencies.

A near-consensus of academics, on the other hand, believed that functional city-county consolidation of economic development (79 percent) and law en-

There was consensus that three service areas would benefit from functional consolidation: economic development, planning and fire protection.

5. Respondents could answer "increase," "decrease," or "no effect." We have reported the results for responses indicating consolidation would "increase."

THE SURVEY

Academics were evenly split (35.7 percent agreed and 35.7 percent disagreed) on whether consolidating governments increased or decreased citizen participation and involvement.

forcement (75 percent) would reduce public service duplication. Opinion was significantly split on whether reducing service duplication would benefit parks and recreation (54 percent), fire protection (50 percent), public works (50 percent) and utilities (48 percent).

In the area of social services (54 percent) and public health (54 percent), academics appear to believe that functional consolida-

tion would have “no effect” on service duplication.

Attitudes on Structural Consolidation

The survey also asked academics about their views of “structural consolidation,” or consolidating government services across the board as a general reform. These questions essentially asked whether local government would be more or less efficient, responsive, effective, etc., if the region were governed by one government rather than many.

Academic experts were near consensus on their belief that consolidating local government would (Table 2):

- Improve the technical efficiency of services delivered
- Improve economic development for the region
- Reduce urban-suburban inequalities
- Encourage uniform service provision
- Not reduce taxes
- Not reduce public employee satisfaction

A consensus also exists among the experts surveyed that fragmented local government is an inefficient way to organize local governments.

Much less agreement exists among experts on whether consolidating local governments would increase or reduce accountability. Only 21.4 percent of the academics “strongly” agreed that consolidating governments would increase the accountability of elected officials although 35.7 percent “agreed” that consolidation would lead to an increase in accountability. A little less than half disagreed (32.1 percent) or strongly disagreed (10.7 percent), indicating that they believed consolidation might well reduce accountability of elected officials.

Academics were evenly split (35.7 percent agreed and 35.7

Table 2: Responses to Survey Questions on Structural Consolidation (percentage)

	% Agree (Total)	% "Strongly Agree"	% "Agree"
Consolidating government services improves the technical efficiency of service delivery	81.5	29.6	51.9
Consolidating governments leads to improved economic development	80.8	30.8	50
Consolidating governments reduces inequalities between city and suburban residents	80	32	48
Consolidating governments encourages uniform service provision	77.7	33.3	44.4
Consolidating governments limits citizens' choices	62.9	22.2	40.7
Consolidating governments increases the accountability of elected officials	57.1	21.4	35.7
Consolidating governments decreases citizen participation and involvement	53.6	17.9	35.7
Consolidating governments leads to a decrease in the diversity of elected officials	50	23.1	26.9
Consolidating governments decreases responsiveness to citizens	44.4	22.2	22.2
Consolidating governments reduces corruption	42.3	3.8	38.5
Consolidating governments leads to higher transaction costs between residents and the service bureaucracies	39.3	14.3	25
Consolidating governments decreases public employee satisfaction	32	8	24
Government fragmentation is a more effective way to organize local governments than consolidation	19.2	11.5	7.7
Consolidating governments leads to lower taxes	10.7	0	10.7

percent disagreed) on whether consolidating governments increased or decreased citizen participation and involvement. They also generally disagreed on whether consolidating governments led to a decrease in the diversity of elected officials. Half believed it would increase diversity while half said it would reduce it.

The Impact of Consolidation on Indianapolis

A smaller subset of the respondents (slightly under 40 percent) had direct knowledge of consolidation’s impact in Indianapolis. These respondents were asked specific questions about their views of the effects of consolidation on the city of Indianapolis and Marion County.

