

Leveraging Local Change II: State Initiatives to Promote Service Sharing and Consolidation

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1. Research Question: How Are Local Governments Reinventing Themselves?

Some assumptions...

- + Persisting hard economic times (the “New Normal”) call for more than business as usual approaches to budget-balancing.
- + Cities and counties will need to find ways to reinvent themselves.
- + Economic crisis will drive fundamental and permanent changes in local services and structures.

2. Key Research Findings

1. Most budget-balancing strategies have involved cutting expenditures rather than raising revenue. Locally-initiated approaches to economic crisis have been conventional and incremental, not bold or innovative. Consistent with cutback management literature.
2. Local officials have been reluctant to enter into collaborative arrangements to share services.

Research Findings (cont'd.)

3. Restructuring remains an unpopular option. Perceived political risks often outweigh rewards for making more transformational change (core service elimination, expanded service partnerships, jurisdictional realignment).

4. Local government structure is resilient and the status quo is very difficult to disrupt.

3. Examining State Efforts to “Leverage” Local Change

- Review of literature and websites (Spring 2013).
- Survey of municipal league/county commissioner association executive directors (Summer/Fall 2013).
- Interviews with staff in key states (Fall 2013/Winter 2014).
- Follow-up analysis of three states (NY, NJ, IN).

Bottom-up (“Carrot”) Strategies

- Facilitate cross-boundary approaches
- Encourage use of regional bodies
- Financial incentives for collaboration
- Liberalize procedures for changing local structure
- Financial support for local planning and implementation studies for shared or consolidated services
- Technical assistance



Top-down (“Stick”) Strategies

- Empower, shift services to counties
- Mandate regional cooperation/service consolidation
- Eliminate/reduce “non-viable” local units
- Curtail state aid eligibility
- Mandate service transfer to state



State Initiatives: Carrot Approach

New York

- Since 2008 Local Government Efficiency Grants (LGe)
 - Studies, demonstration/implementation projects, “transformative” innovations with cost-savings or lowered property tax potential.
 - 2012, Local Government Performance and Efficiency Program awards for innovations resulting in demonstrated cost savings as well as implementation of Financial Restructuring Board (2013) recommendations.
 - 52 dissolution studies and 92 functional consolidation studies funded; 12 dissolution implementation projects, 27 consolidation projects.
- Government Reorganization and Citizen Empowerment Act (2010)
 - Uniform procedures for consolidation or dissolution of local units, except school and some special purpose districts.
 - Citizen’s Re-organization and Empowerment Grant (CREG) in 2012 to assist in restructuring initiatives.



State Initiatives: Stick Approach

New Jersey

- History of “carrot” approach for decades; lack of success
- 2007 Uniform Shared Services and Consolidation Act
 - Promoted local shared services, regionalism, and consolidation to lower property taxes.
 - Provided planning and technical assistance to interested localities.
 - Sharing Available Resources Efficiency (SHARE) program provides grants and locals for local feasibility studies and one-time start-up costs.
- 2011 Local Best Practices Checklist
 - Annual survey ties to December state aid payment.
 - Shared service agreement initiatives first question.
- S2 (2012) recreates N.J. Local Unit Alignment, Reorganization and Consolidation Commission
 - Determine efficiency/tax savings through local unit consolidation.
 - If Commission proposals endorsed by governor and legislature are not approved by local voters, state aid equal to projected savings would be revoked.
 - Superseded civil service and collective bargaining tenure rights.
 - Passed Senate, not in House.



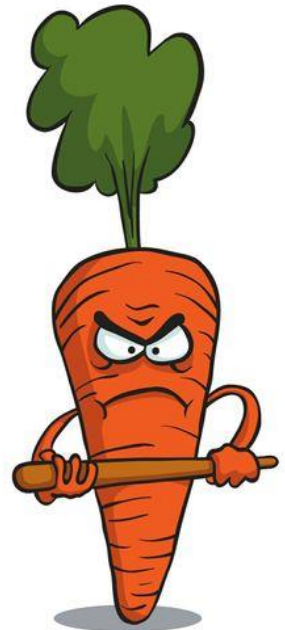
Stick Approach (cont.d)

Indiana

- Indiana Commission on Local Government Reform (2007) 1/3 of 27 recommendations enacted by 2015, including
 - Transfer township assessing duties to county assessor
 - Shift child welfare funding from counties to state
 - Consolidate emergency public safety dispatch systems
 - Tighten restrictions on school bonds
 - Provide more local joint purchasing opportunities

Not Adopted

- Establish a single elected chief executive and unified legislative body for each county
- Transfer most township duties to elected county executive
- Strengthen voter powers to compel school and township consolidation



4. Findings

1. Local managers and elected officials tend to think of their state as an adversary instead of partner.
2. The paradox of local government home rule.
3. Only 11 reporting states used either “carrot,” “stick,” or combined approaches to push change.
 - Most that have tried have failed due to local opposition.
 - Some support exists for state incentives for service sharing and other “bottom-up” approaches, but not for top-down approaches.

Findings (cont'd.)

4. Most leveraging examples are not part of state-wide strategic agenda.

5. Universities, think tanks, commissions, councils of governments, and state agencies can play useful roles in conducting or supporting studies of service sharing/consolidation opportunities and demonstrations.

5. Implications and Questions

Economic crisis does not drive widespread change through local initiation or state intervention.

- *If economic crisis doesn't drive dramatic change, what does?*
- *What will alter the local status quo?*

Implications and Questions (cont'd.)

The majority of states surveyed did not report significant efforts to push local service or structural change.

- *Should states be more aggressive as catalysts for these changes?*
- *Will the trend toward more state restrictions of local authority lead to more leveraging?*

6. Recommendations

States and local governments can be partners in leveraging change if ...

1. Use an incentive-based, bottom-up, “carrot” approach.
2. Provide serious and sustained incentives and link to broad, strategic initiatives.
3. Identify functions ripe for collaboration (“low-hanging fruit”).
4. Develop realistic multi-year goals, objectives, and funding streams.