



THE PUBLIC
SOLUTIONS
HANDBOOK
S E R I E S

MARC HOLZER, SERIES EDITOR

Municipal Shared Services and Consolidation

A PUBLIC SOLUTIONS HANDBOOK

Edited by
Alexander C. Henderson



Municipal Shared Services and Consolidation

"Municipal Shared Services and Consolidation accomplishes the important task of translating insights from academic research into the realities of working government professionals. Municipal leaders of all stripes will get valuable guidance about when to pursue collaborations among governments and how to manage them." —**Matthew Potoski**, University of California, Santa Barbara

"This book provides an excellent review of the conceptual issues related to interlocal collaboration and shared service management. It contains critical insights for students, scholars, and practitioners who are interested in local service provision and governance." —**Alfred T. Ho**, University of Kansas

Municipal Shared Services and Consolidation provides a clear and comprehensive review of the theories and practices associated with the structuring and management of complex local government services. Intended for academics, students, and practitioners, this volume addresses concepts and processes of shaping collaborative public-service arrangements, keeping in mind the goals of effectiveness and efficiency.

The *Handbook* begins by reviewing various approaches to shared services and consolidation, highlighting conceptual foundations, practical barriers, and related cultural considerations. In-depth analysis of the processes of creating, implementing, and managing shared services and consolidation agreements is backed up by solid advice and practical solutions. This exceptional resource is complemented by numerous examples, cases, illustrations, and a thorough bibliography.

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Alexander C. Henderson is an assistant professor in the Department of Health Care and Public Administration at Long Island University, Post Campus. He holds a BA and MPA from Villanova University, and a PhD in public administration from Rutgers University-Newark. He previously served as a chief administrative officer, operational officer, director, and volunteer with several emergency services organizations in suburban Philadelphia.



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MUNICIPAL SHARED SERVICES

A Public Solutions Handbook

Alexander C. Henderson, Editor

E-GOVERNMENT AND WEBSITES

A Public Solutions Handbook

Aroon Manoharan, Editor



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Alexander C. Henderson, Editor

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Series Editor's Introduction

The impetus for this series of public management handbooks is simply that public managers must have ready access to the best practices and lessons learned. That knowledge base is surprisingly extensive and rich, including insights from rigorous academic studies, internal government reports and publications, and foundation-supported research. Access to that knowledge, however, is limited by substantial barriers: expensive books and academic journals; “thick” academic language and hard-to-decipher jargon; the sheer volume of information available. Our objectives in initiating this series are to identify insights based in practice, build competencies from that knowledge base, deliver them at an affordable price point, and communicate that guidance in clear terms.

GROUNDING INSIGHTS

Each volume in the series will incorporate case-based research. Each will draw helpful insights and guidelines from academe, government, and foundation sources, focusing on an emerging opportunity or issue in the field. The initial volumes will, for example, address: Shared Services for Municipalities and Counties, Managing Generational Differences, Government Counter-Corruption Strategies, Public Sector Innovation, E-Government and Websites, and Performance Measurement and Improvement.

COMPETENCIES

We are initiating this series of Public Solutions Handbooks to help build necessary competencies, empowering dedicated, busy public servants—many of whom have no formal training in the management processes of the public offices and agencies they have been selected to lead—to respond to emerging issues, delivering services that policymakers have promised to the public, carrying out their missions efficiently and effectively, and working in partnership with their stakeholders. Enabling practitioners to access and apply evidence-based insights will begin to restore trust in their governments through high-performing public, nonprofit, and contracting organizations.

Just as importantly, students in graduate degree programs, many of whom are already working in public and nonprofit organizations, are seeking succinct, pragmatic, grounded guidance that will help them succeed far into the future as they rise to positions of greater responsibility and leadership. This includes students in Master of Public Administration

(MPA), Master of Public Policy (MPP), Master of Nonprofit Management (MNPM), and even some Master of Business Administration (MBA) and Law (LLD) programs.