Universal or near-universal agreement existed among these experts that Unigov has led to (Table 3):

- Improved economic development
- Uniform service provision
- Lowered the transaction costs of working with the city for the business community
- Not reduced public employee satisfaction

A consensus appears to exist that Unigov has:

- Improved the efficiency of service provision
- Not reduced inequalities between the city and suburbs
- Increased accountability with local officials
- Not reduced the “tax price” of the region (lowering the overall tax burden)

Despite these benefits, experts are split on whether Unigov has resulted in significant cost savings. Just 54.6 percent indicated they believed that economies of scale from consolidation reduced costs. Indeed, 36.4 percent said they “disagreed” that consolidation resulted in cost savings through economies of scale, a portion identical to those who “agreed.” While 18.2 percent said

they “strongly agreed” that these cost savings were achieved, 9.1 percent “strongly disagreed.”

Expert opinion believed that businesses benefited from consolidated city-county government through reduced transaction costs. However, 45.5 percent believed that transaction costs increased for residents.

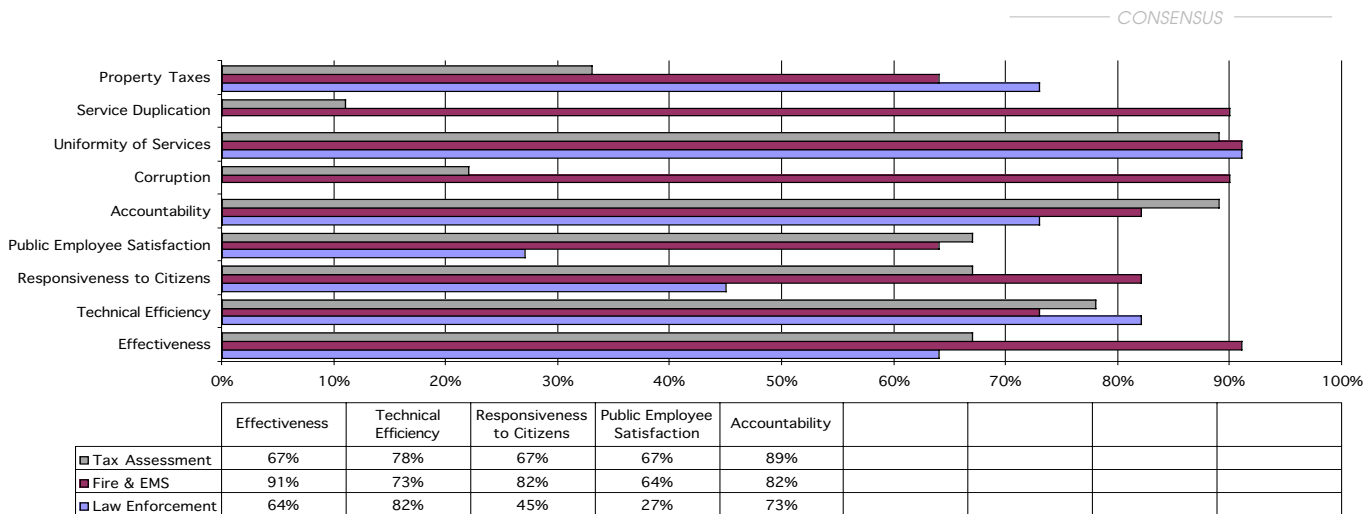
The survey also asked experts familiar with Unigov what they believed the impact of consolidating law enforcement, fire services and tax assessment would have on the

The experts are split on whether Unigov in Indianapolis has resulted in significant cost savings.

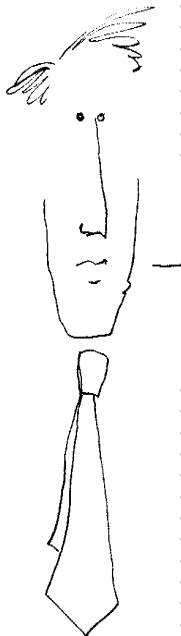
Table 3: Expert Opinion on the Effects of Unigov and Local Government Consolidation (percentage)

	% "Agree" (Total)	% "Strongly Agree"	% "Agree"
Unigov has led to improved economic development for the region	100	25	75
Unigov encourages uniform service provision	100	18.2	81.8
Unigov has led to lower transaction costs between businesses and the service bureaucracies	89	20	69
Unigov has improved the technical efficiency of service delivery	83.4	16.7	66.7
Unigov has reduced the inequalities between city and suburban residents	81.8	18.2	63
Unigov has increased the accountability of elected officials	75	8.3	66.7
Unigov has led to a decrease in the diversity of elected officials	70	0	70
Unigov has reduced corruption among public employees and elected officials	60	0	60
Unigov has limited citizens' choices	54.6	18.2	36.4
Unigov has led to cost savings by achieving economies of scale	54.6	18.2	36.4
Unigov has decreased elected officials' responsiveness to citizens	54.6	18.2	36.4
Unigov has led to higher transaction costs between residents and the service bureaucracies	45.5	9.1	36.4
Unigov has reduced the tax price in the region	18.2	0	18.2
Unigov has decreased public employee satisfaction	0	0	0

Table 4: Expert Opinion on the Effects of Specific Public Service Consolidation



One expert believes the cost savings that might accrue from Unigov are small compared with the political costs.



*"The essential characteristic of Western civilization is its concern for freedom from the state."
(Von Mises)*

provision of city services. A consensus appeared to exist that consolidating these services would:

- Increase the technical efficiency of providing these services
- Increase accountability
- Encourage the uniform provision of services
- Reduce service duplication

Fire and emergency medical services seemed to be particularly likely to benefit from consolidation although in-depth, one-on-one interviews with experts revealed somewhat more caution and hesitation.

One expert noted that the department would benefit from spreading the costs of acquiring capital equipment as "the combined department can spread the cost of very expensive equipment over a larger base."

Also, noting Charlotte-Mecklenburg County has a similar structure to Indianapolis-Marion County, another expert observed that insurance companies tend to "charge more for home fire insurance if the home is serviced by volunteers." City-county consolidation, one noted, is another step toward "regional government structures, which are increasing the scale of problems we see in urban areas."

On the other hand, other experts were cautious in interviews about the fiscal implications of consolidating fire services. "Personnel costs will increase substan-

tially, as the lower paid township fire fighters move up to the Indianapolis Fire Department (IFD) pay, and additional paid firefighters are added to replace current volunteers who will be squeezed out by 'professional' standards." Another pointed to the nature of emergency services in the post-911 and post-Katrina era where services will focus more on new and more specialized services. Services will be redefined "in terms of security, hazardous waste, disaster recovery and prevention, and a variety of medical services and so forth." Another noted that he supported county-wide consolidation of the budget for fire protection and emergency services, with additional (staffing and equipment) resources made available to the individual fire stations. Generally, public safety should be decentralized to areas: "... Under a Unigov system, it makes more sense to budget for staffing and building space at the township and ward level, then maintain separate county-wide budgets for investment in technology and human or physical public capital."

Experts familiar with Unigov appeared more split on the benefits of merging law enforcement services. On the one hand, one observed:

In this particular case, it may be a good idea. Consolidating IPD (Indianapolis Police Department) and MCS (Marion County Sheriff's Department) and basing support for the combined department on a county-wide tax will remove a significant inequity for taxpayers in the current Police Services District, who now pay

entirely for IPD and also for a share of the Sheriff's road patrol and detectives — who do not work within the IPD.

Another potential benefit one expert identified, citing Jacksonville-Duvall and Charlotte-Mecklenburg consolidated governments, was better “internal communication regarding calls for service than the separate departments.”

On the other hand, one expert noted (echoing the concerns of at least three others familiar with Unigov) that the “the marginal cost savings that might accrue are so small compared with the political costs. Empirical evidence demonstrates that costs will go up because the county salaries will have to be equalized with the city's and the equipment will have to be standardized.”

Most experts interviewed by the research team believed that consolidating tax assessment made sense:

Revenue collection and assessment should be a county-wide function. This is in keeping with uniform assessment practices. However, each service area should have the ability to vote on rates, charges or fees to provide services in addition to those currently mandated by the consolidated government. For example, service districts should be able to pay for increased services as an option.