AFFORDABILITY

Handbook prices are often unrealistically high. The marketplace is not serving the full range of public managers who need guidance as to best practices. When faced with the need for creative solutions to cut budgets, educating for ethics, tapping the problem solving expertise of managers and employees, or reporting progress clearly and transparently, a grasp of such practices is essential. Many handbooks are priced in the hundreds of dollars and are beyond the purchasing power of an individual or an agency. Journals are similarly priced out of the reach of practitioners. In contrast, each volume in the Public Solutions series will be modestly priced.

CLEAR WRITING

Although the practice of public administration and public management should be informed by published research, the books that are now marketed to practitioners and students in the field are often overly abstract and theoretical, failing to distill published research into clear and necessary applications. There is substantial, valuable literature in the academic journals, but necessarily to standards that do not easily “connect” with practitioner audiences. Even in instances where practitioners receive peer-reviewed journals as a benefit of association membership, they clearly prefer magazines or newsletters in a straightforward journalistic style. Too often they set the journals aside.

I am proud to announce the initial volume in the Public Solutions Handbook series: *Municipal Shared Services and Consolidation*, edited by Alexander C. Henderson. As a clear guide to an emerging menu of possible solutions to enduring and complex problems across neighboring municipalities, it emulates the goals and values of the series. As the first in a series of responses to enduring problems of stretching, optimizing, and conserving scarce municipal resources, this is an important new volume for public managers who are pursuing the promise of municipal shared services or even consolidations. This handbook will necessarily find a permanent niche on the desks of many public managers, empowering them to deliver public services as promised—efficiently, effectively, and within the budgets that citizens have entrusted to their municipalities.

Marc Holzer
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Introduction

Alexander C. Henderson

Local governments are in a near-constant search for strategies to increase efficiency and effectiveness in the provision of public services. Given the reduced resources and increased demands facing many of these units of government, methods of sharing services or consolidating have emerged as important means to create cost savings while maintaining effectiveness and meeting organizational goals. Creating shared service arrangements or consolidating with other units can be tremendously complex activities, and are made increasingly challenging given the intrinsic links to underlying political, economic, and social systems. This volume helps to navigate these complexities and challenges by providing a clear and straightforward overview of the theoretical bases of cooperative activity, supported and refined with pertinent examples drawn from practice.

Students, practitioners, and scholars will undoubtedly find great utility in the content included here. Students of public administration and in-service practitioners, especially those with an interest in local government management, nonprofit administration, public budgeting and finance, and performance measurement and management, will find strong connections between their academic interests and the tangible, real-world examples. Scholars of public administration will find this text useful in supporting and framing academic research. The clarity and depth of the core concepts reviewed can serve as a key summative resource in developing literature reviews and outlining complex concepts related to the topics listed above.

Part I provides a theoretical and conceptual foundation for the discussion of shared services and consolidation, and also grounds the discussion in the realities of local government. In Chapter 1 Mildred Warner cogently lays out core concepts that have shaped views of how to structure local public services, specifically focusing on questions of economies of scale and efficiencies, political considerations revolving around jurisdiction and responsibilities, equity considerations, and governance of shared services and consolidation efforts. In Chapter 2 Christopher Hawkins and Jered Carr continue this conversation, providing an equally important and realistically grounded look at the barriers to consolidation and shared service delivery. Hawkins and Carr highlight previous work on transaction costs—central to cooperative activity—and discuss how the inherent risks found in these activities can be reduced through an understanding of service types, institutional design, and the social networks of administrators involved in these processes. In Chapter 3 Sydney Cresswell and Anthony Cresswell write about the nature of communities and culture in shared services and consolidation, a crucially important area of inquiry in discussions of how to shape local government. They also examine issues of community involvement and citizen engagement, focusing on processes that balance citizen input and weigh alternatives while tailoring these to specific local conditions.

Part II moves from discussion of conceptual and theoretical issues to the realm of practice. In Chapter 4 Michael Hattery outlines the processes of creating and shaping shared service agreements and consolidation of functional areas, providing specific considerations for initiating agreements, evaluating service delivery alternatives, capacity issues involved in changing public service provision, and the importance of flexibility in service provision and organizational change. Lauren Miltenberger continues the conversation in Chapter 5 by linking the discussion to the area of nonprofit management, focusing on those aspects of the nonprofit-municipal relationship that may be both pertinent and useful to those considering shared services and consolidation. Miltenberger begins with a discussion of the development of nonprofit-municipal relationships over the last several decades, reviews a number of best practices emerging from these relationships, and presents a typology that addresses possible barriers while offering suggestions for smoothing the establishment of collaborative relationships.

The discussion continues with Eric Zeemering's work in Chapter 6 on the necessity of attention to the management of shared service relationships. Zeemering examines evidence from interviews of both city managers and elected officials in the San Francisco Bay Area who engage in shared service activities, and brings to the fore a number of important considerations for managing complex shared local services. Specifically, he highlights the importance of fostering contract management skills among local government managers—including the process of initiating the contracting process and determining the necessity of altering contracts once in place—while concomitantly allowing for democratic oversight and popular input. One specific component of the broader set of activities associated with shared service management is that of performance measurement, the focus of Daniel Bromberg's work in Chapter 7. Bromberg discusses the role of performance measurement in interlocal agreements, and presents evidence of performance and monitoring challenges associated with shared property tax assessment in New Hampshire.

The conversation then shifts to an example of the failure of an attempt at functional consolidation. In Chapter 8 William Hatley, Richard Elling, and Jered Carr provide an engaging example of the failed consolidation efforts of five local fire departments in the suburbs of Detroit, Michigan. Hatley, Elling, and Carr outline the importance of a number of factors that created substantial barriers to these efforts, including difficulties developing understanding of expected costs and benefits of collaboration, the influence of state rules and unions on collaborative efforts, considerations of the loss of local control and communicating benefits to citizens and politicians, and lack of trust, the combination of which ultimately resulted in a complete breakdown of efforts.

In Chapter 9 Ricardo Morse and Charles Abernathy bring together the elements of this discussion of shared services and functional consolidation by presenting a typology of shared service agreements. Morse and Abernathy outline the complexity and variety of different types of shared service relationships, and create a two-dimensional framework centered on the extent of consolidation and shared governance. In Chapter 10 Suzanne Leland and Reid Wodicka outline the importance of creativity and innovation in thinking about ways to structure local government services, pulling ideas from current practice that could be expanded with the right attention to application.

Local governments provide important services in an evolving and complex environment, and are undoubtedly worthy of our focus and attention in an effort to both cultivate understanding and improve public service provision. The theories and linkages to practice found here substantively contribute to this crucial conversation.

Part I

Introduction and Theoretical Considerations

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1

Municipal Size, Resources, and Efficiency

Theoretical Bases for Shared Services and Consolidation

Mildred E. Warner

The United States has a fragmented system of local governments, and many ills are blamed on this fragmentation. Inadequate watershed management, inequality and segregation in public education, poorly integrated regional transportation systems, suburban sprawl, and local government fiscal crisis are all blamed in part on our fragmented local government system. The problem is not unique to the United States. The challenge of suboptimal local government size has bedeviled government reformers for more than a century. The problem is common across continental Europe, Australia, and North America (Lago-Peñas and Martinez-Vazquez 2013). When local government units are too small or too fragmented in a region, this makes it difficult to provide quality services or to coordinate services across jurisdictions. While urban planners typically look to political consolidation as the solution (Rusk 1993; Orfield 2002), public choice theorists point to the possibility for voluntary shared service arrangements even inside a fragmented polycentric local government system (Bish and Ostrom 1973). Such voluntary shared service arrangements offer the possibility for a solution short of political consolidation, which is both unpopular and uncommon (Leland and Thurmaier 2004, 2010). But how can such shared service arrangements be promoted? What guidance does theory offer?