Conclusion

Expert opinion appears to lack consensus on a number of key elements of city-county consolidation. While most believe

that consolidation will lead to a more responsive and effective system of governance, they do not believe that efficiencies will translate into lower taxes or lower government costs. The services most likely to benefit from city-county consolidation — public works, planning, economic development — were already consolidated under Unigov. While law enforcement may benefit from consolidation, experts appear concerned that the decentralized nature of public safety services may hamper efforts to efficiently consolidate these services.

As one expert said:

Over the years, the argument for consolidation has shifted from one based on public administration (that is, seeking efficiency and effectiveness, productivity) to one based on political science (that is, seeking accountability). Consolidated metropolitan services — generally, not in all cases — are more accountable than fragmented services. Citizens can access consolidated services without trying to figure out whether *x* is a county service or a city service.

Moreover, many experts believe that “regional government models are better-equipped to handle the kinds of problems our metropolitan areas face.”

Yet, based on the responses to this survey, these benefits have not emerged at sufficient levels to generate a consensus among experts on the benefits of consolidating services functionally or as part of a general reform effort.

While most believe that consolidation will lead to a more responsive and effective system of governance, they do not believe that efficiencies will translate into lower taxes or lower government costs.

The Authors



Suzanne M. Leland, Ph.D., is assistant professor of political science at the University of North Carolina-Charlotte. Her academic research has focused on government efficiency and consolidation, appearing in leading journals such as the Public Administration Review, Public Administration Quarterly, Journal of Regional Policy and Analysis and the American Review of Public Administration. She is co-editor with Kurt Thurmaier of Reshaping the Local Government Landscape: Case Studies of Local Government Consolidation (M.E. Sharpe, 2004), an extensive look at the successes and failures of efforts to consolidate local governments in the U.S. She received her Ph.D. in public administration from the University of Kansas, M.A. in political science and B.S. in political science from Minnesota State University.



Samuel R. Staley, Ph.D., an adjunct scholar for the foundation, is director of urban and land-use policy at Reason Foundation in Los Angeles. His experience in local government and economic development spans more than 20 years as a researcher, analyst and consultant. His academic work has appeared in leading professional publications, including the Journal of the American Planning Association, the Journal of Urban Development and Planning, Town Planning Review, Planning magazine and Urban Land. His most recent book (co-edited with Randall G. Holcombe) is Smarter Growth: Market-Based Strategies for Land-Use Planning in the 21st Century and he is a frequent contributor to the Indiana Policy Review. He received his Ph.D. in public administration from The Ohio State University, M.S. in applied economics from Wright State University and B.A. in economics-public policy from Colby College.

Indiana Policy Review
Winter 2006

GROUP BELIEVES SURVEY WAS TOO LIMITED

Literature Favoring Consolidation Was "Excluded"

"Although the value of academic research and opinion is an important criterion in the formation of public policy proposals, it is far from determinative."

— Minority Members of the Marion County Consolidation Study Commission

The below article was sent Nov. 23 to the Marion County Consolidation Study Commission by an Indianapolis consultant, William J. Sheldrake of Policy Analytics, LLC, on behalf of dissenting commission members Sen. Billie Breaux, Rep. Ed Mabern, Chief Joe Anderson, John Myrland and Scott Chinn. The dissent was invited by the commission chairman, Sen. Michael Young.

The Marion County Consolidation Study Commission contracted for a review of the academic literature regarding the effect of local government consolidation on governmental efficiencies and a survey of academic opinions on the same subject. This document constitutes a response to and a critique of those reports.

The time limitation imposed on the literature restricting the commentary to works produced after 1990 kept the authors from addressing some of the most important research on the subject. In 1989, David Lowery and W.E. Lyons published "Governmental Fragmentation vs. Consolidation: Five Public-Choice Myths about How to Create Informed, Involved and Happy Citizens" (Public Administration Review 1989). This landmark study, directly comparing an unconsolidated metropolitan area and a consolidated one, demonstrated several points.