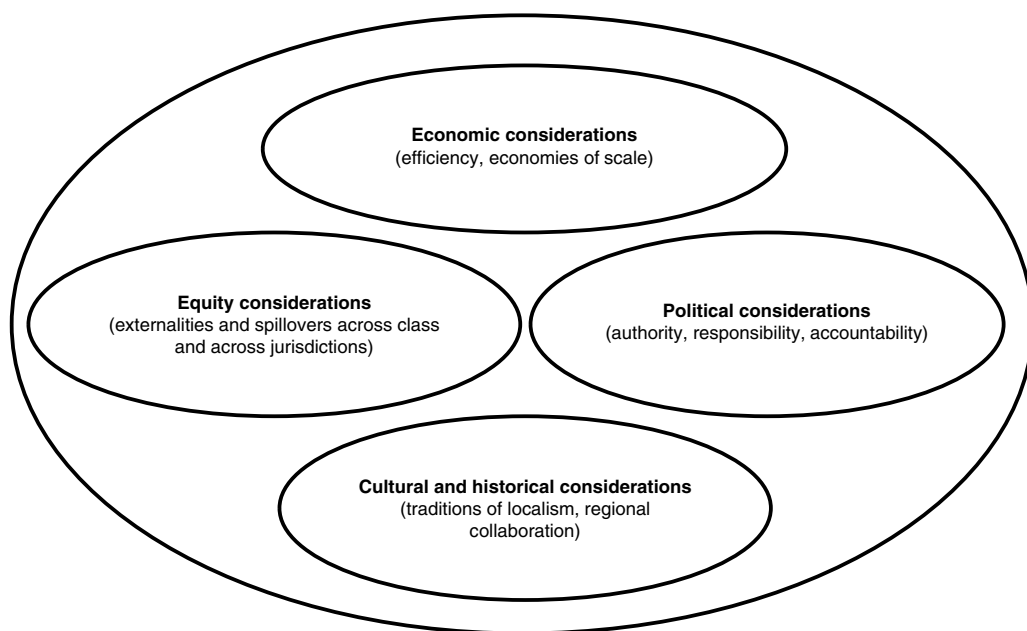
This chapter explores some theoretical bases for shared service arrangements. A theoretical framework must be grounded in an understanding of culture and history and recognize the path dependence of the problem of governmental fragmentation and the possibilities for its solution. We must give attention to political considerations that address service responsibilities, finance, and accountability in a multilevel federalist governmental system, equity considerations that look at externalities and spillovers across jurisdictions in an urbanizing world, and economic considerations of efficiency and economies of scale at both the governmental unit and the service level. Each of these issues is critical to a comprehensive theoretical framework (see Figure 1.1).

In this chapter, I give special attention to the concerns and insights raised by economic, political, and equity considerations. Theories that give emphasis to one or the other of these considerations offer contrasting views regarding the problem of governmental fragmentation and its solution.

Regarding political considerations, fiscal federalism and public choice theories gener-

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Figure 1.1 The Theoretical Framework



ally celebrate the efficiency and democracy potential of a fragmented local government system. While fragmentation may create coordination problems, it also offers the solution with economic incentives for collaborative action. For example, Nobel laureate Elinor Ostrom (2010) argued that fragmented government systems create a polycentric system of many independent local governments, which in turn promotes innovation, enhanced citizen voice and diversity due to localism, and a marketplace for public services that promotes efficiency and fiscal equivalence. If coordination and allocational efficiency problems arise, they can be addressed voluntarily through shared service arrangements.

Theories that emphasize economic efficiency, by contrast, often focus on economies of scale as a solution to the problem of suboptimal local government size. This can lead to a consolidationist view. However, achieving efficiencies in a fragmented government system depends on the nature of the service and changes in the technology of service production, and this offers a wider array of possible solutions (Holzer and Fry 2011). Both production and transaction costs must be considered in assessing alternative arrangements—unit consolidation, functional consolidation, or shared services. Governance arrangements are critically important in determining transaction costs of alternative shared service arrangements (Feiock 2009).

Finally, regional equity considerations give attention to the heterogeneity of need and resources across local governments and the need for coordination. Geographic differences by metro status create different challenges in rural and metropolitan regions (Warner 2006). Coordination and allocative efficiency questions are paramount. Differences in interests may undermine the potential for voluntary solutions. Regional equity theories

explore the political bases for cooperation and often argue for consolidation approaches, although some recent research has focused on the possibility for voluntary action as well (Leland and Thurmaier 2004; Pastor, Benner, and Matsuoka 2009).

Each of these perspectives provides a diagnosis of the problem and a basis for its solution. While celebrating fragmentation and efficiency, fiscal federalism and public choice theory acknowledge the problem of suboptimal size but point to the positive potential of a voluntary approach to shared services. Economies of scale give attention to service characteristics but also acknowledge the transaction costs associated with different governance arrangements. Regional equity theory explores the political interests and challenges in a fragmented governance system and the means to overcome them. In each of these considerations we find the seeds of a theory for shared service delivery—the role of a market, the nature of service, the nature of governance arrangement, and the means to address differences in interests. Under the economic efficiency paradigm, concern about public goods, externalities, economies of scale, transaction costs, and market failures justify the use of consolidation or coordinated service provision (Boadway and Shah 2009).

However, society is not only interested in economic efficiency. Values such as equity, equality of opportunities, and security matter. And political concerns regarding the roles of the government, the importance of self-determination, and the appropriate level of centralization or decentralization all come into play (Mikesell 2007; Boadway and Shah 2009). More recent theoretical attention has focused on a framework for understanding collective action at the local government level and the role of norms, networks, and political interest groups (Feiock, 2009; Leland and Thurmaier 2004, 2010). But first, let us turn to a discussion of history.

HOW DID WE GET HERE?

The United States has a tradition of fragmented local government that began with the founding of the nation (Warner 2013). In many ways, local government structure reflects economic development trajectories. In the Northeast and Midwest, early settlement patterns were based on a small farm yeoman economy. Economic democracy led to a form of direct local democracy captured in the town meeting form of local government. Township boundaries were roughly determined by the distance a person could travel to do business and return in a day.

In the South and West, this township tier is not found. Plantation agriculture in the South and ranching in the West did not require (or desire) a township tier of government, in part because of the larger territorial expanses of these economic forms. In these regions, county governments (without townships) were established. With urbanization, cities formed within counties to address the more complex service coordination needs that urbanized settlements require. As new cities and suburbs formed, they created their own city governments, leading to what is today a dense, fragmented system of 38,910 multipurpose local governments (townships, villages, cities, and counties), according to the 2012 Census of Governments.

6 INTRODUCTION AND THEORETICAL CONSIDERATIONS

This historical layering of local government organization reflects the economic realities of an earlier time. The challenge for the twenty-first century is that the earlier layers are locked in a palimpsest that makes difficult the creation of a local government layer that better reflects the coordination needs of a modern-day economy and society. Urban geographers argue that we are now in the era of the “city region,” and that this is the relevant economic unit for a global economy (Brenner 2004). Similarly, rural planners point to the need to coordinate activity across a resource base—such as a watershed—and the challenges that a fragmented underlying local government system creates for environmental management and coordination (Homsy and Warner 2013).

It is in this context that this book explores the possibility for shared services and consolidation. Given the rich palimpsest of history, how can we achieve a more geographically and economically rational form of local government today? This volume explores two possibilities: political unit consolidation or functional consolidation via shared services.

Political unit consolidation has not been an attractive option for U.S. local government. Scholars who study consolidation note the importance of crisis in generating interest in consolidation, and the role of trust, power, and policy entrepreneurs in providing the leadership for change (Leland and Thurmaier 2004, 2010; Carr and Feiock 2004). Political support for localism is very high in the United States because it supports local voice and democracy, and because it justifies differentiation in local services by race and class (Briffault 2000). While regional planners have called for consolidation as a solution to the problems of coordination on a regional scale, the number of consolidations that actually have occurred is minimal. Empowered counties, where cities merge with their surrounding county, have been recommended (Rusk 1993, 1999), but these, too, are rare.

Instead, scholars and practitioners have shifted attention toward voluntary forms of coordination—from councils of governments and metropolitan planning organizations at the regional scale, to intermunicipal cooperation for shared production and delivery at the service scale (Holzer and Fry 2011). Such voluntary intermunicipal cooperation is quite common. The International City/County Management Association tracks the level of intergovernmental contracting at the service level. The most recent 2007 data show that cooperation accounts for 16 percent of all local government service delivery, an increase of 30 percent from 2002 (Hefetz, Warner, and Vigoda-Gadot 2012).