1) "Citizens living in smaller local jurisdictions located in the more-fragmented system were not better informed about the scope and nature of their local tax-service package."

2) Citizens located in the unconsolidated geographies "... were not more efficacious about their relationships with their local government."

3) Citizens in the smaller local jurisdictions "... were not more likely to participate in local affairs."

4) Residents of the unconsolidated communities "... were not more satisfied with their local services and the performance of their local governments than their counterparts living in the consolidated setting."¹

One necessary condition for the public-choice model of local government competition for citizens based on efficiency and effective service delivery is that citizens must understand which government is responsible for delivering each package of services. Lowery and Lyons found that in reality, the citizens in the unconsolidated area were much more likely to fail to identify which government to hold accountable. "In fact, these findings suggest that the kind of complex, multilayered, polycentric system of government advocated by supporters of the public-choice model may

1. W.E. Lyons and David Lowery, "Governmental Fragmentation vs. Consolidation: Five Public-Choice Myths about How to Create Informed, Involved and Happy Citizens," *Public Administration Review*, November-December 1989, p. 533.

2. Lyons and Lowery, p. 537.

THE MINORITY OPINION

“The survey of academics familiar with Marion County and the City of Indianapolis found them to be overwhelmingly positive regarding the impact of Unigov on the consolidated city since 1970.”

— Minority Members of the Marion County Consolidation Study Commission

to consolidation. The survey asked academics to give their opinion on whether consolidation would im-

prove effectiveness and efficiency on nine specific public services. The reviewers reported four summarized responses: two were positive, increased effectiveness and a reduction of duplication in services were a consensus among the academics. Two of the summarized responses were mixed: a) lacked clarity on whether responsiveness would be increased in law enforcement and b) split opinion on whether efficiencies would obtain.

There was a clear consensus among the academics that the following outcomes would result from consolidation:

- Improved technical efficiency of services provided
- Improved economic development.
- Reduced urban-suburban inequalities.
- Increased uniformity in service provision.
- No decrease in taxes.
- No increase in public employee satisfaction.

The above list, however, is far from discouraging to consolidation. It includes four positive outcomes and two that indicate no change from the current status. And finally, the survey of academics familiar with Marion County and the City of Indianapolis found them to be overwhelmingly positive regarding the impact of Unigov on the consolidated city since 1970.

In addition to the review of the literature and the survey of academics undertaken by the commission, the Indianapolis Works bibliography cited a number of academic reports relevant to the consolidation issue. The Lowery and Lyons research from 1989 has already been mentioned. Three other reports are worth mentioning as well:

1. Savitch, H.V., David Collins, Daniel Sanders and John P. Markham, “Ties that Bind: Central Cities, Suburbs and the New Metropolitan Region,” *Economic Development Quarterly*, Sage Publications, Inc. Vol. 7 No. 4, November 1993, p. 341. Savitch, a professor of Urban Policy and Management at the University of Louisville,

	Positive	Mixed	Negative	Total
Academic Reports Reviewed	17	11	12	40

argues that central cities and their surrounding local governmental units are highly interdependent.

He shows that suburban economies are tied to urban economic success and that one “...mark of a healthy suburb is not self-sufficiency, but interaction with a high-density, prosperous urban core.” (p. 347)

2. Richard Voith, “City and Suburban Growth: Substitutes or Complements,” *Business Review*, Federal Reserve Bank of Philadelphia, September-October 1992; p. 21. The author demonstrates through the analysis of population, income and employment data that cities and suburbs are complementary rather than independent, and that therefore the proposition that local government competitive models assert a constraint on public expenditures is at best confused.