Such intermunicipal contracting is sometimes understood as functional consolidation, because the cooperating governments join in producing and delivering a single service without consolidating the entire political unit. This preserves localism but allows for a level of consolidation at the service level.

This chapter explores the theoretical bases for understanding shared service delivery given the problem and context of our fragmented local government system. It covers theoretical bases focused on political structure (fiscal federalism and public choice), economic considerations regarding economies of scale and transaction costs, and equity considerations for externalities and spillovers. The critical importance of governance structure is then presented, and challenges relating to the factors that promote or limit governance of intermunicipal collaborative agreements are explored.

FISCAL FEDERALISM

Fiscal federalism does not see a problem with fragmented local government. Fragmentation creates a market, which provides the solution to concerns with productive efficiency. Coordination, to the extent not achieved through a competitive local government market, can be accommodated with a voluntary cooperative approach. This is the basis for polycentric collective action articulated by Ostrom and colleagues. Prospects for cooperation are wide.

The U.S. government is a federal system built up from the states. Local government structure and authority is determined by the states. This creates a lot of diversity in local government form, local government autonomy, finance, and service delivery (Frug and Barron 2008). Fiscal federalism is an institutional arrangement for governmental finance and administration in a multilevel system. It is based, in part, on public choice theory, which argues that such fragmentation promotes productive efficiency, fiscal discipline, diversity, and citizen voice (Oates 1998).

Writing in the middle of the great suburban post–World War II development wave, Charles Tiebout, in his famous 1956 article *A Pure Theory of Local Expenditures*, argued that the multitude of local governments created a market for public services. This market is the basis for the efficiency claims of the fiscal federalists. Competition on both the supply and demand sides creates the basis for efficient production of local services. On the supply side, local government managers see a market of competing local governments; managers compete with their neighbors to offer the most efficient mix of services and taxes in order to attract residents. Residents, Tiebout maintained, create a market on the demand side.

There was a great deal of geographic mobility during this post–World War II period. Tiebout argued that residents are mobile consumers who evaluate the relative efficiency in service delivery offered by different local governments and choose where to live based on their true preferences, thus sending a clear market signal to city managers. Subsequent research has challenged this naïve view of sorting, pointing out that factors other than economics (such as race and class) drive the decision making of both residents and local government managers (Lowery 2000; Troutt 2000; Marsh, Parnell, and Joyner 2010; Lichter et al. 2007).

The budget constraint is an important factor in promoting efficiency in the local government market. U.S. local governments are the most fiscally autonomous in the advanced industrialized world. Services, by and large, are funded by local revenues. This creates a strict budget constraint on both citizen demand and local manager supply. Fiscal equivalence ensures fiscal discipline in the system—residents get what they pay for and must pay for services received (Oates 1998). If more services are desired, a higher level of taxes or user fees must be incurred.

But the benefits of a fragmented system do not stop with market-based efficiency and budget constraints. Fiscal federalists argue that a further benefit of a fragmented system is the potential for innovation, diversity, and voice (Ostrom, Tiebout, and Warren 1961).

8 INTRODUCTION AND THEORETICAL CONSIDERATIONS

The United States is a diverse country. Local government services vary according to need and preference, and a fragmented system allows this diversity to flourish. Localism supports voice and diversity. And from such diversity springs innovation.

Most famous among the fiscal federalists is Elinor Ostrom, who argued that public goods problems are best resolved at the most local level through a system of voluntary collective organization (Ostrom 1990). Her research, primarily in rural settings concerned with natural resource management, pointed to the importance of trust, sanctioning power, and iterative interaction between local actors to ensure successful collective management without dissipating the resource (Ostrom 2010).

The parallel to Ostrom's argument at the local government level is voluntary intermunicipal cooperation. Popularized in the famous public policy writing of Robert Bish and Vincent Ostrom (1973), the theory offers a critical alternative to regional consolidation by showing that communities can voluntarily cooperate to address issues of cross-community coordination and that such cooperative service delivery could be more efficient than consolidated service delivery (Parks and Oakerson 1993). Thus, a fragmented, polycentric local government system is not a problem needing correction, but rather a system that is self-correcting both due to market pressures and to voluntarily coordination for collective action.

REGIONAL EQUITY

Regional equity theorists see a serious problem with a fragmented local government system and give central importance to the need for regional coordination. Heterogeneity of need and resources across the region makes allocative efficiency of paramount concern, but differences in interests undermine the potential for voluntary solutions. Regional equity theories typically argue consolidation approaches are superior.

The late twentieth and early twenty-first centuries show the increasing importance of city regions as drivers of economic competitiveness in a global world, and the need for more system-wide coordination of resources—watersheds, food systems, energy waste, and so forth. Fragmented and overlapping political jurisdictions undermine the potential for coordinated management. This is both an environmental management and an equity concern. While voluntary coordination across jurisdictions is welcome (Pastor, Benner, and Matsuoka 2009), it is difficult to achieve without some higher level of governmental authority.

Reviews of the evidence on fragmented local government point to problems with information asymmetry, resource inequality, and lack of mobility—especially for the poor (Lowery 2000; Troutt 2000). Community choice is driven by more than preference for a specific tax and service combination. Resource and service inequality in a fragmented local government system leads to a “privatized” view of local services to members of a single jurisdiction and this undermines the potential for equity across the metropolitan region (Frug, 1999). The supply and demand for local services is not simply based on

a competitive market sorting mechanism regarding the efficiency of local services and taxes, but on race and class differences, which distinguish communities across both the metropolitan and rural landscape (Troutt 2000; Lichter et al. 2007; Marsh, Parnell, and Joyner 2010). For both urban and rural areas, fragmentation and suboptimal government size lead to problems of poor governments whose lower service levels result in reduced opportunities for residents. This problem has been well documented in poorer rural communities (Warner 2001; Warner and Pratt 2005), inner cities (Wilson 1987), and recently in inner ring suburbs (Kneebone and Berube 2013).

Consolidation is typically promoted by planners as the preferred option (Rusk 1993; 1999; Orfield 1997, 2002). Consolidation allows for greater attention to technical efficiency (Prud'homme 1995) and managerial capacity to ensure a more effective local government administration (McKinlay 2011). Australia has probably gone the farthest in promoting a consolidationist agenda, but even there scholars do not find significant evidence of cost savings (Dollery and Johnson 2005). The argument instead is for a more effective local government organization that matches the geographic scale of economic activity in the twenty-first century city (Aulich et al. 2011).

Support for consolidation in the United States is limited and weak. The most common consolidation is single-purpose, functional consolidation focused in a specific service area such as transportation. Metropolitan planning organizations typically play a consolidation role, but the technical orientation of these efforts can undermine equity goals (Downs 1994). This has led regional planners to argue for a democratic, people-based regionalism (Frug 1999; Bollens 1997).

Recent scholarly research has focused on political interests and power strategies that can encourage and support voluntary regional coordination. Norms of trust and reciprocity are built up over time to support network ties, which promote collaboration among local public administrations (Agranoff and McGuire 2003). Scholarly attention also is being focused on politics, social movements, and shifting market preferences in order to achieve support for regional integration (Pastor, Benner, and Matsuoka 2009). Voluntary forms of interlocal cooperation, such as shared services, may become an important, practical alternative to regionalism (Carr and Feiock 2004; Thurmaier and Wood 2004).

The question remains, how likely is voluntary cooperation among heterogeneous local governments that differ widely in resources and need? Empirical research is equivocal on this point. Looking over a fifteen-year period with International City/County Management Association (ICMA) data, we find intermunicipal contracting is pro equity in some years and neutral in others, whereas for profit contracting is never pro equity (Hefetz, Warner, and Vigoda-Gadot 2012). Our measures—income and poverty—are rough proxies for the array of variables that differentiate communities across the region. In a comprehensive review of the literature, Lowery (2000) argues that residential and service choice is often based on racial or class discrimination and leads to preference alignment problems as residents and local governments choose services that create externality problems for neighbors.

Polycentrists and consolidationists find common theoretical ground in their search for mechanisms that promote more coordinated action in a fragmented local government