3. Richard H. Mattoon, “Can Alternative Forms of Governance Help Metropolitan Areas?,” *Economic Perspectives*, Vol. 5 No. 6, November-December 1995, p. 1. The author states, “Efficient firms cannot function for very long in inefficiently configured metropolitan regions. With efficiency and productivity considerations guiding the development of many firms, local barriers that prevent firms from improving their situation will certainly hurt the development prospects of most regions.”

Although the value of academic research and opinion is an important criterion in the formation of public-policy proposals, it is far from determinative. One researcher states, “Academics have served as consultants to reform efforts, and many uncritically repeat the homilies of reform, intermingling empirical analysis with normative exhortation of what ‘should’ and ‘must’ be done. But these agents are not necessarily detached or ‘value-neutral’ in their study of the political dynamics of reform.”³

In conclusion, the reviewers who assembled the literature and the opinions produced reports that are too limited in the range of research reviewed and even in view of their mission have produced an analysis that on balance is at least as encouraging with regard to the opportunities to be realized in consolidation as it is worrisome with regard to warnings. Q

3. Bert E. Swanson, *State and Local Government Review*, Vol. 32, No. 3, (Fall 2000), p. 230.

THE FOUNDATION'S RESPONSE

All members of the foundation's research team reviewed William Sheldrake's response. They formally submitted these comments to the commission chairman on Nov. 26.

1. Mr. Sheldrake's analysis confirms our main conclusion: The evidence is mixed on the effects of consolidation of public services. This is evident in his macro-analysis of the studies we reviewed (presented in his table on the facing page). The majority of the studies found either mixed or negative results on public service delivery. As we emphasized in the report, this does not imply that further consolidation will necessarily result in poor performance. Rather, the likelihood of improving performance is relatively low based on the evidence we found.

2. Mr. Sheldrake's main criticism of our reports appears to be that we acknowledged the skeptical research and didn't emphasize the positive studies enough. We believed our task was to present as objectively and fairly as possible the results of the literature review and survey of experts. We believe our reports represent this objectivity. His point appears to be that since some studies have found positive results we should conclude that consolidation is beneficial. *The Indiana Policy Review* and its research team do not believe this is a fair or accurate reading of the academic research to date.

3. Our decision to use a 1990 cut-off for the academic literature review was not arbitrary, nor intended to exclude research or specific articles. Rather, as we write in our report, we believed previous reviews had already accurately characterized the status and nature of this research during previous periods. Specifically, we cite Boyne's 1992 survey in the academic journal of Public Administration.

Thus, the Lyons and Lowery article cited by Mr. Sheldrake was not included. But, this criterion also meant we excluded a number of careful studies that have found negligible or negative results as well. The Lyons and Lowery study may be the most thorough study that shows positive benefits, but it is not in our view the definitive statement on the issue. Moreover, given the fact we reviewed more than 25 academic studies, the addition of one or two additional studies would not likely change our overall conclusions.

4. Sheldrake takes specific issue that we did not review more studies of the effects of consolidation on fire services. "The fact the (review of the literature) chose not to review more studies from this category is a significant oversight by the reviewers." We conducted a comprehensive academic literature review of all the studies on fire services we could find published since 1990 and reported on them in the report. We did not "choose" to include only one study of fire services. Given the specific references to other studies included in Sheldrake's response, we can only presume that he is not aware of any additional specific studies on fire services either. If he has identified additional studies, we would be happy to review them and we would modify our conclusions accordingly.

5. The Savitch (1993) and Voith (1992) studies cited in Sheldrake's memorandum are irrelevant for the purpose of our work. These studies simply point out the importance of looking at metro economies as regional economies, not as independent and isolated local economies. This is conventional regional economic analysis, but it does not imply that regional economies should be governed by a regional government. Indeed, as our review of the literature and survey experts points out, there are a number of ways to govern a region — from complete fragmentation to complete consolidation to a hybrid form like Unigov. Analytically, to conclude that the various parts of a region are interdependent and should therefore necessarily be governed by one entity would be equivalent to saying that since national economies are interdependent they should be governed by one world government, or because machine shops and public relations companies are part of the supply chain for the automobile industry, General Motors should manage all businesses connected to automobile manufacturing.

7. The study by R.H. Mattoon mentioned in Sheldrake's response is, in fact, cited in our study. It is listed in the bibliography.

In sum, we do not believe the points raised by Mr. Sheldrake have raised significant objections to our research or conclusions. In fact, adopting some of the suggestions would have taken us off task and risked presenting a distorted view of the expert opinion and research on this issue.

"(The minority's) point appears to be that since some studies have found positive results we should conclude that consolidation is beneficial."

— The Indiana Policy Review Foundation

Indiana Policy Review
Winter 2006

HISTORICAL MATERIAL

“The political support for consolidation depends in part on an important myth: Bigger is better.”

— Dr. Sam Staley in testimony before the Marion County Consolidation Study Commission.

The following is excerpted from remarks by Dr. Samuel Staley on his initial appearance before the Marion County Consolidation Study Commission on Aug. 10, a few months prior to being given the commission to study consolidated governments.

The positive consolidation experiences of individual cities have been spotty at best. A general belief has emerged among scholars that city-county government consolidations yield little in the way of efficiencies in local government or benefits for economic development purposes.

City consolidations are now promoted for reasons other than efficiency, including:

- Better regional land-use planning.
- Coordinating regional infrastructure investments.
- General economic development.
- Redistribution of resources and income to low-income neighborhoods and central cities to improve regional equity.

But, even in these cases, we find more cases of cities falling below expectations than those meeting or exceeding them. The political support for consolidation depends in part on an important myth: Bigger is better. Most of the arguments rest on the belief that better applications of

“scientific management” will result in efficiencies and cost savings. But, this is an outdated approach to organizational management more suited to a 1950s automobile plant than a 21st-century city.

The general lack of savings and efficiencies among consolidated cities can be attributed to a number of factors, including:

- The difficulty of coordinating larger departments over larger geographic areas.
- Significant transition costs, such as reprogramming computer systems, upgrading computers, reorganizing human resource management systems, re-aligning personnel.
- Adding more staff at middle-management levels.
- Fewer competitive pressures for cost savings.
- Longer than anticipated transition periods.
- More highly politicized policy decisions insulated from voter accountability.

“There is no need for such a survey (of academic studies) to be conducted . . .”

— Minority members of the commission prior to completion of the report.

The follow is excerpted from a guest column in the Indianapolis Star on Nov. 6, a few days before the study was completed. It was signed by the minority members of the Marion County Consolidation Study Commission (Billie Breaux, a state senator from Indianapolis; Ed Mahern, a state representative from Indianapolis; Monroe Gray, a member of the City-County Council; Joe Anderson, chief of the Washington Township Fire Department; Scott Chinn, a partner in the Baker & Daniels law firm; John Myrland, president of the Indianapolis Chamber of Commerce; and Tom Hanify, president of the Professional Fire Fighters Union of Indiana.)

We are members of the Marion County Consolidation Study Commission, which is chaired by Sen. Mike Young and was created by Senate Bill 307 to study Mayor Peterson’s Indianapolis Works plan. The commission was given \$45,000 of taxpayer money to hire consultants to assist commissioners in their work. . . . There is no need for such a survey to be conducted — and we are disappointed that so much of the discussion surrounding the study commission appears to focus on other communities that have attempted consolidation rather than on the history of Unigov. Indianapolis and Marion County consolidated much of local government under the Unigov law in 1970. That consolidation has been

and is perceived as a success. Those parts of Unigov that permit countywide or consolidated citywide services, such as public works, parks and metropolitan development, are effective and generally financially solvent.

Those parts of local government that were not consolidated, such as police, the Sheriff’s Department and fire operations, are in fiscal crisis. Downtown and other development in Indianapolis since Unigov, such as the downtown mall, obtaining a professional football team, tremendous growth in convention traffic and tourism, have permitted the city to compare favorably with other Midwestern cities.